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NEW ZEALAND INSTITUTE OF ECONOMIC RESEARCH

Durable policy approaches

Framework development and brief literature review

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Key points

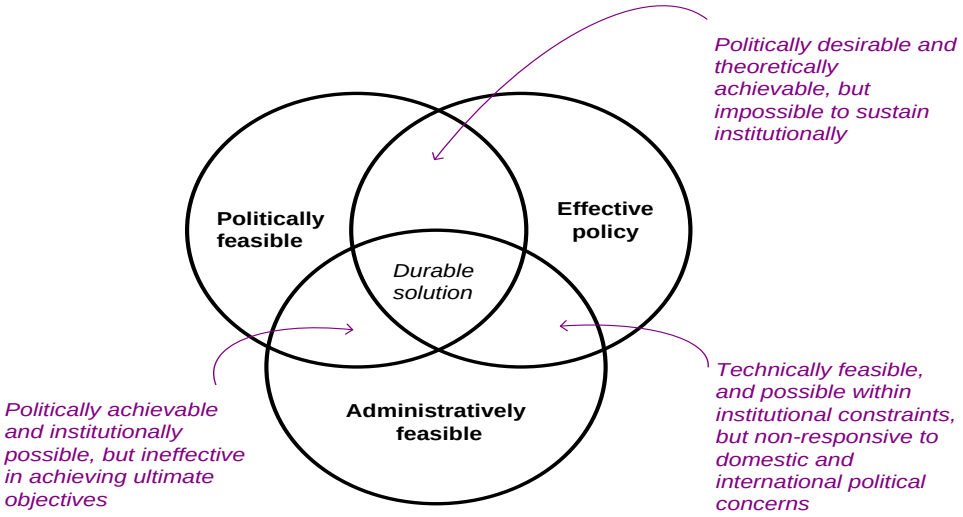
Improving the framework used to develop durable policies must be an important objective for any system of government.

Our purpose is to develop an understanding of the theoretical and practical approaches used to further advance policy durability. To do this we have investigated the literature that examines the high level issues that policymakers need to consider when attempting to understand more about what makes policies durable.

By *durability* we mean the creation of fit-for-purpose interventions that deliver an efficient and effective response to changing societal views, technology, global trends or even one-off events.

Policy durability is dependent on the politics, policy advising and implementation, and how well they connect. It is only when these three distinct components overlap that policy durability is possible.

Durable policy solutions



Source: NZIER

It's about politics, policy advising, and implementation

Despite the different configurations, the literature converges around three things: the politics, policy advising, and implementation processes. Specifically:

- some of the literature is reticent about boldly stating that the politics comes first. However, it is clear from the specific interventions examined, interviews, literature, and other material that politics is the crucial component that constrains, frames and reframes the set of options that can be successfully developed. Politics dictates what is feasible, however this is not necessarily durable
- most of the literature focuses on policy advising and associated theories. In most cases, for policy to be enduring it requires the conversion of political

ideas into economically coherent approaches. However, just as important can be the social, environmental and cultural factors that shape policy e.g. what else can explain the imposition of import licensing between 1935 and 1983 and laws governing the ability of foreigners buying farm land

- implementation is the poor cousin of policy advising. However, how a policy is implemented and monitored can have a major impact on its durability – possibly the most important impact.

Relationships matter

The specific relationship between politicians, stakeholders, and the bureaucracy matters. Building the coalitions of interest is a key part of the policy formulation process. The importance of relationship building to bridge the political, policy advising (from the public services and private entities), and implementation divides cannot be underestimated.[1]

Strong relationships between policymakers and politicians can assist in signalling political intent and the trade-offs that need to be made to advance durability goals. They are particularly useful when "brave" political decisions are made, where new directions are signalled because current policies do not meet objectives.

A systematic approach to policy making is long term good practice

What is politically feasible is constantly moving. The unpredictability of the political process should not preclude policymakers from developing a "checklist" of questions to ask themselves when developing new interventions. While it may not be useful in all cases, a systematic approach to understanding political dynamics supports durable policy development.

Durability involves resolving the tensions between short and long term policy objectives

The standard political response to an event or shock is to tell policymakers to "do something". Finding ways to show that policymakers are actually "doing something" in the short term (real or perceived) while still removing the impediments to better policy over the long term is challenging but central to improving durability.

Successful policy approaches navigate the potential conflicts between short term imperatives and longer term policy objectives. Durability may be improved by either an approach (or series of approaches) that delivers a fit-for-purpose fix that solves a short term political issue. However, the solution should be consistent with longer term economically and socially coherent approaches that are less about perception and more about developing an effective and efficient response.

[1] Different governments favour different stakeholders depending on the policy objectives. It is not uncommon for one group's ideas to have more weight than others. The influence of specific groups waxes and wanes as governments come and go.

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1. Introduction

Developing durable policy approaches consistently as possible is the holy grail of policy advising. Having a stock of policy interventions that provide consistent guidance and governance to New Zealanders as they conduct their commercial and social affairs will ensure a stable platform for societal interactions and can defuse tension between government citizens and business. A consistent and stable platform provides opportunities for further social and economic innovation.

