

Introduction

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A public option is a government provided social good that exists alongside a similar, privately provided good. For example, in American public policy debates over the Affordable Care Act, some scholars and policymakers advocated for a publicly provided health insurance option (like Medicare) that could coexist alongside private health insurance options; individuals would be able to choose between the public option and private options. While the public option is typically identified with health-care policy, public options have actually been a longstanding feature of American life in a variety of sectors. Public schools coexist with private schools; public swimming pools are an accessible alternative to building a pool in the backyard; public libraries provide an option to get a wide variety of books without purchasing them for one's personal library.

Surprisingly, however, scholars have not attempted to assess the category of “public options” systematically. Instead, over the last few decades, most scholarly and popular efforts to ensure access to important social goods have focused on market subsidies (like vouchers) or privatization.¹ These approaches have been applied to a variety of policy arenas – from education to roads and even to the military. Interest in privatization and market subsidies coincided with the ascension of neoliberal ideas that preferred private actors over public institutions.² In public debate, a narrative emerged that government curtailed freedom, stifled markets, and prevented opportunity. If public institutions acted, the argument ran, it would lead society down “the road to serfdom.” This neoliberal policy approach, and at times even the rhetoric, spread across the political spectrum. Conservatives and liberals alike focused on deregulation, public–private partnerships, voucher programs, and privatization more generally.

¹ On privatization see, e.g., Jon D. Michaels, *Constitutional Coup: Privatization's Threat to the American Republic* (2017); E. S. Savas, *Privatization and Public-Private Partnerships* (1999); Jody Freeman & Martha Minow, eds., *Government by Contract: Outsourcing and American Democracy* (2009). On vouchers, see, e.g., William G. Howell & Paul E. Peterson, *The Education Gap: Vouchers and Urban Schools* (Rev'd ed. 2006); C. Eugene Steuerle et al., eds., *Vouchers and the Provision of Public Services* (2000).

² On neoliberalism, see, e.g., David Harvey, *A Brief History of Neoliberalism* (2007); Manfred B. Steger & Ravi K. Roy, *Neoliberalism: A Very Short Introduction* (2010).

In recent years, scholars and policy analysts have increasingly criticized market subsidies and privatization. Both design options have been shown, in some contexts, to have perverse effects. For example, private prisons have been criticized not only for poor conditions and recidivism rates but also for creating a political feedback loop, as the prison industry lobbies the government, to safeguard their business and grow profits.³ Market subsidies have also fared poorly. An important body of work has shown that for-profit colleges rely heavily on profits they make from public subsidies (federal student grant and loan programs); at the same time, these institutions often provide low-quality educations to their students.⁴ In addition, scholars have shown that when the government provides services through private actors, the public is less aware of the role the government plays and less supportive of public action generally.⁵ More broadly, the era of market subsidies and privatization has coincided with increased economic inequality and the erosion of the capacity of and faith in public institutions.

Public provision of important social goods could be a corrective to the trend toward privatization and subsidies, and researchers can and should explore how and when it can succeed. Our book, *The Public Option*, aimed to take a first step, making the case that public options are a coherent category, with a set of benefits and limitations, and we offered a variety of examples. But we always hoped *The Public Option* would not be the last word on public options, and we invited further inquiry on a number of fronts. This volume takes up that invitation, uniting an interdisciplinary group of scholars who, together, have delved further into the theory of the public option and into several case studies of important public options.

The first four chapters adopt a wide focus, taking on cross-cutting issues relating to public options. One overarching issue for all public options is the political reception of public initiatives. In their chapter, Mallory SoRelle and Suzanne Mettler point out that the United States has a long history of public provision, but that public programs often are structured deliberately to be invisible. The result, they argue, is that “Americans erroneously attribute to the market many benefits that government has a hand in providing.” On the one hand, they argue, these political dynamics could prove a stumbling block for public options, because they challenge the “myth that American life has developed historically and thrives today owing to autonomous markets, without much government aid or intervention.” On the other hand, they suggest, success in creating visible public options could challenge the myth of market-based self-sufficiency: public options might help improve perceptions of government and increase democratic participation. To make that happier outcome

³ Lauren-Brooke Eisen, *Inside Private Prisons: An American Dilemma in the Age of Mass Incarceration* (2017).

⁴ For a discussion, see Ganesh Sitaraman & Anne Alstott, *The Public Option: How to Expand Freedom, Increase Opportunity, and Promote Equality* 20 (2019); Tressie McMillan Cottom & William A. Darity, Jr., eds., *For-Profit Universities: The Shifting Landscape of Marketized Higher Education* (2017).

⁵ Suzanne Mettler, *The Submerged State: How Invisible Government Policies Undermine American Democracy* (2011).

more likely, they conclude, policymakers designing a public option should expressly consider “ends that serve democracy, such as access, inclusion, fairness, and the promotion of civic education and political participation.”

Perhaps one of the central objections to public provision of goods and services is that it will “crowd out” private markets. Mariana Mazzucato and Henry Lishi Li consider this argument in Chapter 2, discussing the public option within economic debates over the state’s role in value creation. They argue that the public sector’s contribution to economic growth and development has been severely understated, leading scholars and policymakers to neglect opportunities for innovation and inclusive growth. Rather than only addressing market failures, they show the entrepreneurial state co-shapes markets along with the private sector. Adopting this broader framework, Mazzucato and Li see greater opportunities for sharing risk and rewards across the public and private sectors. Using the pharmaceutical sector as a case study, they explore a range of options, from financing mechanisms to equity stakes to public manufacturing and production. For an entrepreneurial state that seeks inclusive growth, they conclude that public options are a critical policy tool.

