**The Political Economy of Good Government**

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**Abstract**

There is a burgeoning interest in what constitutes good government, good governance and quality of government, with increasing importance being given to governing norms, particularly impartiality. While impartiality has a strong role to play in producing good government, no single norm can improve the quality of government on its own. In this paper we argue that the ingredients for good government are many and varied, but that good governments are those that meet substantive as well as procedural expectations. Good governments make sound decisions that contribute to prosperity and social justice. To do so requires a solution to the problems posed by the exercise of political power, particularly corruption, and ignorance of how prosperity and justice are achieved. Good government solutions are political-economic in character. They require distributions of power that encourage the expansion of opportunities, competent leaders who can take advantage of these opportunities, and governing norms that supply epistemic advantage throughout the policy process .

**The Political Economy of Good Government**

**1. Introduction**

The last twenty years have seen a burgeoning interest in what constitutes good government, good governance and quality of government. Although good governance has been described as “definitely an unpopular academic concept due to its vagueness and normative implications” (Mungiu-Pippidi 2015, 11), it has become an unavoidable topic for students of public administration. Among other things, the concept of good governance has been embraced by international agencies such as the World Bank as a means of securing economic growth and societal well-being. A flood of metrics has been proposed to estimate the extent of good governance in given countries and the allocation of aid by the international donor community is frequently premised on these indicators. The so-called “KKZ” indicators, for example, have been developed under the auspices of the World Bank and are used, along with other indicators, by the Millenium Challenge Account to assist in allocating American aid (Buduru and Pal 2010). In the private sector investment decisions now hinge on risk assessments, many of them premised on the same or similar governance indicators.

While there is considerable overlap among these various indicators, it is their variety that is impressive. They cover topics as diverse as corruption, gender equality, bureaucratic autonomy and fiscal rules. Peeling back these indicators reveals a potpourri of underlying concepts. The KKZ indicators, for example, cover voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. Some of these topics derive from the agenda of New Public Management, itself a collage of concepts united by a commitment to bringing market based practices to bear on the public sector. From its beginnings in a concern for service delivery, NPM has expanded to embrace the design of governmental institutions with a focus on improving their overall performance (Boviard and Loffler 2003). Other metrics are rooted in institutional economics with its stress on the beneficent effects that flow from establishing property rights and mechanisms for contract enforcement.

This proliferation of metrics, and the abundant criticism that has dogged all of them (Arnt and Oman 2006), suggests that we may have skipped a step in our rush to quantify and compare. Specifically, recent work in the quality of government area suggests that we should concentrate on identifying the governing norms that underlie the practices associated with these metrics. Rather than trying to obtain a purchase on the overall quality of civic and social life, we should focus more on the actions of government and the degree to which they can be justified (Agnafors 2013). The justification project focuses attention on the governing norms that are most appropriate for achieving individual and social prosperity, variously defined.

This more philosophical position on good governance has set the stage for a consideration of which norms can survive interrogation. One of the strongest candidates to date is impartiality. Simply put, the quality of government is a function of the extent to which the actions of governments are premised on the need to exclude extraneous considerations in the treatment of citizens. More about impartiality below, but for now note the understandable desire to be extricated from the rubble of indicators by devising a parsimonious criterion that goes to the heart of governmental behaviour. It is not our point, in this paper, to quarrel with this particular governing norm. We confirm, in fact, that impartiality has a strong role to play in assessing governance quality, but it needs to share the stage with other governing norms that themselves need to be disciplined by what actually happens in the policy process. The danger of seizing on and defending particular norms is that they are asked to do more work than they can reasonably take on.

In this paper we step back and consider the strands of thought that lead to a set of governing norms that underlie good government. We begin, not by focussing on the concept of good government, but by asking what constitutes bad government. Bad government is a legitimate starting point since so many of the indicators of good government are derived from an unstated idea of what is wrong with how people are governed. So let us begin with what we are trying to avoid.

**2. Bad Government**

Our starting point is that bad government is government that does not adequately deal with two apparently chronic conditions in public affairs: corruption and ignorance. Corruption and ignorance, in turn, produce bad policies – i.e., policies that fail to improve the lives of the people in a country.

Both corruption and ignorance are captured in the metrics mentioned above. However, corruption, which is understood as a form of abuse of power, has received the most attention. At the core of corruption are illegitimate or illegal exchanges such as bribing of public officials, kickbacks in public procurement, or embezzlement of public funds. Corruption, as distinct from negligence or incompetence, does not simply happen; there is a strong volitional component. Joseph Nye’s now classic definition captures the essence of modern concepts of corruption: “behavior which deviates from the formal duties of a public role because of private regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence.” Bad policies make this kind of behaviour safe, easy, remunerative and often power enhancing.