By *durability* we mean the creation of fit-for-purpose interventions that deliver an efficient and effective response to changing societal views, technology, global trends or even one-off events. This suggests robustness to foreseeable shocks and the reasonable elapse of time.

To be successful durability depends on resolving the tensions around short and long term policy solutions. It could be a short term fix (e.g. in response to a single temporary event)[2] or one of a series of interventions over time (e.g. government responses to industries where technology is moving quickly).[3]

Policy settings or approaches are the interventions made and are the outcomes of the interactions between politicians, policymakers, and implementation. These can range from regulations, policy stances, inquiries, royal commissions, and attitudes by politicians and policy makers.

Our purpose is to develop an understanding of the theoretical and practical approaches taken to understand and further advance policy durability. To be more specific, we want to explore the elements of what we see as the stable core at the intersection between what is:

- **politically feasible** (i.e. judgments by politicians about what can be sustained politically)
- **effective and efficient** (i.e. judgements about the achievement of ends and the best use of scarce means with alternative uses)[4]
- **administratively achievable** (i.e. seen as having policy settings able to be practically implemented).

This is a simple idea with complex consequences. Getting past the rhetoric and views of various actors of what is politically feasible, what constitutes effective and efficient policy and how workable interventions may be are all challenging.

Complicating matters further are the different dynamics at work: political feasibility is notoriously fickle[5]; there is always a change in the setting as a result of reactions to particular interventions[6]; and overcoming practical obstacles to effective implementation changes the policy – sometimes significantly.

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2 This could be as diverse as responding to Y2K or level crossing accidents.

3 Such as the advent of mobile phones and the impact on the telecommunications market.

4 Lionel Robbins (1932), An Essay on the Nature and Significance of the Economic Science. MacMillan and Co. London.

5 It is said to have been Harold Wilson who noted, "A week is a long time in politics," during one of the economic crises that beset his first term as Prime Minister.

6 These can be particularly salient if there are unintended consequences.

The main reason for examining durability is that the costs of non-durable policy are high. They relate to the consequences of getting it wrong and include:

- the administrative costs (e.g. the extra costs of producing new policy)
- the compliance costs (related to the behaviour of actors directly affected by the policy)
- the wider social costs (the impacts on other parts of the community, including the costs of higher uncertainty such as hedging).

While the costs associated with compliance and wider social costs are typically substantially higher than the administrative costs, policymakers' time is scarce and there is an opportunity cost to be considered.

This paper is organised in the following way. Following this introduction, Section 2 introduces the framework to illustrate the durability concept.

Section 3 examines how politics can impact on policy durability. Politics frames and constrains policy therefore it has a major bearing on the ability of policy to be durable. It is also the most difficult to pin down, given the fluidity of what is politically feasible.

Section 4 examines the theory and machinery of policy advising and sets out some practical approaches to developing policy and includes a discussion on Moore's public value concept (Moore 1995) and the mix and match approach to developing policy solutions that attempts to maximise chances of durability.

Section 5 sets out approaches to implementation and outlines the important practical issues that need to be understood and dealt with for durability to be a possibility. Implementation is often divorced from the politics and policy advising yet it is a vital cog in the policy durability wheel.

Section 6 looks at how the literature converges, the importance of the interaction between politicians and policymakers, the importance of dynamics, and sets out a classification system that may assist in identifying elements of durability.

We have not done an in-depth analysis of the literature on how government works. Rather we have surveyed selected parts of the literature that shed light on policy durability and the types of settings developed, so that we further understand the motivations of participants. We have drawn on international and domestic studies in peer-reviewed journals, comments of experienced policymakers, and other experts who have been involved in the policy advising field.[7] Our work here builds on the very successful NZ Law Foundation Regulatory Reform project using contacts developed across disciplines to further enhance our ability to understand what makes regulatory policy durable.

Also we have only touched on some of the design solutions that policymakers have in their kitbag. Boston (forthcoming) looks at this in more detail. In particular, Boston examines the various solutions that are assumed to mitigate the presentist bias of policy.

Our analysis is intended to give policymakers and other interested stakeholders an indication of the way the literature addresses the interaction between policy and

[7] The knowledge of experts is important because policy advising is a craft, therefore experience is highly salient.

politics, the various theories advanced, the different lenses used in policy advising, and the possible implications for durable policy approaches.

1.1. What do we mean by policy?

To further understand how to develop durable policy also requires more knowledge on the nature of policy. Public policy has existed as long as government has sort to intervene in non-market and market activity. Policies are principles, rules, and guidelines formulated or adopted by individuals/entities/countries to reach short or long term objectives. Policies are designed to influence and determine all major decisions and actions, and all activities that take place within the boundaries set by them.

In the early 20th century Dewey (1927) argued that citizens only require intervention through public policy to counter the adverse actions of third parties.

