

# Government - Singular or Plural?

Background Notes for:  
Scenarios for the Future  
October Workshop

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When I read or listen to Tom Courchene the impression I'm left with is one of a market-driven, economic man trying to fit everything that he sees into the neoclassical (neo-Conservative) model. He does that very well.

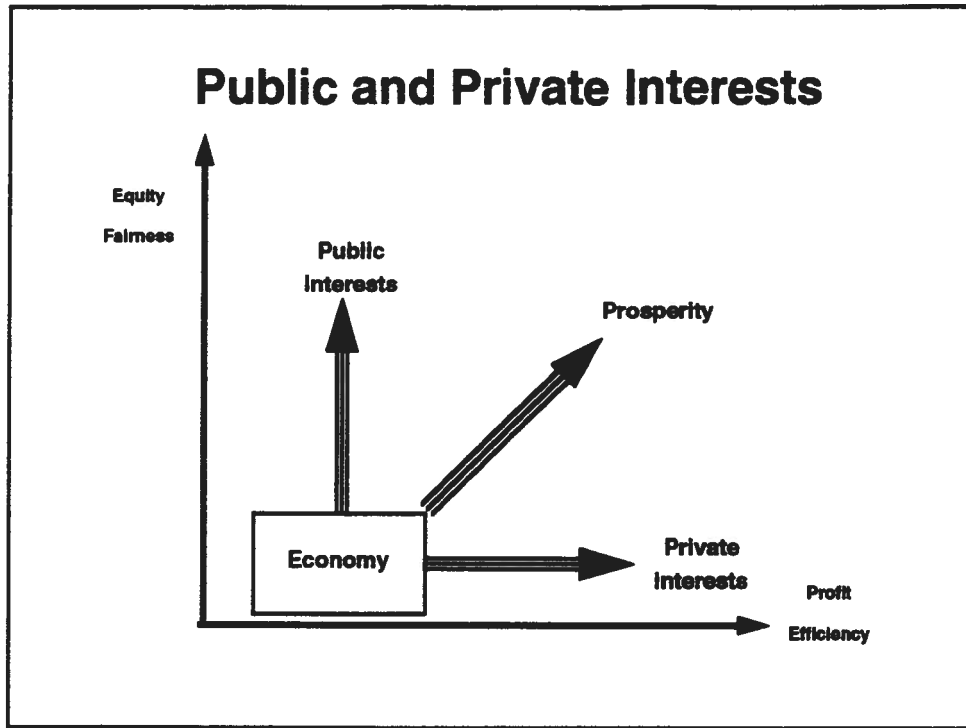
Fortunately, we do not have to live in that model. Nor is it necessary to take as given our institutions, our current market mechanisms, or other constraints.

Government has an on-going role in our society but it is not to compete with other governments (internationally) or to foster competition among the regions. **Government is different!**

In Canada, too often we behave as if there were many governments, competing with each other. Or, in the competitive federalism model, at least three levels of government competing to serve each person (federal, provincial, and local).

# **Government**

- **What does it Do?**
- **How is it Organized?**
- **How should it behave?**



- Some see the "struggle" as governments against private interests.
- But governments complement private activities, provide the framework within which private activities take place, and, ultimately, ensure that the private sector flourishes.
- Thus a graphical representation would show that governments pursue different purposes, orthogonal to private interests. Together, the two entities will deliver prosperity.

## The Boxes

<b>Society</b>		
Minorities		Majority
Health, Education, Safety Nets, Redistribution		
<b>Marketplace</b>		
Consumer		Retailer
Purchaser		Seller
Distribution, transportation, communications		
<b>Workplace</b>		
Employees		Corporations
Labour unions		Other Businesses
Resources, Technology, Skills		

- Any state can be thought of as a set of stacked boxes.
- **Workplace** - Firms combine labour, capital, technologies, resources and management to produce goods and services. (Unit is the worker or firm.)
- **Marketplace** - Goods and services are bought and sold, prices signal relative demand and supply. Inputs used by the workplace may be traded here. (Unit is a "transaction" or a market for a particular item.)
- **Society** - The people: quality of life, family, culture, education, participation. (Unit is a person or group in society.)