A third structural problem concerns whether public options can expand equality and opportunity. In Chapter 3, Alstott and Sitaraman consider six obstacles to equitable public options. At the top of the list of barriers to equity is racism, which in overt and covert forms throughout our nation’s history has undermined the equitable promise of public options. Other challenges to designing equitable public options include selection effects that can lead to public options taking on a “second class” aura if they become confined to a limited population without political power; whether a good is necessary and sufficient; the complexity involved in accessing the public option; the fracturing of provision through jurisdictional boundaries; and private outsourcing. Alstott and Sitaraman conclude that some – but by no means all – of these barriers can be addressed by good program design.

A fourth overarching issue concerns the public–private boundary. Public options, of course, blend government action with private-sector provision. In Chapter 4, Jon Michaels considers a crossover in the opposite direction: When might private actors adopt the methods of sovereign states to assume responsibility for the general welfare and remedy the failures of actual sovereigns? Michaels terms these “private options,” and his chapter generalizes the idea to cover firms that “use democratic pathways and deliberative procedures” to take on responsibilities that have traditionally been assigned to government, including “voluntarily internalizing externalities, at some profit loss or legal risk; or voluntarily reducing rather than exploiting power and information asymmetries.” Examples, Michaels argues, include Facebook’s proposed digital currency and Google’s modern company town. Looking beyond corporate actors, Michaels also identifies the collective action taken by workers seeking to alter the political stances taken by their employers. In each case, Michaels concludes, private options challenge neoliberal understandings of the

marketplace, because they feature market actors pursuing ends other than profit maximization.

Chapters 5 through 9 focus on particular policy areas, offering case studies of public options that illustrate some of the challenges and opportunities more clearly. Chapters 5 and 6 begin with health care. Jacob Hacker uses recent American policy debates between supporters of a public option and Medicare for All to make the case for a robust public option. A robust public option, he argues, would initially be less costly and face less opposition than Medicare for All, making it more likely to pass. If it is designed to guarantee coverage while reducing costs, the public option would also over time “create self-reinforcing political dynamics,” that would pave the way for a national system. Hacker sees this process as a “policy feedback” loop, in which policy choices today have consequences for opening up possibilities in the future.

Alison Hoffman identifies a number of challenges for a successful public option in health care. The central problem, she argues, is one of choice. A public option that is not easily differentiated from private health-care options would gain few users, as people struggle to see what benefits the program would offer. But even a superior public plan would suffer from problems of choice. Comparing deductibles, cost-sharing, and premiums require navigating a tangle of terms and conditions, in addition to making a variety of mathematical calculations. People also suffer from cognitive biases, and studies show that even well-educated people frequently err in identifying the best policy when given a choice. Moving beyond market-based bureaucracies will require thinking differently about health care, and Hoffman concludes with a set of options that might overcome the challenges she has identified.

In Chapter 7, Kimberly Morgan considers a public option for childcare and concludes that public options in early childhood education and care are the best way to “remake our current market-based system into one that lays the foundations for a more just and equitable society.” The current US childcare system of market provision plus tax subsidies, she shows, has produced low-quality care for too many children, a situation that reinforces existing social inequalities. Morgan discusses several variants of a public option in childcare, including direct provision via the public schools or, alternatively, a mixed model like that used by the US military, which combines government-run childcare centers with subsidies combined with quality regulation for private providers.

Energy provision is usually considered a public utility, with regulated private providers. In Chapter 8, Shelley Welton shows that electricity generation, transmission and distribution, and procurement and delivery come in the form of a public option and that public options in these areas could be critical for transitioning to clean energy. Unlike many other public options, where the choice to use the option is made at the individual level, in the energy sector, decisions – for example, to have a publicly or privately owned grid – are made at the community level. “Community control over energy procurement,” Welton writes, “provides a potent tool for

effectuating [clean energy] transformation in communities that already have adequate political will.” Communities that act will also serve as a yardstick by which to measure the progress of other communities – not just on price, but on the carbon content of energy.

Postal banking is a public option that, according to Mehra Baradaran, could remedy today’s flawed and undemocratic system of private banking. In Chapter 9, Baradaran points out that the US banking system operates using federal infrastructure but that the current system has largely abandoned “lower-profit regions and customers under the guise of ‘inefficiency’ and market competition.” Baradaran notes that the United States had a successful postal banking program in the first half of the twentieth century, and she proposes a modern update of postal banking that might include simple checking and small loans. Properly structured, she concludes, postal banking could provide consumers with an alternative to predatory check cashing services and payday lenders.

While many important themes emerge across these chapters, three are particularly worth pointing out. Most prominent is the choice among policy tools: How does the public option compare to private provision, financing mechanisms, public utility regulation, and exclusive public provision? Policymakers have many models they can utilize in pursuing the goal of universal, affordable access to a good or service. The public option is one among many tools, and sometimes it is the best choice, but not always. Policy design should be sensitive to the goals of promoting democracy, fostering social solidarity, and avoiding selection effects that can undermine the public option.

Another common theme is the importance of public salience and its relationship to policy feedback loops. Whether it is building support for the continuation of the public option, expanding the scope of the public option, or operating as a yardstick or benchmark for public goals, the degree to which public options are seen and known is critical.

Finally, virtually every author shows that public action already exists to construct the market, and that the question is therefore not whether to adopt a public or private approach, but what kind of public action is best. Because markets operate on the backdrop of laws and regulations set by the state, policymakers must make choices – and scholars can help identify the tradeoffs in making those choices. This book takes another step forward in advancing our understanding of public options – and hopefully will spark more debate and discussion on this important policy tool.