Our approach is much broader than the pre-stock market crash 1920s statements of policy made by Dewey and reflects a maturing of our understanding of the strengths and weaknesses of markets.[8]

Policy development and analysis is concerned with understanding:

- what are considered "policy problems" and how they are defined and approaches constructed?
- how they gather "traction" or support and are placed on an agenda or "to do list"
- what are the viable options?
- what are their impacts and how are they measured?

1.2. Negotiating approaches to policy

We have no generalised theory or undisputed methodology that governs the analysis of policy and its durability.

Making sense of the literature on what constitutes 'fit-for-purpose interventions' from a diverse set of disciplines developed relatively independently is not straight forward. Some of this literature is focused on the policy advising space and treats the political aspects of the system as exogenous. Apart from Moore's public value concept (Moore 1995) we have chosen to exclude this from our focus.

[8] For an in-depth examination of polices, regulation, and markets see MacMillan (2002).

2. Three lenses framework

2.1. Earlier work

The three lenses approach attempts to tackle the issue of durability head on by examining its characteristics. The three lenses approach came out of consulting work undertaken at NZIER. Its applicability and ability to describe quite different policy developments led us to explore more fully the literature that underpins this approach. Other authors have used similar approaches e.g. Head (2008) starts by examining trends from the 1970s to 1990s for evidence-based policy in mature democracies. Head (2008) defines evidence based policy as:

> *"the latest version of the search for usable and relevant knowledge to help address and resolve problems".*

Head's starting point is that evidence-based policy approaches do not fully describe in a satisfactory way how policy decisions are actually made. He argues that policies tend to emerge from the interaction between "*facts, norms and desired actions*". He goes on to develop a model that sets out the important lenses that these facts, norms, and desired outcomes typically emerge from:

- political judgement: the analysis and judgment of political actors
- professional practices: the practical wisdom of implementing polices
- scientific research: the systematic analysis of past conditions and trends, and analysis of the causal inter-relationships that explain conditions and trends.

This approach complements the negotiating model set out by Lax and Sebenius (1986) for managers in United States corporates. Under the title "What do managers have to worry about?" Lax and Sebenius develop a "consistent network of linked agreements" which aims for a "good goal" and is both "authorisable" and "producible".

In both cases the approach can be recognised using the following diagram (see Figure 1), although Head (2008) does not explicitly recognise the durable solution as being the ideal solution.

2.2. Change and its consequences

To sit in the real world, choosing potential policies requires looking at:

- the ability of the policy to survive through different coalition agreements and even changes in government.
- the capacity of the policy to remain productive and potentially produce productivity gains.
- how easily the chosen option can adapt as technology, international trends and imperatives, and societal views change.

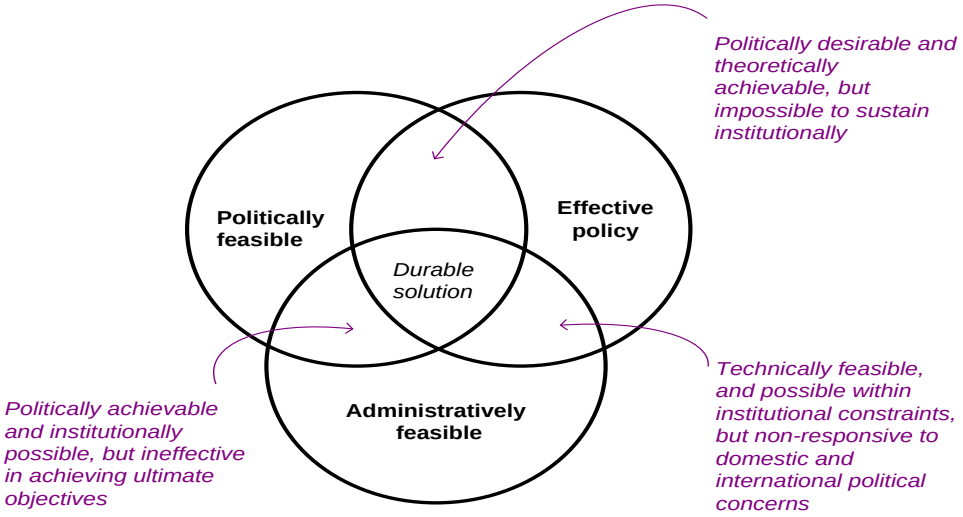
The inevitability of change means that any effective policy bargain that produces an intervention needs to take into account the dynamics that will occur around it. A good policy will include provision to gathering data to monitor efficiency and effectiveness

of progress towards agreed goals. The possibly of smoothly adjusting or retuning interventions to take advantage of, or mitigate the bad aspects of change makes it more durable. This suggests that the key to policy durability is the framework not the specific settings used to operationalise the framework.

2.3. Ruling out not ruling in

These approaches can be seen as representing a process that moves toward an outcome. They are distinguished by their emphasis on **ruling out** rather than on closing in. As such they are pragmatic and realistic – they elevate the constraints on the problem to a defining role. There is no point in looking at ideas that fail one or other of the necessary hurdles, unless of course it is part of moving the policy debate toward a different solution. What is left in the durable space is the set of possible solutions[9] that are not countered by any the three large sets of forces that appear in the diagram.