This is a modern version of corruption inasmuch as it assumes that politics is a realm independent of religion or the economy and that there exists a set of political offices to which responsibilities are attached. Corruption occurs when public officials – be they elected or appointed – set aside their formal, office-defined, responsibilities to pursue some form of personal advancement defined broadly enough to include the advancement of one’s political and personal interests as well as the interests of friends, relatives and associates. In the case of grand corruption, it is the abuse of power by elites that is important, as elites change the rules of the game in a way that benefits them (both financially and in terms of obtaining and consolidating power) (Atkinson 2011a). In the case of petty corruption, it is the abuse of power by officials at key points in the bureaucracy as they withhold or provide services that creates the opportunity for bribes and payments (Shleifer and Vishny 1993).

Not all bad policies are driven by corruption, however. Some are the product of ignorance. Ignorance refers, first, to an inability or unwillingness to acquire and apply readily available knowledge to decision situations. Ignorance, in this sense can be inadvertent—gaps in knowledge—or rational—based on a calculated choice to decline to be informed. The second type of ignorance arises from the absence of any available information or knowledge. Understood this way, ignorance is often a function of uncertainty, the inability to accurately anticipate the probabilities of outcomes given some action. In situations where there are no known underlying probability distributions to represent complex interactions, it is not possible to draw reliable inferences even if we were inclined to do so.

Ignorance in this second sense is compounded by biases, that is inaccurate methods of determining the correct route to a desired outcome. Politicians, professional public servants and citizens are all susceptible to a wide variety of biases that colour their interpretation of evidence, the probability of conjunctive events, and the likelihood of success. These are biases, not random errors. Citizens and leaders look for evidence that confirms positions they already hold, place a higher value on their current positions than is objectively justifiable and overweight the evidence most recently obtained. Like the rest of us, policy makers look for reasons to believe their initial hunches are correct and reverse preferences depending upon how options are presented. In addition, we draw conclusions based on personally evocative but statistically dubious evidence, sometimes referred to as “probability neglect” (Brest, 2013: 487).

One of the most significant problems to emerge as a result of biases is the persistent hold that the status quo has on policy makers, and indeed the general public. Whether as a result of institutional norms that straightjacket people’s thinking or cognitive loss aversion, there is a plethora of ways in which full and complete knowledge of the situation is not brought to bear on a problem. The results are lost opportunities and/or inappropriate responses to the problems at hand.

Corruption and the abuse of power mean that policies that are beneficial to groups outside the governing elite will often not be adopted. Ignorance also leads to a failure to adopt beneficial policies, although for different reasons, specifically when opportunities are not identified or evidence is ignored. We argue that the corruption and ignorance that lead to bad policies are a result of bad government, which in turn refers to the absence of the structures and governing norms that could counteract and neutralize corruption and ignorance.

It is easy to see how bad government defined as bad policy might constitute an infinite regress: bad government produces bad policy and bad policy is what bad governments produce. To escape that circular logic requires that we define government and policy independent of one another. In our framework, government is the set of norms and institutions that channel the timing and nature of decisions that politicians and public servants make. We adopt North’s view (1993) that institutions constitute the rules of the game of government and organizations the principal players. Institutions—the rules of the game—determine how power and authority are distributed and the manner in which information is gathered, interpreted and used in decision-making. The result is governance. Policy is the substantive outcome of decisions taken – taxes imposed, programs launched, and regulations set. Policy can be associated with activities undertaken directly by the state (e.g., the provision of public services), or it can seek to affect the manner in which organizations (e.g., for-profits, non-profits, NGOs, co-operatives) or individuals behave.

Most of the work on good government does not involve policy defined in this expansive way. It has focussed more narrowly on executive institutions and administrative functions, in particular on the manner in which executive power is exercised. Students of governance frequently distinguish between the input and the output sides of a political system, and the quality of government, they maintain, is principally about the output side: civil servants, professional bodies, police and law enforcement officials and the like (Rothstein 2011, 11-13; Rothstein 2009). This perspective is quite consistent with the idea of bad government understood as corruption since corruption amounts to a rejection of the impartiality principle (Kurer 2005; Rothstein 2011) and that principal is central to the application of the law.

As important as the output side of the equation is, the process of governing includes at least three separate stages and they all involve policy – the policy agenda stage, the policy choice stage and the policy implementation stage. Corruption and ignorance are present in all three and each stage involves very different activities and different norms of behaviour. As Rothstein (2011) argues, a norm of impartiality is important at the output (or implementation) stage, but good government requires other norms at other stages, and other objectives than the rejection of corruption.

In this regard, we adopt the view that through political processes societies define desirable states of social wellbeing. These are not objectives that are decided once and for all, agreed upon by everyone, or cast in stone. Instead, they depend critically on the context and are thus determined at specific points in time. At the same time, we recognize that most societies, all other things being equal, prefer prosperity to destitution and justice to injustice. What these goals entail specifically is of less concern than that we equip ourselves institutionally to achieve them. Means and ends need to be connected. For this reason, the entire policy process is of importance, since it is in the process of public policymaking that new objectives emerge, experimentation occurs, options are evaluated, and feedback takes place.

