

Political Institutions and Government Effectiveness

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Key Issues

- Political Institutions
 - Institutions for constraining power
 - Institutions for acquiring and maintaining power
- The Architecture of Government
 - Autonomy
 - Competition
 - Accountability
 - Decentralization
- Context
 - Hysterisis
 - Norms

Political Institutions

- Categories like autocracy/democracy not helpful
- Government institutions shape two things
 - Selection
 - Incentives

Selection

- Should we care about who holds power?
 - Competence
 - Honesty
 - Purpose-driven
- Historical context
 - Power held by elites belonging to dynasties
- How to refresh the political class?
 - Quotas
 - Support for new entrants

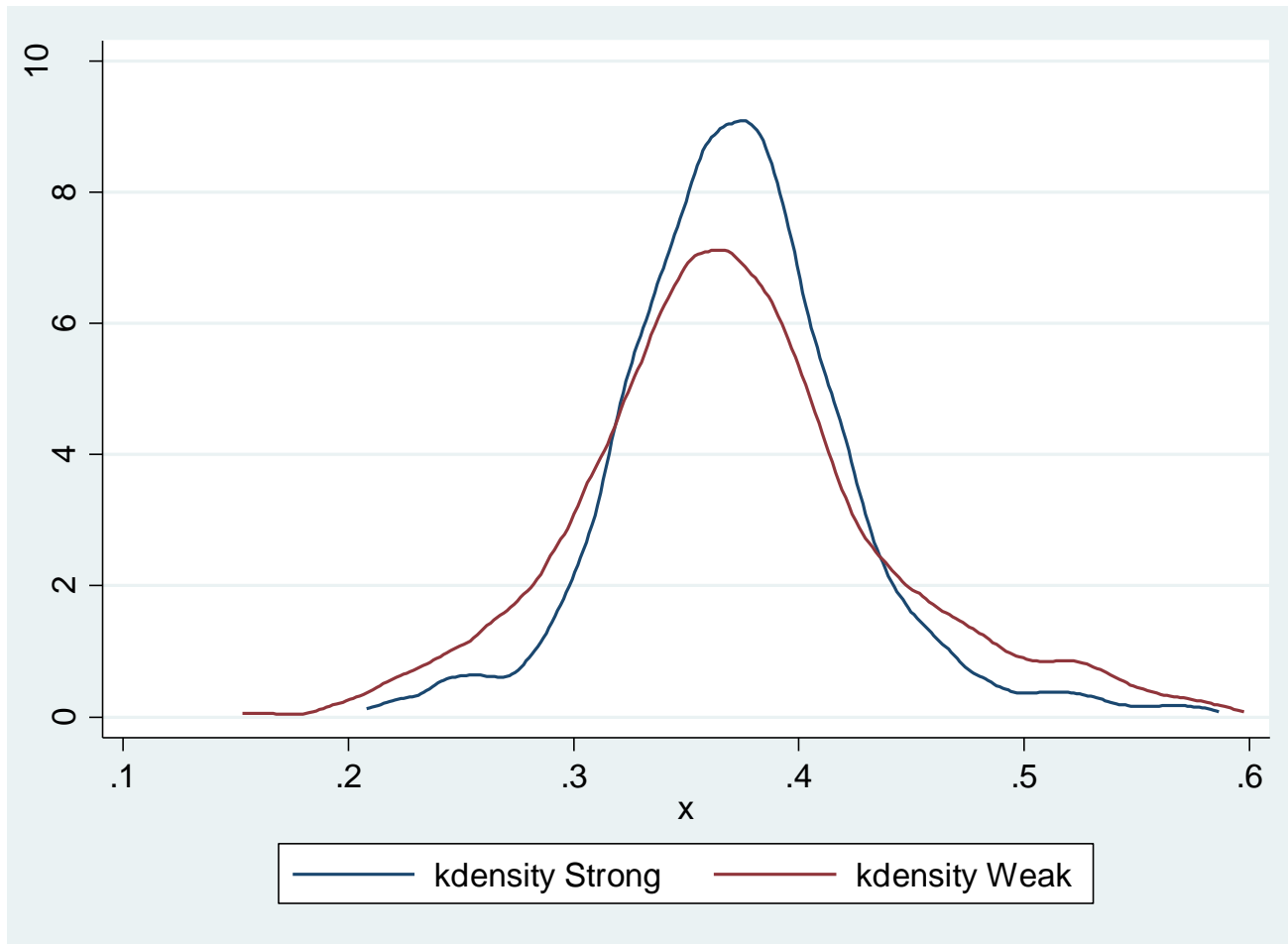
Incentives

- Effective oversight
 - How to strengthen legislatures
 - How to strengthen the rule of law
 - Applied to the political class
- Incentives for broad-based policies
 - Key challenge is how to get government in the public interest
 - Broad-based criteria for policy