Figure 1 Durable policy framework



Source: NZIER

The durable solution represents the area where durable policy approaches can be developed. Typically, the area is more than a point and thus there are a number of different approaches that could be delivered within the feasible set.

This then allows the process envisaged here to change gear. From the negative task of identifying the approaches that do not stand up to the three tests for durability and crossing them off the "possibles" list, the policy maker can move to a more positive chore: choosing among the contenders.

In the next section we explore the feasible political set that determine what policies are developed. It starts with the political motivations and the approach by politicians to policy development.

[9] This is redolent of the famed maxim of Sherlock Holmes: "How often have I said to you that when you have eliminated the impossible, whatever remains, *however improbable*, must be the truth?" [A Conan Doyle *The sign of the four* 1890]-

3. Politics

3.1. Politics is people

We start with the politics, since the politics always comes first (Nixon & Yeabsley 2014). Policy for all its social, environmental, and economic consequences is finally and formally decided by politics.

Head (2008) defines politics as the "*analysis and judgement of political actors*". Therefore, the political aims of actors and how those political aims change and their perceptions of "good" and "bad," frame and constrain actions that are taken to influence regulatory responses.

Head suggests that this type of political knowledge mainly resides in party organisations, surveying firms, and public relations firms. While some of it is private information, most resides in the mass media.

Politicians are always acting politically.[10] Using knowledge that may only be partially objective, slogans that are "*partisan and adversarial*" (Head 2008), and information from a variety of sometimes eclectic sources.

This can manifest itself as politicians often fashion a number of facts or coincidences together into what they consider a coherent policy. Typically, they do not consider all relevant information, and often deem some evidence as ideologically motivated, unworkable, or not politically acceptable. This style is part of the adversarial nature of political life. The selective use of facts and evidence may be part of a tactical ploy, merely opportunistic, or part of some grander vision about what the politician or their party stand for and want to achieve.

Normally, through a manifesto, incoming or returning governments articulate what they are attempting to achieve. To be effective, decision makers must do the underlying politically informed analysis – crudely: who wins and who loses? This involves interaction between a variety of stakeholders driven by strategies and tactics that take into account the political frame of reference.

Crucially, the manifesto may contain elements that are non-negotiable.[11] These are closely held views which can be immune to "evidence". Criticism invites zero sum game political rhetoric – ruling out nearly all other options.

When politicians rule out certain courses of action they narrow down the feasible set of interventions able to be pursued. Such political rhetoric can constrain the approach taken to policy formulation and even specifically detail what research into the problem can, and can-not be undertaken.

In the following sections we explore the elements of politically informed analysis. The first of these is agenda setting. This can include consideration of the "real" problems,

[10] This is a version of a well-known Wellington insight: *politicians act politically at all times*; called by some Prebble's Law and others Ladley's Law.

[11] Unless of course manifesto promises are broken or as in one case in New Zealand the manifesto was release after the election.

managing gatekeepers, the state of the economy, ability to catch the "policy mood" or "wave", and understanding which idea might gain currency.[12]

3.2. Agenda setting

How a policy makes it on to the political agenda may also have a bearing on its durability. This is more to do with a policy's attractiveness at a particular point in time and whether that attractiveness has the necessary characteristics to promote durability. Therefore, this is more about the political feasibility than other types of feasibility.

Agenda setting as an area of enquiry seeks to explain why some issues are ignored and others get addressed. Kingdon (1995) defines the agenda as:

> *"a list of subjects or problems to which government officials and people outside of government closely associated with those officials, are paying some serious attention to at any given time".*

Further Kingdom explains that "*the agenda-setting process narrows this set of conceivable subjects to the set that actually becomes the focus of attention*".

While a number of scholars have examined agenda setting (e.g. Cobb & Elder, 1983; Nelson, 1984; Stone, 1997) most do not analyse the whole process. Kingdon examines policy ideas and the manipulation of windows of opportunity by policymakers over a number of years. The analysis divides the policy setting process up into problems, policies, and politics. These can align/collide at specific points in time, to present a "window of opportunity" that results in issues moving onto the "decision agenda," for regulatory reform/enactment.

It is only when the "window opens" that policies with attached solutions can be fully developed. Central to Kingdon's theory is a distinction between agenda-setting and the "generation of policy alternatives," or solutions. Agenda-setting may change suddenly, but solutions evolve incrementally over time.

Kingdon's theory is particularly germane to the generic approach to government service. Kingdon considers a variety of contributing factors to the agenda process, such as political attention, the significance of problem definition, policy change over time, interest group pressure, media coverage, and public opinion. The theory examines the dynamic associated with particular policy areas over time incorporating the different influences that will come to bear on the process.

The OECD (2009) supports this by suggesting that reform requires time and persistence and that setbacks can occur. These setbacks can though create the climate for meaningful reform.

Howlett et al (2009) sets out the type of agenda setting modes that typically occur (see Table 1 below). Key to the emergence of ideas is the type of system the ideas are generated from (monopolistic or competitive). In a monopoly it is less likely that new ideas will emerge and thus that the status quo will remain. Only where competition for ideas exists and therefore new ideas are valued, truly innovative ideas will emerge.