In declining to evaluate the quality of public policy as a means of defining good (or bad) government, Rothstein insists on a procedural, not a substantive, evaluative criterion. Impartiality meets that standard. It implies procedures that remove extraneous considerations from any decision situation no matter what its content. Policy can involve procedures as well, including ones that stipulate the impartial application of the rules. But policies aim to accomplish something and so imply a direct confrontation with outcomes understood in substantive terms, including in terms of winners and losers.

By viewing government as something distinct from policy, and by recognizing that the feedback loop between them is dynamic in nature, we escape the tautology and infinite regress that Rothstein (2011) argues is imbedded in functionalist definitions of good government, quality of government, and good governance. Thus, we define good policies as those that, more often than not and over a long period of time, improve the lives of the people in a country (taking into account both economic and non-economic outcomes). Bad policies are those policies that do not achieve these outcomes. This is clearly a value judgment, but then so is a preference for governments that reject corruption and embrace impartiality.

Having outlined the dimensions of bad government and bad policies, we turn our attention in the next section to good government and good policies. In particular, we investigate a number of the conceptual issues that are necessary for a more detailed examination of corruption and ignorance on policy choices, and what is needed to ensure that good policies are more likely to be adopted.

**3. Good Government and Good Policies: Growing and Distributing the Pie**

As suggested above, good policy is policy that leads to improvements in people’s lives. Good policy thus requires that effort and resources be channeled into activities that are productive and beneficial for society – i.e., activities that increase incomes, develop new opportunities, deal with negative spill-overs (e.g., pollution), raise productivity and alter the distribution of resources and income in ways that meet justice criteria.[[1]](#footnote-1) Since economies and populations are constantly changing (for instance, the population in a country could be aging or concerns over climate change may require sectoral restructuring), policy must also be dynamic and one of the distinguishing features of bad policy is that it is static and unresponsive.

Good governments are those that are capable of managing these tasks, but the dynamic nature of the relationship between government and policy means both are endogenously determined over time. They are also, as Robinson (1998, 39) puts it, “devised and sustained intentionally by human societies” – i.e., they emerge out of the interaction of various groups, each following its own interests and rationale, and subject to its own constraints.

As Rothstein (2011) points out, good policy therefore cannot be defined independent of local conditions and institutional regimes. Good policies will differ across countries – a good example is found in the varieties of capitalism literature where very different policy configurations (liberal market economies versus coordinated market economies), supported by very different institutional structures, are able to generate comparable economic and social outcomes (Hall and Soskice 2001). This contextualization of good policy, we believe, is critical, since the conditions that are present for good government and good policy differ dramatically across countries. Problems seldom present themselves in an identical fashion and policies will always be coloured by local conditions (see Grindle 2004 for more on this point). Thus, our focus on good policy does not arise from a desire to suggest *best policies* or *best practices*. In fact, we believe that such concepts have little meaning. Our focus, instead, is on identifying those norms that position governments to see where dangers lurk and opportunities exist.

As well, and before we can get to those appropriate norms and appropriate policies, it is critical to establish that governments are actually interested in growing the pie in the first place. A universalistic norm such as impartiality can be very effective in encouraging productive activity, but its presence suggests that the problem of controlling political power, particularly the corrupt exercise of public authority, has already been solved. It is also hard to insist on impartial allocation unless there are sufficient public goods of sufficiently high quality in the first place. If sufficient services are not available, then, in the scramble to obtain these services, it can be expected that people will adopt particularistic notions and the bribery and corruption that this entails (Mongui-Pippidi 2015).

In the context of good and bad government, the impact of corruption is akin to that of a bad policy, essentially a tax in which the beneficiaries are very different from those that incur the cost (Shleifer and Vishny 1993). Since taxes generally can only be levied on productive activities, corruption has the effect of taxing those that are engaged in productive activities, thus creating a disincentive to undertake them or to invest in new technologies capable of increasing economic growth. At the same time, the beneficiaries of corruption receive benefits based on their position, connections, or status, and not on their engagement in productive activities. This creates an incentive for these beneficiaries to engage in non-productive activities, such as maintaining status or power. And while it may seem rational for elites to invest in ways of generating economic growth, the superior technologies that supply it can threaten the political power of current elites or empower other contending groups who themselves are capable of threatening incumbents (Acemoglu and Robinson 2006).