## The Framework

Tradition	External	The State
Caring Trust of state	International norms	Individual rights Constitution State responsibilities
Honesty Service	International agreements Standards	Contracts Competition law Property rights
Work ethic Discipline	Intellectual property	Corporate laws Labour laws

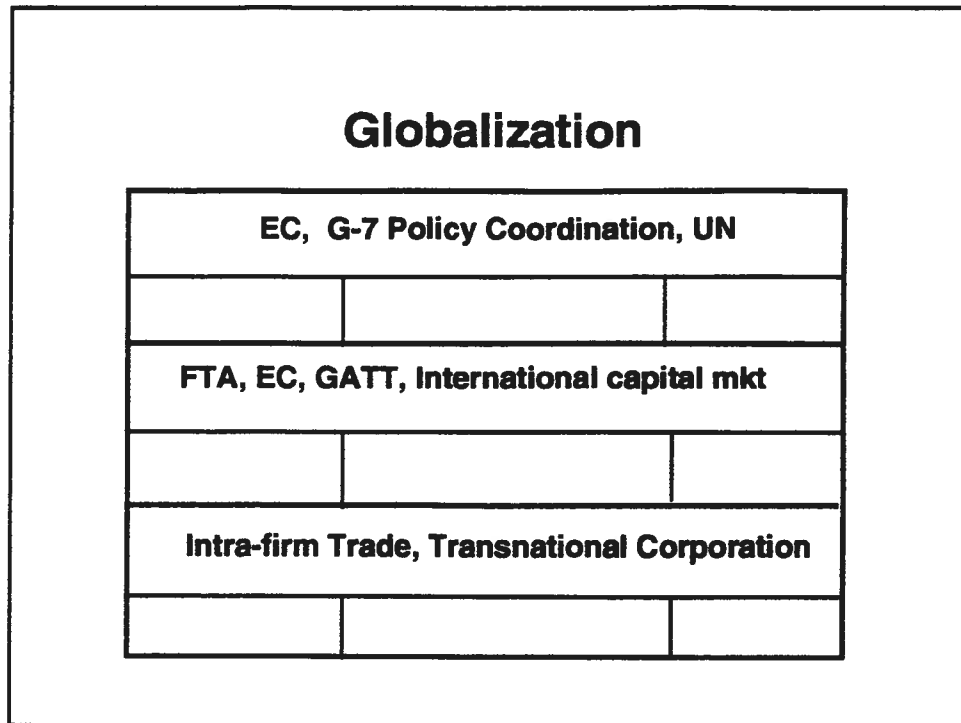
- The sides of the three stacked boxes are determined by:
  - Tradition, The laws of the state, External influences
- Thus the marketplace is "framed" by the laws defining private property, laws of contracts, coupled with the societal norms of voluntary buy/sell decisions
- Any state will be a blend of elements that will affect change:
  - Traditional - social, political, technological norms of the society (inertia, continuity)
  - Command - authority, enforcement, management (set direction or change it for society)
  - Market system - autonomous decisions, prices, consumer "choice" (dynamism, innovation, continuous change)
- This last element is the essence of economics and the necessary condition for capitalism.

## Linkages

International	<i>Private</i>	The State
Immigration Peacekeeping UN, OECD Television		Health and Education Social Programs Tax System Contracyclical policies
Trade Tourism GATT/NAFTA International capital flows		Regulatory programs Information programs Marketing Boards
Technology transfer Foreign Ownership International operations		State corporations Research and technology

- In a modern, democratic, capitalist society most of the decisions are made by individuals or private groups, and most of the institutions are private.
- But there are influences and formal linkages which affect all of the boxes originating from outside the boundaries of the country and from the state which operates within the boundaries.
- The relative importance of these other factors will depend on the degree of openness of the country and the organization and responsibilities of the government.

# Globalization



- Globalization is different from internationalization, in that there is a loss of sovereignty by the individual state over the activity.
- As a result, actions to influence outcomes require cooperation and coordination among states.
- There is a need for an international body of laws, standards, etc.
- Private decisions made within the transnational corporation present particular challenges to governments in that the information base is weak and market information not available.
- In this diagram, three states are shown with some activities within their purview and sovereignty, but with significant activities spanning countries in all three boxes.