[12] Kingdon (1995) suggests that when you plant a seed you need rain, soil and luck. It is a similar situation for policy ideas; certain elements are necessary but sufficiency requires the stars to align.

Table 1 Agenda setting modes

		Subsystem type	
		Monopolistic	**Competitive**
Ideas	**Old**	***Status Quo*** Character: static/hegemonic (agenda denial)	***Contested*** Character: contested variations on the status quo
	New	***Redefining*** Character: internal discursive reframing	***Innovative*** Character: unpredictable/chaotic

Source: Howlett et al (2009)

This model also allows for partial coupling, demonstrating inaction where:

- there is a problem and a solution but it is not politically interesting, or the political risks are deemed too high. (Not politically feasible)
- there is a solution and political willingness but no real problem, or fixing the problem comes at a high economic costs. (Not effective or efficient)
- there is a problem and a political will to tackle it, but no administrative solution. (Not administratively practical).

While policy development timing is incredibly important[13], at least as important are the values of those sponsoring the regulatory change. Typically, it is the values of political actors that decide the intent or direction of policy and regulatory change and it is up to the policymakers to match the political problem with a policy solution. How durable the solution is (if indeed there is a problem) depends on the ability of policymakers to convert the proposed solution into policy efficiently and implement effectively.

Setting and understanding priorities is another important factor in the development of durable policies. In the next section we examine how governments may (or may not) dictate what policies are developed.

3.3. A focus on reform space

Another angle on policy development relates to creating the space or conditions for policies to be effective. Potentially by creating the space for a policy to become workable allows further understanding of factors that make-up policy durability.

Andrews (2008) has developed a "reform space model" to examine how reform can be effectively taken up. The approach is geared at relatively major reforms in developing countries. He looks to illustrate how the necessary conditions for reform arise.

His view is that there are three characteristics that those making changes can develop: "buy in" in the form of **acceptance** (why we want to reform); **authority** (how are political, policy, and institutional factors able to support reform); and **ability** (can those who must implement, do so).

[13] Because as we have discussed, the environment keeps shifting.

The idea of the reform space model is set out in Figure 2.

Andrews' approach is designed to think about the task of creating space where development can occur. He saw this as starting with the necessary conditions for successful reform. His approach came about from the dissatisfaction with purely technical approaches to development i.e. the focus on how to do something efficiently without thinking about whether it was politically desirable or if it could be implemented. Woolsy-Biggart & Guillen (1999), Andrews & Turkweitz (2005), Ronsholt & Andrews (2005), Hill & Andrews (2005), OECD (2009), and Andrews (2004) all provide case study material that points to the need to create policy space.

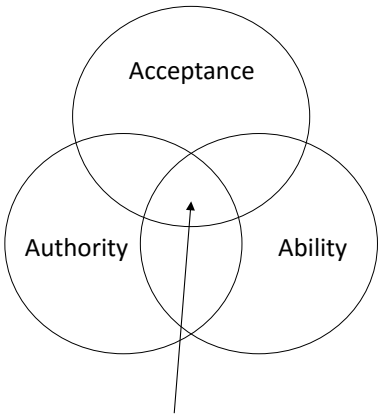
Of particular interest are politicians' actions. Andrews (2008) suggests that reform (or more generally policy action) needs an understanding of how politicians actually go about the tasks: building space; creating windows of opportunity; or developing durable policies, rather than listening to what they say they do.

Figure 2 Basic idea in the "reform space" model

Is there **acceptance**:
Of the need for change and reform?
Of the specific reform idea?
Of the monetary costs for reform?
Do embedded incentive mechanisms
Facilitate or hinder acceptance? Especially
When transitioning fully from old to new

Is there **authority**:
Does legislation allow people to challenge
The status quo and initiate reform?
Do formal organisational structures, rules, allow
Reformers to do what is needed?
Do informal organisational norms allow reformers
to do what needs to be done?

Is there **ability**:
Are there enough people, with appropriate skills, to
conceptualise and implement the reform?
Are there appropriate information sources/data
(to help conceptualise, plan, implement and
institutionalise the reform)?



Reform space, at the intersection of A, A, & A determines how much can be achieved

Source: Andrews (2008)

Andrews (2008) takes this concept further by incorporating into his approach the idea that different possibilities arise at different stages of the policy process. Also he notes different constraints arise and fall away as the intervention idea is transformed into practice. All of which have implications for policy durability. Andrews identifies the following stages where the shifting sands of the reform formulation process (dynamics) can change the policy possibilities in the reform space:

- **conceptualisation**: identifying, setting out and sizing the problem. This is about the generation of ideas to be considered. Typically, new ideas, prior to testing, are more easily accepted by governments so little space is required for further exploratory development

- **initiation**: reforms are introduced to the political and policy environment. Buy-in from all parts of the policy and regulatory process must increase if the policy is to succeed. Most ideas do not make it over this hurdle since sufficient need for reform may not exist or the timing is wrong
- **transition**: the development of rules that reflect the intent of the reform. Designing the implementation process requires overcoming institutional resistance by those who benefit from existing systems. This can be difficult, particularly where the institutions are weak. A further problem is the ability to enforce new reform methods. If the regulatory lines are blurred or the policy cannot be monitored, then it is unlikely that transition will be implemented successfully
- **institutionalisation**: the establishment of new formal and informal rules. Andrews emphasises that for new interventions to be accepted both informal and formal acceptance is required. If citizens ignore the new interventions, then they cannot be fully institutionalised or effective.