Corruption has other effects. To get access to the services that are being provided by the taxes they pay (many of the services, such as licences, are crucial to people’s livelihood) requires non-elites to bribe public officials. In addition to paying twice for the good (which is itself an inefficiency), those engaged in bribery typically need to conduct their business in secrecy. This need for secrecy creates a need to undertake activities that make it less likely they (and those being bribed) will be detected; since these activities are typically not productive, a further incentive is created to engage in non-productive activities (Shleifer and Vishny 1993). At the same time, the beneficiaries find it advantageous to create roadblocks in service provision so as to create additional opportunities for bribery. The result is an increase in the incentives for non-productive activities such as roadblock building and obtaining access to the roadblocks. The literature on rent seeking (e.g., Tollison 1982) is relevant here.

As Manion (2003) points out, the distribution of corruption across countries has a bi-modal shape, with a group of countries (largely those in the OECD) exhibiting relatively low levels of corruption and another group (largely developing and transition economies) exhibiting high levels of corruption. The reason for this distribution lies in positive feedback effects that create the possibility of two equilibria – one with relatively low corruption and one with relatively high corruption. In countries with low levels of corruption, cheating is more costly (e.g., cheating is more easily observed in situations where it is rare) and thus less likely to occur, which in turn makes it more costly. In countries with high levels of corruption, the reverse dynamic is at work (Cule and Fulton 2009).

In addition, low corruption countries are usually able to provide sufficient public services so that rationing is not necessary (Mongui-Pippidi 2015), and multiple outlets where these services can be obtained (Shleifer and Vishny 1993). As a consequence, people are not worried about obtaining access and thus are not willing to pay bribes. In contrast, high corruption countries typically provide insufficient services and outlets, which in turn requires some form of rationing and creates an opportunity for bribery. As long as there is an expectation that shortages will remain, the likelihood increases that everyone (be it politicians, bureaucrats or citizens) will take actions that reinforce this outcome. However, if there is an expectation that shortages will not exist, then people will take actions to reinforce this outcome.

Getting to the point at which policies premised on corruption give way to policies that increase the supply of public goods and remove bottlenecks to access requires good government. In some accounts this kind of government is occasioned by the adoption of democratic practices including the expansion of the franchise and the lowering of barriers to political competition. But democratic government alone cannot deal with all the problems that need to be addressed to curtail abuse of power, a point that is driven home in the research on the relationship between democracy and corruption. This research is not encouraging for enthusiasts of more democracy – new democracies, in particular, are associated with elevated, not reduced, levels of corruption as the demand for public goods increases and the supply does not. New democracies underprovide non-targeted public goods such as education and health care and overprovide distributive public goods such as jobs, subsidies and infrastructure projects, many of which are susceptible to corrupt exchange (Keefer 2007). Democratic reforms reduce corruption only when the problems of poverty and deprivation have been addressed; where economic development is stunted, democracy aggravates the search for good government rather than facilitating it (Sung 2004; Charron and LaPuenta 2010).

To understand why democratic institutions are not a reliable source of good government, as well as what is required for good government, it is useful to start in the economic system and explore the conditions under which beneficial activities are undertaken. A commonly used starting point is the Coase theorem (Coase 1960). The Coase theorem states that, regardless of how property rights are allocated among the players in an economic system, the parties will take advantage of any opportunity that enlarges the size of the pie even if, in the first instance, one of the parties stands to lose and this party has the property rights that would allow it to stop the activity from taking place. The reason the parties will take advantage of the opportunity is that the group with the power to stop the activity can, in return for allowing the activity to proceed, demand compensation sufficient to offset its losses. Of course, the compensation demanded must not be so large that it makes the other party worse off than it would be otherwise. However, with good negotiators an agreement can be found to share the benefits associated with an larger pie in such a way that both parties gain. The result is that the activity is undertaken.

The political Coase theorem (PCT) applies these insights to the policy realm (Dixit 1997; Acemoglu 2003). The PCT says those in power (the elite) should be willing to allow the adoption of policies and outcomes that are beneficial for society overall, even if they are harmful in the first instance to the elite, because the larger pie that is created could be redistributed in such a way that the elite is no worse off and could in fact be substantially better off. Note that the assumption is that, while beneficial in terms of expanding the size of the pie, the policy results in gains for some groups and losses for others. The focus is also on cases where the group with political power loses as a result of the policy change, since, if it were to gain, it would likely undertake the change regardless of what happens to the other groups. Thus, the PCT suggests that all or most countries should adopt good policies – i.e., policies that expand the size of the pie. Yet that does not happen. Why?

As Coase (1960) points out, the parties will not find it advantageous to reach an agreement if the transaction costs are sufficiently large. Transaction costs are the costs of specifying, monitoring, carrying out, and enforcing a transaction (see Dixit (1997) for an excellent discussion). These costs can take many forms, including problems in distributing the benefits efficiently, difficulties in making credible commitments, and challenges in seeing and organizing the arrangements needed to allow a bargain to be reached. Without active solutions to these problems—good policies—agreements are impossible to reach and the status quo becomes entrenched.