## **Causality or Motivation**

- **politicians - "public interest"**
- **individuals - maximize the quality of life**
- **capitalists - maximize capital accumulation**

**consumer interests - maximize consumption,  
return on savings**

**producer interests - minimize costs of inputs**

**profit maximization, market share, rent-  
seeking**

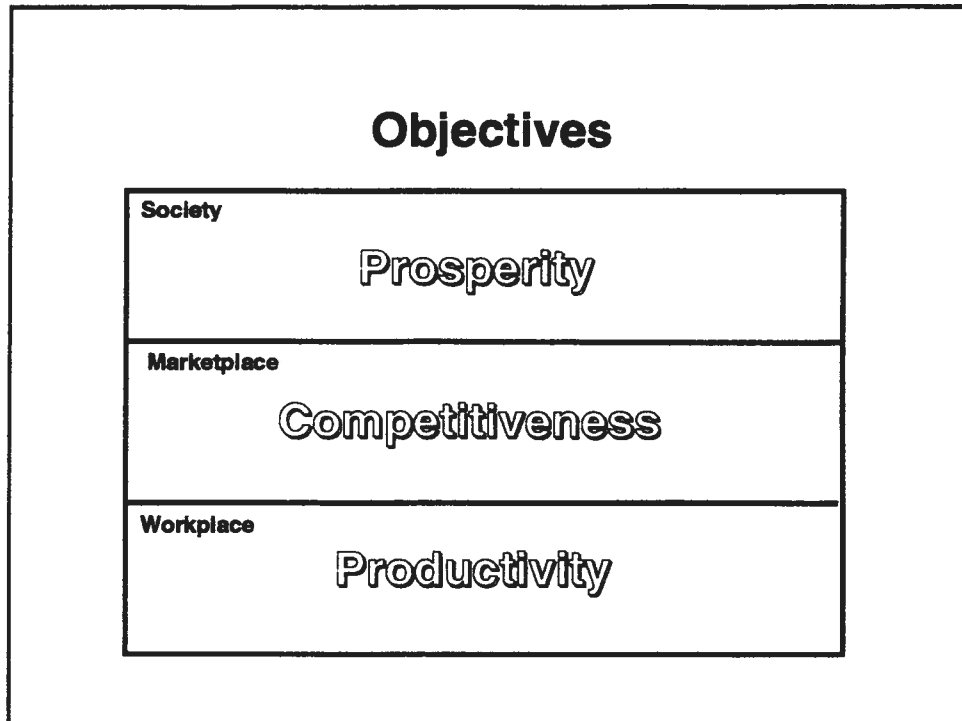
**community job security**

Within each box, participants will pursue their own objectives. The outcomes will depend on their relative power and the "regulating device" that balances the forces.

In the marketplace, we are quick to draw supply and demand curves with price as the "invisible hand" signaling the participants.

At the firm level, profit maximization or management survival or "satisficing" may be the mechanism, perhaps countered with some degree of organized labour or labour legislation to control the worst instincts of employers.

In society, the notion of public choice with politicians striving to "buy votes" through their actions, coupled with lobbying by special interest groups, is seen as the driving mechanism. Mobility of capitalists, or at least their funds may be their protection. Individuals may seek their objectives through the exercise of "consumer sovereignty", mobility, or by seeking representation through social lobbyists.



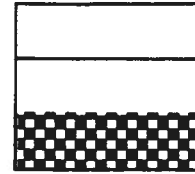
**Productivity** is a concept at the level of the **firm**, government department, or other organization (i.e., the **workplace**).

It is the base for competitiveness, and the root of real income gains.

**Competitiveness** is a concept of **marketplaces**, where relative costs determine if sustainable operations for a firm, and indeed, an industry are possible.

**Prosperity** is the concept for the **society**, with improvements in real incomes, the quality of life, equity, and environmental sustainability all as goals.

## **Workplace Changes**



- **The Shamrock Organization**
- **More educated labour force**
- **Equity and discrimination concerns**
- **More use of regulation and mandating**
- **Emphasis on productivity growth and international cost comparisons**
- **Technology - general-purpose factories, shorter production runs, multiple plant locations**
- **More immigrants in workplace**
- **Organizational changes in the workplace.**

Charles Handy - Three kinds of workers: a core group of highly motivated, intensive knowledge workers, a group of part-time, high-turnover workers for some jobs, and contracted-out tasks to other organizations.

