

*How do Governments add value to society? or What are Governments for?*

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Recent elections (and referenda) in the US, UK, France, and Italy, as well as many parts of the world, reflect the increasing concern over the low levels of trust and confidence that individuals have with their politicians & political systems. That concern is, essentially, a concern over power and how it is being used. Is it being used responsibly? Is power being used in the wider, long-term, interests of society as a whole, rather than primarily on the short-term individual political interests of the politicians themselves? These concerns exist even in so-called democracies. In fact, it could be argued that these concerns are particularly prevalent within democracies partly because of higher expectations. Why are there these concerns? And what can be done about them?

At its core, this skepticism, over the role, effectiveness, and efficiency of Governments at all levels, leads to the core question: How do Governments add value to Society? This question is rarely, if at all, discussed; and certainly not within a non-partisan political environment.

In practice, there are two fundamentally different – and potentially conflicting – activities that need to be reconciled one way or another, in any answer. The first is the need to effectively exploit potential, and actual, economies of scale. The second activity is concerned with resource re-distribution. There is also a third issue, which needs to be integrated into all policy initiatives, which is the need to develop structures that are favourable to facilitating effective learning transfers that help to produce, cost-effective, positive innovation.

A core dimension of the evolution of governmental and political/democratic systems in the past – and today - has been to attempt to reduce ‘abuses of power’ that would otherwise occur within any totally unregulated society. As a result, policies need to focus on, and be evaluated against, a ‘restricting the abuse of power’ agenda. Unfortunately, all too often the

processes of government can themselves easily end up also being responsible for abuses by becoming self-serving. Hence it is vitally important to have effective accountability, within whatever government structures are in operation.

The re-distributional priority would no longer apply, either in theory or practice, within a relatively homogeneous 'middle class' (or any other relatively homogeneous class) open society. Even Marx argued that, in these conditions, 'the state would wither away'. In practice, Governments have to develop policies that attempt to achieve the re-distributional objective; especially where there is an increasing gap between the top 10-20% and the bottom 10-20%, let alone the top 1% & bottom 1%. Hence there is an acute need for effective re-distributional policies, particularly within effective progressive tax structures.

Arguments such as those in *The Enabling State* by Lord (David) Sainsbury, and the recent book by Steve Hilton, *More Human: Designing a World Where People Come First*, focus on the need to minimize the role of government through decentralized (even outsourced/privatized) decision-making. This approach, combined with more effective management of the outsourced activities, is entirely appropriate for relatively equal/homogeneous communities, (i.e. a generally 'middle class' society).

But why is this re-distributional agenda so important? In essence, there are two reasons: First, a significant proportion of the 'have' resources arose from what would now be considered as past 'abuses of power', and these need correcting in the name of 'fairness'. Secondly, perhaps more importantly, if there is not this emphasis, the evidence of history suggests that this uneven re-distribution gets increasingly unbalanced until a point is reached where more drastic (often 'revolutionary') alternatives are seen as the only way to try redress this underlying imbalance. Overall, the greater the perceived sense of fairness in these processes, the more likely it is that the policies will be sustainable, both in the short and long term, as well as providing the foundation for further evolution in a positive direction in the future. It also needs to be recognized that there is no 'perfect answer' to this resource distribution issue.

The other role for Government is for it to attempt to exploit potential 'economies of scale'. Basic examples of this would include such activities as the military and police. But even here, it is important that these activities do not generate their own self-serving interests, and their role should *not* be seen as primarily attempting to preserve the status quo, and/or primarily reflect the vested interests of the 'haves', rather than focusing on the wider interests of society as a whole.

In general, economies of scale are much more difficult to achieve in practice than appears to be the case in theory, largely because people's issues are frequently not given the attention they deserve. Decision-making levels should always be moved down wherever possible, especially if there are not explicit economies of scale benefits from moving further up the

hierarchy, or re-distributional, issues.

There are two other underlying points that are important to bear in mind when considering the overall ‘added value’ approach. First, the more responsible individuals are in their behavior towards each other, the fewer formal regulation processes will be required, and this is particularly relevant within more homogeneous societies, where the underlying power relationships are, at least on the face of it, more equal. Secondly, it needs to be recognized that there is no generally applicable optimal decision-making level. While some decisions are best considered globally (regulating international trade, air traffic control, etc), others are more appropriately undertaken at national, or local, levels. In the end, frequently, (if not always!) the quality of the final decision at any level ultimately depends more on the quality of the conversations between individuals in the various levels than on anything else, particularly if these are free from prejudices and vested interests.

An additional dimension that also needs to be considered, in any discussion of the role of government, is its impact on the quantity and quality of innovation. Generally the more decentralized the system the greater the scope for innovation, essentially because it doesn’t have to challenge those that have a vested interest in the status quo. But any policy in this area also needs to recognize that, in certain situations, the need to benefit from economies of scale is also relevant, particularly where long time horizons are involved.

The challenge for policymakers – and particularly politicians – is to develop and implement policies that are essentially attempting to reconcile these two, sometimes contradictory, policies: redistribution and economies of scale. This is particularly difficult when the main political parties have a fundamentally different starting point to their approach to these issues. The challenge is to get the best of both worlds, not the worst, which is what tends to happen now far too often.

It also needs to be emphasized that it is always important to have relevant measures of effectiveness and efficiency at all levels, where both the indicators themselves, and the process behind the development and use, are trusted.

The underlying challenge is to recognize that there is a need for intervention to be focused on helping to manage the re-distributional resource dimension more effectively while reconciling this with a minimalist (‘*enabling*’) role that focuses on managing the relationships and interactions between those in the ‘middle’. The answer to this dilemma is a combination of both an *enabling* framework, and an appropriately focused re-distributional interventionist strategy; combined with an awareness of the need for structures that enable the effective exploitation of potential economies of scale. Operating policies that reflect these two strategies at the same time can be done, but policies will only have any chance of success if the conflicting issues outline are recognized and understood. In addition, it is not only necessary for

the two different approaches to be integrated successfully, but this needs to be undertaken in such a way that both the media and the public at large, understand what is going on – and why. Hence the importance of transparency, accountability as the way to increase trust, cannot be overemphasized

In this context, it is essential for politicians to be values-driven, that is primarily motivated by a genuine concern for others, rather than being primarily self-serving and for this to be combined with appropriate governance structures. The higher the trust levels, the less the need for (overpowering) governance structures. In addition, it is important to recognize that it is often the case that more complex governance structures can themselves end up undermining trust. In the end, it is not helpful for society to say that the only people they trust are lawyers, especially when they are themselves prone to being self-serving. Lawyers do not come out particularly high in surveys of ‘Who do you trust?’ with politicians and journalists close to the bottom!)

The answer is not to simply focus on the size of government expenditure. The fundamental issue is: *What are governments for? Or: How do governments add value to society?* This question needs to be given much greater attention in all parts of the world, not just the UK, and at all levels of decision-making in government. Unless we are able to achieve this relatively modest goal we are unlikely to be able to make progress on the important challenges that we all face in the decades ahead. Failure will mean our future will be much more precarious than it needs to be.