Consider first the difficulties that exist in identifying the opportunities for mutual gain, in providing assurance of their occurrence, and in finding novel ways to make the transfers that are necessary to achieve agreement. Those who stand to lose from a policy change are likely to resist it unless there is substantial compensation (this problem is exacerbated because of loss aversion (Flyvberg 2009). At the same time, those who stand to gain will be reluctant to pay the costs of compensation themselves since gains are often uncertain (Trebilcock 2014). As well, it is often difficult to provide compensation without distorting the decisions both groups make, thereby reducing the size of the pie and making the new activity less attractive. [[2]](#footnote-2) In addition, lump-sum taxes may not be politically feasible, which, if the case, limits the ability to raise the funds necessary to compensate the loser. A good example of a politically infeasible lump-sum tax is the poll tax introduced in 1989 by Margaret Thatcher in the United Kingdom, a tax that people deemed was unfair and were unwilling to support.

The PCT may also fail because of power and political factors, thus creating an important link between the structure of power in a country and the policies that can be adopted. Two things are important when power is added to mix: credible commitment and power as an end onto itself. In both cases, a problem emerges because, unlike in the economic Coase theorem where power (which is expressed in terms of property rights) is exogenously imposed by a third party (i.e., the government), power is now determined along with the economic benefits. In short, power is now endogenous.

Consider first the issue of commitment. If, after the policy change occurs, the elite remains in power and thus has the ability to carry out the required redistribution, what is to stop the elite from redistributing the benefits so that it alone profits? While the elite could promise not to expropriate all the benefits, such a promise is not credible, since it has the power. As a consequence, the other groups, who need to make investments to enlarge the pie, would not see an advantage in doing so. Knowing this, the elite would not introduce the policy (Acemogul 2003).

Alternatively, if, as a result of the policy change, power were to shift from the original elite to a new group, then there would be nothing to compel this new group to compensate the original elite after the change has occurred. Knowing this, the original power holders would be unwilling to allow the policy change and policies that are beneficial to the economy are not adopted (Acemogul 2003). Note that the problem in both this case and the previous one is that power is not exogenous. The moment policies are introduced, power relationships change.

Changing power relationships have can have another effect. Suppose the elite suffer a loss of power because of the introduction of a policy. Suppose also that the elite care about both the economic benefits they obtain and the power they wield. Under these conditions, even if a credible commitment could be made to transfer economic benefits to them after introduction of the policy, the transfer may not be large enough to compensate for the loss of power. As a result the elite have no incentive to allow the policy change in the first place.

When seen in this light, the emergence of good policy, that is policy not plagued by corruption and premised on expanding social welfare, requires a government possessed of the means to: (a) be creative in the search for activities that are mutually beneficial, (b) create credible commitments; and (c) compensate groups for the loss of power they experience as a result of policy change. These are imposing requirements and, as we have suggested, the introduction of democratic practices does not address them. Neither does the insistence on governing norms such as impartiality, since for these norms to be effective they must be adopted by those who presently exercise political power.

A Political Coase Theorem is not a solution to the problems of bad policies because it is not a solution to the problems of political power or to information sharing. What the theorem does is point us in the direction of the things that good governments need to do to produce good policies. It suggests, specifically the kinds of behaviour that good governments need to nurture both within government and among societal actors. Tit-for-tat collaborators and talented bargainers are among the key ingredients (Jones 2016). These people solve transaction cost problems, figure out how to make credible commitments without sacrificing flexibility, how to change rules while accommodating losers, how to provide for future generations in spite of pressures for consumption, how to generate investment in productive activities while providing a minimal standard of living for all. Above all, they have the knowledge and information required to re-imagine the world, identify the opportunities for expanding the size of the pie, and find ways to ensure that making the policy change will have its intended effect. Where they fail it is not because of corruption but because of error.

**4. Getting to Good Government: Intelligent Decisionmaking**

Being intelligent is not the same as, or at least is not identical to, being rational. When groups and individuals make judgements and take decisions they frequently fail to respect rationality requirements such as consistency and deductive closure. But they can still behave intelligently by devising rules and norms that allow them to reach a decision that embodies intelligence (Bevir 2010). Not every decision will meet that criterion, but our focus should not be on discrete decisions. As James March (1999, 4) has observed, we are more likely to arrive at intelligent government when we concentrate on the rules by which we will arrive at decisions than on the decisions themselves: “A system of rules allows a separation of the judgments necessary to define intelligent action from the myopic, decentralized, short-term making of decisions by particular actors.” We are more likely, in other words, to get the norms and institutions right than to get any single decision right.

What we are searching for then are governing norms that supply epistemic advantage. The key premise of an epistemic approach to governing is the assumption that, independent of procedures, there is a right or correct decision outcome (List and Goodin 2001). So the justification for governing norms is not to be found simply in the values that procedures honour but also in the results they produce. Put another way, policies are intended to solve problems and those affected by the problems and the policies will naturally form judgements based on consequences not simply on whether the procedures used to craft a policy were fair (Anderson 2006).