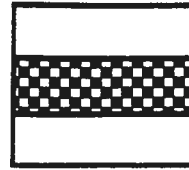
Educated workers want to be involved (empowerment). At the same time, alternative organizational structures become more productive, with more of a team approach, less command-control.

State responsibilities for training, education, health, childcare may be pushed to firm through regulation and mandating.

Rising number of females and immigrants will keep pressure up for equity in workplace and pressure on training.

Technology can also change the workplace, including distributing it spatially, given communications and shared databases.

## **Marketplace Changes**



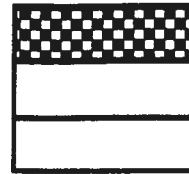
- **More open and competitive markets**
- **More demanding consumers with more choices**
- **"Externalities" internalized through regulations affecting prices**
- **Increased emphasis on bundle of services to create distinctiveness in market**

Globalization of companies leads to large "internal markets" across international boundaries, raising issue of transfer pricing.

Use of price system and traded rights to pollute is likely to be the way we end up handling air and water pollution issues.

No consumer loyalty to the country of origin, but likely to buy quality.

## **Societal Changes**



- **Quality of life, equity goals**
- **Longer life cycle - health, wealth**
- **Lower fertility rates**
- **Increasing demands for education**
- **More "open" government, quicker response**
- **More special-interest groups**
- **Reduced demands for security of state at global level**
- **More grey power, less for young and parents**
- **Immigration contributes half of population growth**

With basic needs taken care of, increased emphasis on other values in North America, including equity, environment, leisure time, etc.

Increases in lifetime, may require review of retirement age for pensions, rising health needs for very elderly, but large transfers of wealth between generations.

Current view of "peace" may change if religious wars break out.

## Federalism

- **Federalism is an organizational form that allows for leadership from the center, but management from the parts**
- **Requires Chinese contracts between the doughnuts**
- **The goals of the parts adjust to the requirements of the whole and vice versa**
- **Not a confederation**

Federalism provides a structural form that gives more power to the small and local, a necessary adjustment to overcome the feeling of impotence of the individual. (p.109ff.)

Federalism requires giving up power, it is an exercise in balancing power. No one can have everything exactly as they want it.

A confederation is an alliance of interested parties who agree to do something together. It is a mechanism for mutual advantage, but there is no need for compromise and no core of common purpose.

Key concepts related to federalism are **twin citizenship** and **subsidiarity**.

## **Twin Citizenship**

- **This allows the small to be independent while still being part of the whole**
- **Requires confidence in the central function, a sense of belonging to a larger whole.**
- **A common cause, a sense of compromise, and trust in other members are key to sensible organizational behavior.**

Second citizenship is critical. It depends on symbols, shared values, leadership, and cross-fertilization between the parts. (p.122)

A common currency and common legal framework are also necessary.

In a corporate structure these translate into a common information system and a shared set of basic guidelines. This does not mean uniformity. (p.124)

Financial involvement in both citizenships can help reinforce the idea. Consider a reward system based on 50% of normal pay plus 20% if the entire organization meets its objectives, 20% from the unit meeting its objectives, and 10% from individual performance. (p.126)

Two levels of loyalty in one area seems to be the limit of people. This is putting the squeeze on intermediate levels. In a federal structure, hierarchies are limited and local. The linkages to the the larger organization is as a network. (p.128ff.)

“Federalism, properly understood, can restore that sense of belonging and a broader, bigger citizenship, in both our organizations and in society.” (p.131)

## **Subsidiarity**

- **Leaving power as close to the action as possible.**
- **Stealing people's responsibilities is wrong.**
- **Reverse delegation - from the parts to the center.**
- **"Subsidiarity, with its emphasis on individual rights and duties, is the basis of any concept of citizenship and critical to any concept of society." (p.147)**

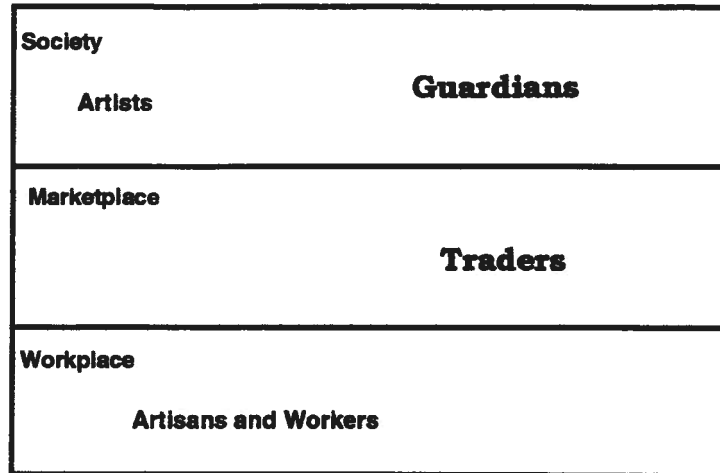
The notions of multi-polar and horizontal organizational structures are forms of federations. (p.136) There is no need to have all the people with responsibilities across the organization sitting in the same central place.