Why it matters for economics

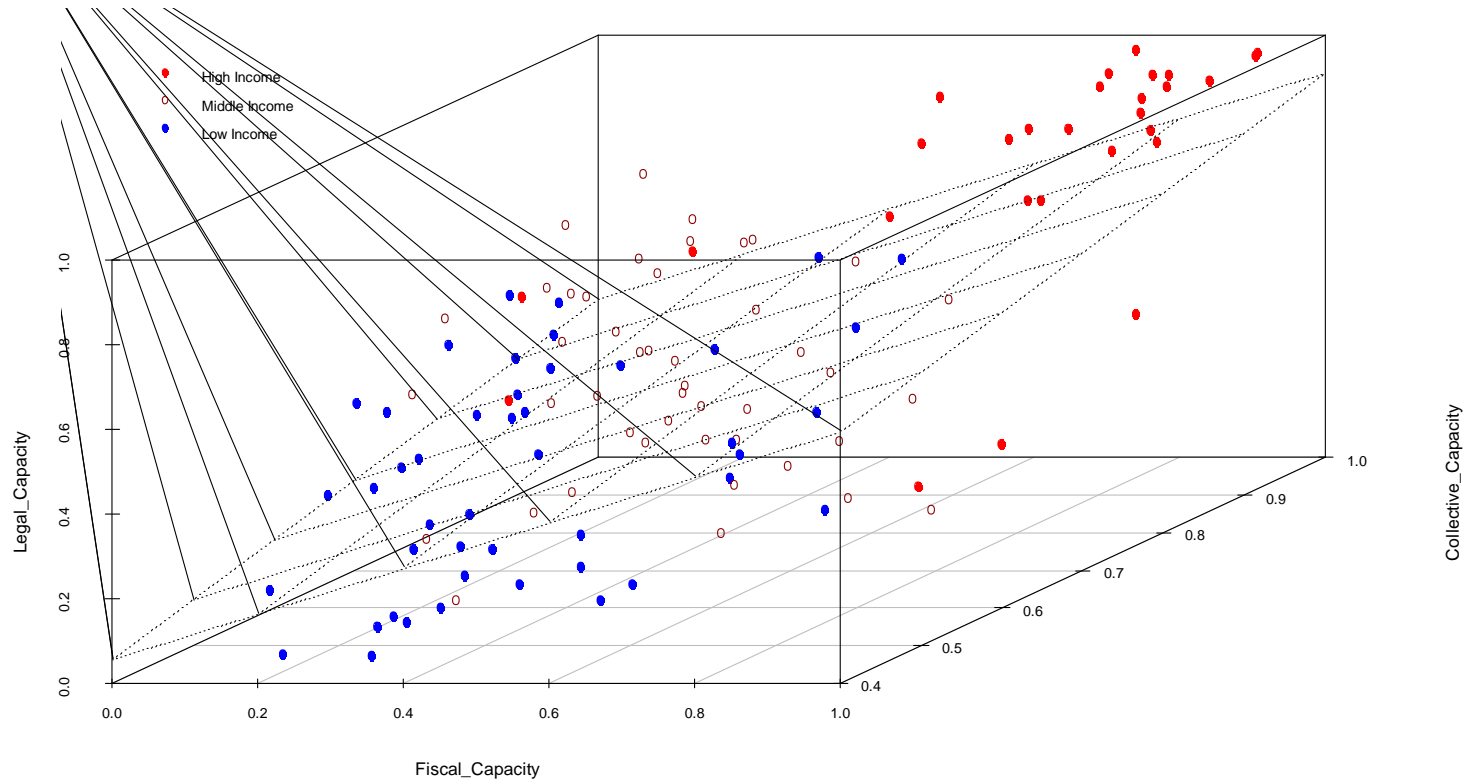
- Better policy making
 - Including responsiveness to shocks
- Incentives to invest in state capacities
 - Fiscal capacity
 - Infrastructure
 - Legal Capacity
 - Protection of property rights
 - Effective regulation
 - Collective capacity

Responsiveness to Shocks



State Capacities

Figure 2: Three Dimensions of State Capacity



The Architecture of Government

- Role of autonomous institutions
 - Central Bank
 - Courts
 - Regulators
- Does autonomy encourage investment in competence (state capacity)?
- How to achieve accountability?

The Architecture of Government

- Competition
 - Decentralization
 - Yardstick competition
 - Mobility
 - Experimentation
 - Career concerns
 - State capacity

Norms and Culture

- Economists are naturally suspicious of cultural explanations
 - But when contracts are highly incomplete (as in government) then there is an important role of norms
 - Can norms be created?
 - How do norms interact with incentives?
 - Benchmarking performance

Research Program

- Highly specific
 - What are the barriers to effective government in specific contexts?
 - Micro-research
 - Getting inside specific organizations
 - E.g. tax collection/administration
 - Schools
 - Learning from international experience?
 - Particularly from episodes of institutional change
 - » Hard to do without a clearly defined conceptual framework