The idea that there are good policies or that some policies are better than others does not imply that policies must meet a philosophical standard, such as the maximization of utility, but rather a political one in which correct choices are those that are technically feasible and politically acceptable (Knight and Johnson 2011). This pragmatic version of good government rules out the idea that a particular set of policies is a universally sure fire means of enhancing economic prosperity and social welfare. What can be said of good policies is that they will typically reflect a balance between the common good and self-interest. It is unrealistic and unhelpful to expect that those engaged in the act of governing should eschew personal or role based interests altogether. These interests are powerful and in the case of role responsibilities are organizationally designed to generate consistency and fidelity in the performance of duties. Good policy does not require that participants abandon their interests but it does require reconciliation with the interests articulated by other organizations and individuals. In most policy areas governments are obliged to make trade-offs, so the definition of good policies will turn to some degree on how these trade offs are made and whether they meet a social justice standard.

A pragmatic version of good government accepts that there will be an inevitable tension between respecting settled practices (and the distribution of opportunities they have produced), and new ways of improving our collective quality of life. This tension shows up most frequently in conflict among organizations, all of which have different origins and different mandates. All organizations associated with governing will claim to be working in the public interest, at least indirectly. The result is conflict, which is the core circumstance of politics (Waldron 1999). Politics involves accomplishing the task of collective decision making when people fail to agree (Geuss 2001). This reality requires governing norms that facilitate agreement under circumstances of continuous conflict. In this regard, some policies are better than others, some decisions more just than others and some, because they have a stronger evidentiary base, more correct than others (Landemore 2013).

Barriers to intelligent government, so described, are profound. One of them, as we indicated at the outset, is ignorance. In the case of democratic politics much has been made of the ignorance of voters. The ignorance of the democratic public is sometimes taken to be so profound that it distorts outcomes by obliging politicians to respond to positions that are based in falsehoods or, at best, partial truths. Ilya Somin (2013) is only the latest to make the case that voters lack the basic knowledge necessary to cast intelligent votes and that those who make the strongest effort to acquire that knowledge are motivated to use it for the purposes of promoting a particular agenda rather than coolly assessing alternative arguments. The lack of even such particularistic motivation renders the vast majority of voters unable to contribute anything of value to good public policy or to meet even the most basic requirements of most normative versions of democracy (Somin 2015). The idea that voters do not need to be knowledgeable because their errors cancel one another out (Page and Shapiro 1992; Page 2015) is met with the claim that, to the contrary, voters are systematically mistaken about key policy decisions (Caplan 2007).

The problem of ignorance does not begin and end with voters. We are beginning to appreciate that a great deal of public policy is characterized by systematic errors of judgment on the part of political leaders and public officials (Baron, 1998). The catalogue of such errors is legion, but in the case of public policy they frequently involve learning the wrong lessons and drawing the wrong inferences. Political leaders too often employ an availability heuristic and choose policies because they worked in some familiar jurisdictions, largely ignoring the local policy context (Weyland 2005). Similarly, an unwillingness to abandon sunk costs sometimes encourages those in power to double down on strategies that are demonstrably failing (Kahneman 2011, 343-46).

None of this means that elites are systematically stupid. In fact, there is growing evidence drawn from natural decision situations that elites are more capable than others of choosing the right heuristics and are less prone to some of these debilitating psychological tendencies, in particular loss aversion. However, area in which elites are more prone to error is unwarranted optimism (Hafner-Burton, Hughes and Victor 2013). Elites tend to believe that their estimates of likely outcomes are far more accurate than evidence suggests; one of the results is forecasts about the cost and time to completion of infrastructure projects that much too low (Flyvbjerg, 2009). Another, as Philip Tetlock (2005) has famously shown, is that political experts are no better than novices at predicting the future.

Even assuming an intelligent and well intentioned political elite (which has become a rare assumption in academic studies), the demands of democracy oblige politicians to factor their personal interests into policy decisions, an exercise that does not always bode well for good policy. Personal interests have been modelled in a variety of ways, most prominently employing the presumption that politicians prefer to retain public office rather than experience electoral defeat. The electoral cycle, according to this argument, induces a form of policy myopia in which short-term opportunism drives out policies with long-term benefits (Adit and Dutta 2007). The result is a propensity to underinvest in public goods and to burden future generations with the costs of current consumption. In the case of public finance, for example, policy myopia induces a deficit bias in which governments lavish attention on the current electorate at the expense of the long-term needs of citizens.