The center should be small, partially dispersed, but strong and well informed. Its "reserve" powers include "new money", "new people", the design and management of the information system, and the "right of invasion" when things go wrong. The information age has made federalism possible. (p.137-8)

The size of a unit is big enough to be competent to do what it has to do and small enough so that everyone knows everyone else in it - a paradox in balance. (p.141)

Subsidiarity depends on mutual confidence and trust. (p.142ff.)

## Jane Jacobs Framework



Jane Jacobs discusses two kinds of people, Guardians and Traders. They belong in their respective boxes.

Government administrators are a dominant form of “guardians”, with their set of moral precepts. Business - traders and producers - are the other form, with a different set of moral rules.

Individuals who pursue one type of activity with a mix of moral frameworks are likely to run into some difficulty, or create it for others.

Although Jacobs feels that these two categories are exhaustive, I have added two other groups.

In the workplace (and indeed elsewhere) are workers and artisans, not involved in either trading or “guarding”.

As well, we should not forget the “artist” who belongs in society, outside of the workplace and marketplace.

## **The Commercial Moral Syndrome**

<b>Shun force</b>	<b>Come to voluntary agreements</b>
<b>Be honest</b>	<b>Collaborate easily with strangers</b>
<b>Compete</b>	<b>Respect contracts</b>
<b>Be efficient</b>	<b>Use initiative and enterprise</b>
<b>Be industrious</b>	<b>Promote comfort and convenience</b>
<b>Be thrifty</b>	<b>Be open to inventiveness and novelty</b>
<b>Be optimistic</b>	<b>Dissent for the sake of the task</b>
<b>Invest for productive purposes</b>	

Jane Jacobs, **Systems of Survival** (p.215) outlines the moral principles that should be pursued by traders and guardians.

The key point is to realize that there are two frameworks: one for traders and one for guardians. In many cases, the two groups do opposite things. (e.g., shun force and “exert prowess”)

Traders who pick up some of the moral elements of guardians can also create problems. Indeed, JJ describes the Mafia as a group of traders with guardian principles. In particular, the use of force, enforcement of hierarchy, practice of deception are some of their distinguishing characteristics.

## **The Guardian Moral Syndrome**

<b>Shun trading</b>	<b>Exert prowess</b>
<b>Treasure honor</b>	<b>Be obedient and disciplined</b>
<b>Be ostentatious</b>	<b>Adhere to tradition</b>
<b>Respect hierarchy</b>	<b>Be loyal</b>
<b>Take vengeance</b>	<b>Dispense largesse</b>
<b>Be exclusive</b>	
<b>Show fortitude</b>	<b>Be fatalistic</b>
<b>Make rich use of leisure</b>	
<b>Deceive for the sake of the task</b>	

The concept of “guardian” should be fully understood by all public servants, politicians, NGOs, and others who believe they speak for the public.

The fundamental difference between traders being involved in trading and the rule for guardians of “shun trading” suggests several things.

- Government and business are fundamentally different.
- Privatization exercises will work for “business-like” activities of government, but other areas will require a “guardian” or “monitoring” component.

The movement of people from one role to another would likely benefit from a clear “re-setting” of the moral frameworks before a person assumes the new position.

“I used to think of ... good government ... as the major force at work in the civilizing process. Now I’m inclined to think of government as being essentially barbaric...”

“Some other civilizing agent must therefore be necessary. This is the guardian-commercial symbiosis that combats force, fraud, and unconscionable greed in commercial life - and simultaneously impels guardians to respect private plans, private property, and personal rights. ... a useful definition of civilization: reasonably workable guardian-commercial symbiosis.” (Jane Jacobs, **Systems of Survival**, P.114.)