The staged approach to building a reform formulation space introduces a dynamic to the process which suggests that the AAA circles shift around over time in response to reform stages.

If the constraints at each stage are different the need for building space is paramount. As Andrews (2008) focused on developing countries this emphasised the need for politicians to lead this process by building authority, acceptance, and ability since it is likely that the acceptance, authority, and ability circles in developing countries are constantly moving about. Andrews gives examples in developing countries where political leaders have leverage over some organisational forms (budgets, regulations etc.) and institutions lack the strength to expand the space where reform can occur.

Andrews also underlines the importance of networks to achieve success. Much like the work of Casson (1997) who argued that information is central to organisational success, Andrews points to effective engagement between networks of different groups each performing different tasks to create implementation, political and policy space.

3.3.1. Links to durability

The parallels to policy durability are strong. Creating space is similar to the core feasible set in the three lenses approach. But Andrew's further insights based on his practical case studies are: understanding the role of agents (in his cases politicians) in actively working at the elements of creating space; and his discussion of the way the elements shift over time. These add to understanding the wider concept of durability.

There is also a connection between durability and policy efficiency. In the next section we look at this connection since the more efficient the policy response the more likely that it will be a durable option.

3.4. Policy efficiency

Dee (2011)[14] with a dual academic and policy development background, builds on the Andrews approach in developing the idea of policy efficiency (equivalent to Andrews' formulation of space).

Ever the economist, Dee defines the concept of policy efficiency in a similar way to the theory of second best:

> *"While it may be true that some reforms will generate larger economy-wide benefits than others, the concept of policy efficiency is not primarily about picking which ones are better. It is about ensuring that at last some worthwhile reforms are actually adopted, rather than staying on the economist's drawing board."*[15]

Dee focuses on the impediments to change (identifying the better policy options early in the process, undertaking transparent consultation, and the need for a strong political base). Crucially, she identifies the difference between static political analysis and political dynamic analysis – given the potential shifting sands of what is politically feasible. Static political analysis may not provide insights into the development of the feasible political policy set.

For example, Persson & Tabellini (1999) point out the political constraints that could eventuate:

- **lack of credibility**. Governments cannot realistically commit to maintaining a policy over time
- **political opportunism**. Governments are interested only in staying in power. No attempt to mitigate against bad policies
- **political ideology**. Depending on its strength, it can shape policy formulation if different parties pursue different ideological stances in office. Ideology has the potential to close down options limiting what future governments can do
- **divided government**. If more than one party is involved in the decision making the possibility of overspending increases
- **pressure for redistribution**. Redistribution for its own sake may not result in efficiency.[16]

A further issue occurs in the frequent case of an investment, where the costs are up-front and the benefits take some time to emerge. Boston (forthcoming) investigates this issue in depth and examines the "*conditions for, prudent long-term democratic governance, the reasons why such governance is politically challenging, and how such challenges can be best tackled*."

To overcome these types of impediments and support efficient processes, good information, analysis, and data can inform decision makers and evaluate the policy debates. This assists in constraining the political arguments to a feasible set of policy options.

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[14] See https://crawford.anu.edu.au/pdf/staff/phillippa_dee/2011/Toward_a_Theory_of_Policy_Efficiency.pdf

[15] Note we have been intrigued by the choice of "last" here where we might have expected "least".

[16] However, we are well aware that countries with very large income disparities do not necessarily grow very quickly.

Efficiently designed policies may not be enough to make policies durable. In the following section we examine how politicians also need to consider the strategies and tactics that could be used to deal effectively with the "voice" from various interest groups, lobbyists and the general public.

3.5. Responding to "voice"

In some cases, the key driver for change is mounting public concern about some perceived issue that needs intervention. Therefore, responding to and understanding the impact of public "voice" is an integral part of the political process. Being seen to "do something" is extremely important because it demonstrates politicians are listening and in control of the situation.

Of particular concern is the choice of how to respond. Approaches taken include setting up a Royal Commission (such as, the response to the Pike River tragedy, or the investigation of genetically modified organisms.) Other ways of responding to public voice are to set up groups of stakeholders and experts (such as the Buckle Taskforce on Taxation Policy, or the Land and Water Forum (LAWF) to examine the way forward on water policy.) Another common tool used by governments is more direct interaction with the community like roadshows, where governments explain why certain policies are proposed and listen to local responses (such as the conversation on the constitution).

Sitting quietly behind these public tools is the constant private polling and focus groups undertaken by political parties to further understand the public's preferences. In a large number of cases it is this vox pop work that influences the type of consultation that takes place, or even if it takes place at all.