One means of avoiding error, whether psychological or induced by misaligned incentives, is to do very little. This is the governance solution of those who would shrink the state’s authority, or decentralize responsibility sufficiently to allow the disgruntled to exit at minimal cost. These solutions seem most applicable on topics of value conflict such as gay marriage and abortion where ignorance is not the pressing problem. In these cases, good policy may be to avoid policy altogether, a strategy that has worked in some jurisdictions and on some topics better than others. For those issues that demand attention and turn on instrumental intelligence, that is choice of means to achieve agreed up goals, there is much greater room for the impact of evidence, but even here evidence is seldom sufficient to settle disputes. Much of the conflict in these cases involves how much pain one is willing to accept to achieve collective goals. Distributional issues are at the core of these conflicts with potential winners and potential losers lining up behind different problem definitions, different bodies of evidence and different policy instruments. Disagreement in these cases is less about values and more about interests.

As a governing norm, impartiality is clearly an asset in what might be called the intelligence project. It implies that those in authority are interested in making decisions on the basis of evidence and not presumptions and preconceptions. It also implies an open-mindedness and the absence of a vested interest in outcomes. At the extreme, impartial agents have no conflicts of interest because they have no interests independent of the public interest. This kind of behavioural disposition corresponds to the ideal typical Weberian bureaucrat and those officials who manage specialized independent agencies with high technical requirements. In these cases role responsibilities coincide with the norm of impartiality.

Not every policy decision can be decided on technical grounds. The circumstances of politics, described above, require that good policies embody judgements that balance interests and cope with uncertainty. Under these conditions a governing norm that has helped achieve some measure of epistemic advantage is “partisan mutual adjustment.” In a volume appropriately entitled *The Intelligence of Democracy*, Charles Lindblom (1965) makes the case that in the face of disagreements on means and ends governing should be disciplined by a search for maximum feasible incremental adjustments to the status quo. Some of the constraints of ignorance are overcome by breaking problems into manageable pieces and securing local, often temporary, settlements characterized mostly by give and take followed by monitoring of outcomes. This approach is consistent with the pragmatist position discussed above. Participants rationally adapt their preferences to existing policies, feasible alternatives, the anticipated actions of others and the result of experimentation carried out by themselves and others. This kind of strategy, Lindblom argues, is not premised on conformity to a centrally defined common good, or even to its search. It is based on a commitment to take advantage of every opportunity to move toward the good policy frontier.

As critics have pointed out, this governing norm works better for some problems and some contexts than others (Lustick 1980). Where problems are well defined, definitions agreed upon, feedback loops relatively short, the technology understood and evidence incontestable, intelligent adjustments to existing positions may be within reach. Routine public health problems often fit that description; so do infrastructure problems. Bad policies may still result, but the main problem will not be insufficient intelligence. Much more challenging are those circumstances in which the future is unknown, the problems unstructured, complicated feedback loops are in force and difficult to determine, and errors are costly to reverse. Under these circumstances the calculation of consequences can often be disastrously wrong, giving the lie to the idea that what is required for good governance is more and better cost-benefit analyses (Sunstein 2013; Shuck 2014). Costs change as the future reveals itself and benefits are recalibrated by organizations whose preferences are adjusted to fit new realities. It is still possible to follow the route to intelligence via partisan mutual adjustment, but partisanship often needs to be scaled back as greater adjustments are required. Much can be achieved by simply depoliticizing decisions (Pettit 2004), deliberately relying on expertise rendered by arm’s length boards populated by non-partisan officials. But not every issue can be settled by outsourcing and even decisions that are outsourced return to the realm of political contestation eventually.

An alternative norm, and one closely aligned with democratic practice, is experimentation. As Lindblom implicitly argues, one of the major obstacles to good policy is status quo bias ( 2011b). Attachment to the status quo by political leaders may be rational when the costs of change are reckoned to be too high, or irrational as when fear of losses creates a level of pushback that is highly prejudicial to good policy. But power plays a role too. Since all policies create vested interests of some description, there is considerable positive feedback in the system. These vested interests are a key source of policy stability or, put another way, a key obstacle to change. Most of the changes that reformers want to make are ruled out because there is so much power arrayed against them (Moe 2015, 283). Governments that are fearful of backlash hesitate to suggest alternative policies. As a result, they do not learn very well. And because there are fewer policy experiments than optimal, politicians have little or no basis on which to reject the claims made by current beneficiaries that change would be problematic (Robinson 1998).

Experimentation, as a governing norm, implies a willingness to take risks and follow the evidence wherever it may lead, if only conditionally. Policy experimentation requires heightened attention to consequences, a willingness to reverse course in the face of results that are contrary to expectations, and a high tolerance for error. Above all, experimentation as a route to good policy is attentive to the circumstances under which good consequences are likely to emerge. The match of policy solutions to policy circumstances is a judgement call, but there is no need for judgement as long as political elites decline to try new approaches. As Knight and Johnson (2011, 258) emphasize, experimentalism is itself a choice. Finding new institutions that will foster experimentalism, or reforming ones that suppress it, should be a high priority in the search for good policy. It is far from obvious that current bureaucracies, for example, exude anything resembling an experimentation norm. As one well known observer of the Canadian scene puts it, senior managers are selected mostly for their knowledge of how the system works and their ability to manage a hostile political environment rather than their sectoral or policy knowledge (Savoie 2016). In an environment in which avoiding blame is a key preoccupation of both politicians and bureaucrats, it is hard to imagine a premium being placed on experimentation, and yet without it we are condemned to a highly reactive public service.

If good governments are those that produce good policies, then a search for governing norms that add epistemic capacity would seem an obvious imperative. Partisan mutual adjustment and experimentation are complementary norms that begin to round out those that are likely to provide the theoretical underpinnings of good government. Consider as well the idea that a more cognitively diverse set of decision makers typically provides greater epistemic capacity than a better qualified but smaller, less diverse elite. A diversity of experience, identity and modes of reasoning all contribute to better collective outcomes (Page 2007; Hong and Page 2012), but what is really important is cognitive diversity, the different models that people employ in interpreting how the world works or should be understood (Landemore 2013, 160).

All of these governing norms—partisan mutual adjustment, experimentation, and diversity—have their greatest potential in democracies. So while it may be true that the performance of democracies in generating wealth and ameliorating suffering is uneven, the prospects for good government improve considerably if democracy ushers in governing norms that are pro good government. That is likely to happen, it should be added, because democracies have a stronger tendency to privilege education in the selection of leaders. Countries with highly educated leaders perform better in terms of economic growth (Besley, Montalvo, Reynal-Querol 2011; Jones and Olken 2005) and are more inclined to privilege a broader interpretation of the public interest (Besley, Montalvo, Reynal-Querol 2011, F206). These findings suggest that selection processes in democracies tend to track competence.

There are, in short, norms and rules, including rules that govern the selection of the political elite, that supply the epistemic advantage that government requires to produce good policy. Identifying those norms and applying them to appropriate stages of the policy process is the key to good government.

**5. Conclusion**

We started this paper by noting the burgeoning interest in what constitutes good government, good governance and quality of government, as well as the many indicators that aim to determine the extent of good government and the steps that can be taken to achieve it. We also noted the increased importance being given to governing norms, and most specifically impartiality, as the way to individual and social prosperity. As we noted in the Introduction, impartiality has a strong role to play in producing good governance. However, it seems unlikely that any single norm can improve the quality of government on its own. The policy process, especially in democracies, is too complex for that.

The key insight of this paper is that the ingredients for good government are many and varied, and they are required at all stages of the policy process – from the determination of the agenda to policy choice to implementation. What is needed is a constellation of factors. One of them is the presence of competent leaders that can identify and facilitate the development of activities that expand opportunities for people. Also required are distributions of power that will allow these activities to take place, as well as norms (e.g., impartiality) that encourage a fair allocation of the benefits that are obtained.

In addition, these ingredients cannot be just pulled from the shelf and added to the existing mix. Instead, they have to emerge out of the political economy of a country, a political economy that creates a set of rules that either supports corruption and policy ignorance, or that supports an environment where these are more or less absent. It is only when corruption and ignorance are dealt with that good policy emerges.

Understanding the endogeneity of good government and good policy is critical to understanding the challenges that exist to these goals. Countries trapped in an equilibrium of bad government and bad policy find it difficult to emerge due to the strong feedback effects at work. In fact, as history has shown, emergence has only occurred for a minority of the world’s population and doing so has often taken centuries, occurring only when the country has been able to navigate a narrow window of favourable circumstances.

Of course, once through the window, positive feedback effects have made the good government and good policy equilibrium reasonably robust. However, like the bad equilibrium, departures from the good equilibrium are possible. In fact, the findings of this paper suggest that care needs to be taken to ensure that the many ingredients required for good government and good policy are applied appropriately and sustained over time. Thus, while countries still trapped in bad equilibria need to cultivate the governing norms that would allow them to escape, countries in good equilibria need to nurture these same norms, and seek others, in order to increase the likelihood of remaining there. Good leadership, a not too unequal distribution of power, and the adoption of the different norms needed across the various stages of the policy process would appear to be among the key elements that are required.

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1. There are important insights to be gained by thinking of good policy in terms of an increase in the size of the pie – or, in economic terms, a potential Pareto improvement – and the discussion in the paper often reflects this view (see Robinson (1998) for a discussion of good policy as potential Pareto improvement). However, we also recognize that distribution is important and that simply focusing on the size of the pie does not sufficiently describe the problem. [↑](#footnote-ref-1)
2. A good example is the so-called decoupled payments in agriculture. While these payments were decoupled from planting decisions and thus did not directly affect agricultural production, the payments do affect the profitability of a farm and hence influence decisions to remain in agriculture. [↑](#footnote-ref-2)