There is no right response to public concern. But as part of their job politicians must identify what concerns the public (or the constituency they are appealing to). And if those concerns require a formal response, they must find a way to "fix" or mitigate the issue.

The link between durability of interventions and voice is crucial, since policies are more likely to be durable if they ascribe to reflect the deep values and attitudes of those affected, given the constraining factors of economic coherence and ability to implement.

A further issue in responding to "voice" occurs when politicians seek to capitalise on public concern that over- (or under-) emphasises the short term. This can appeal to the politician's self-interest, despite a genuine desire to help the public, since it forces politicians to focus on immediate interests to survive politically.

In the jargon this is called political arbitrage (Aviram, 2007).[17] Potentially, this can have an adverse impact on policy durability, since the short term focus can impede progress towards policy durability.

In the next section we set the approaches developed by policymakers that turn political will into workable policy and consider the impact on policy durability.

[17] Bias arbitrage is the extraction of private benefits through actions that identify and mitigate discrepancies between actual risks and the public's perception of the same risks.

4. Policymaker considerations

The policy framework should aim to maximise welfare over time with respect to the constraints. These could be any number of social or environmental risks or costs, plus the usual links between production and consumption. In an "ideal world", with few externalities, low transaction costs, cheap and readily available information and motivated agents the market tends to take care of these outcomes. In "real world" situations, however, frictions occur which cause market failure which drives intervention.

In general terms the less intervention the better. This reflects the general starting point that people should be free to engage in activities unless they are prohibited for some good reason. Also, and more specifically, good intervention practice should signal the importance of innovation for economic growth, and the maintenance and enhancement of New Zealand's standard of living. This is why, for example, New Zealand has signed up to international agreements (under the TRIPs Agreement of the Uruguay Round) on intellectual property laws that give patent holders (innovators) uniquely powerful property rights.

Below we set out some of the theoretical considerations of public policy making to illustrate the building blocks of public policy development. We then examine ways in some of these approaches are applied.

4.1. Identifying the optimal level of public outcomes

What is the optimal outcome?

Prebble (2012) shows in a stylised way the optimal level of public outcomes. In the following diagram the vertical access measures the well-being outcome for the public that depends on government intervention. The horizontal axis is a spectrum between public authority and private autonomy[18]. The more rules and policies there are, the closer the economy and society are to outcomes to the left in the diagram. The fewer rules the more private autonomy resulting in a move to the right hand side of the diagram.

Points y to y^1 represent the range of outcomes that can be achieved by society if it so wishes. These span the spectrum from large amounts of public policies which produce a large amount of public outcomes (y) to little or no public outcomes (y^1).

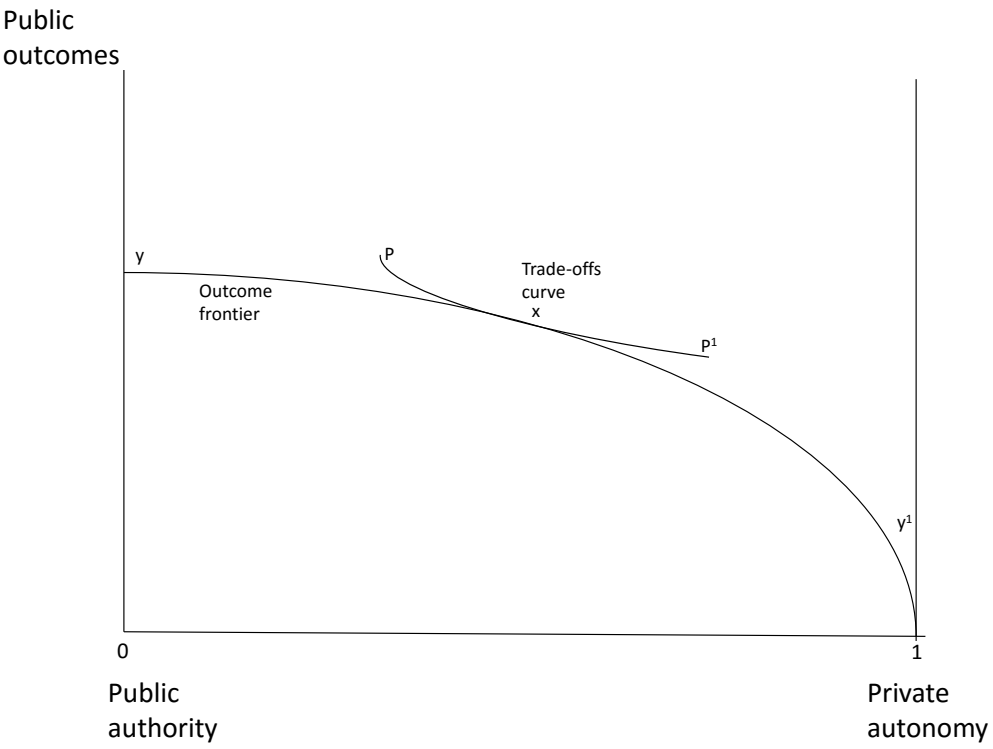
Since there is always going to be tension between more or less intervention, the trade-off curve P to P^1 represents the aggregated preferences of the general public[19] with point x as a tangent being the "optimal point" where most public value can be obtained given society's preferences.

The following section looks at some of the theories that develop pathways to achieving optimal results.

[18] In this stylised model public authority and private autonomy are seen as substitutes – at least to a degree.

[19] In economic jargon, the community indifference curve, with the points representing a fixed level of aggregate social welfare.

Figure 3 The ideal state



Source: Adapted from Prebble (2012)

4.2. Theories of public policy making

Policymakers use two broad approaches to address the regulatory issues they face: deductive (one size fits all); and inductive (horses for courses) (Howlett et al 2009). Deductive reasoning applies a general theory to specific issues; while inductive approaches develop methods dependent on the specific circumstances of each case (careful observation and data). In rare cases both methods are used to triangulate results providing a picture of different aspects of performance.[20] According to Howlett et al (2009) public choice are examples of deductive theory, and neo-institutional approaches are more in line with inductive methods of analysis.

Below we have restricted our examination of public policy approaches to a relatively small group of theories that are currently important to public policy advising in New Zealand.[21]

4.2.1. Public choice theory

As Prebble points out, state x in the Figure above is impossible to achieve in the real world since it would require the same preference for all citizens (a similar result to

[20] In nearly all cases timing and lack of resources means that only one method is used.

[21] For a survey of theoretical approaches see Howlett et al (2009).

Arrow's dictatorship). An approach to further understanding this problem has been developed in the public choice literature.

Public choice theory (Black 1958; Arrow 1951; Becker 1983; Sen 1970; Buchanan 1954; and Tullock 1959) examines non-market decision making and attempts to explain why decisions are made. For example, Arrow (1951)[22] focused on the problem of aggregating citizens' views to an optimal point given their individual preferences. He showed that there was no reasonable general means of uncovering the preferred social state by consulting the preferences of individuals. Governing by referendums therefore will not produce the desired results, nor will successive elections bring to power a government that represents the median voter[23] since there is, in general, no median voter on all issues (Prebble 2012).

Much of the public choice analysis produced is based on the analysis of current and past conditions and trends and attempts to explain inter-relationships. However, there is seldom agreement between all interest groups and citizens about the "right" way to proceed. Complicating matters further is the need for cross disciplinary knowledge (law, economics, sociology, public administration, and evaluation).

Arrow shows that uncovering social preference is difficult, since there is potential for politicians to exploit this situation and maximise private not public interest. Therefore, the spotlight is firmly on the role and strength of public institutions that set the societal rules. The role of public institutions within society is important since they can curb special interest bias in a given intervention (Mueller 2003, Tullock 1959, and Olsen 1982).

There is also a link between public institutions and durability since public choice theory strongly infers that government would be unstable without the institutions that develop and maintain the interventions. These institutions introduce a degree of stability and continuity into the government system that would not otherwise exist. Therefore, it is much more likely that these institutions will develop more durable intervention solutions relative to any alternative.

4.2.2. Rational decision making

A starting point for public choice theory is the **rational decision making** approach. Is a classical social science "modelling" approach – whereby an abstract simplified version of a more complex real world situation is used to develop understanding. Its method includes, defining the problem, understanding the organisation (its goals and values) and the objectives relevant to the problem definition. Rational decision making lists all possible pathways to solving the problem and details the outputs and outcomes. A solution to the problem occurs where (1) the outputs and outcomes most closely resemble the objectives of the policy (2) an approach resolves the problem in the most satisfactory way (3) benefits outweigh costs and (4) the pathway is cost effective.

Green and Shapiro (1994) make a number of criticisms of rational decision making. The most important of these is that the faith in rational decision making is not backed up

[22] Arrow's book was stimulated by work by Bergson (1938) and Samuelson (1947). Since then a large literature has grown up on exploring the properties of social welfare functions e.g. surveys include Sen (1970), Fishburn (1973) and Pattanaik (1997).

[23] Ironically the median voter idea was produced in a model produced by a PhD student of Arrow's: Anthony Downs (1960).

empirical evidence i.e. there is a lack of evidence that rational expectations theory contributes to further understanding politics and how interventions are developed.

Those who support rational expectations respond by pointing out that at least rational decision making provides a plan to illustrate how optimal policies can be developed.

4.2.3. Bounded rationality

Green and Shapiro are more sympathetic to Simon's (1957) approach. Simon sets out an approach that assumes policymakers are limited by the information and alternatives they can consider (**bounded rationality** model). This is particularly important in the New Zealand setting since despite the emphasis on big data, policy debates are often devoid of data/information that can be useful when evaluating solutions to the problem.

In this situation, information on policy option knowledge is limited therefore policy makers have to rely on their best guesses, experiences, and knowledge of implementation, political objectives and selective use of the techniques championed by the rational decision making model (e.g. cost benefit analysis). Simon's model is a **satisficing** model not an optimising or maximising one. This type of model is appropriate for analysing specific organisational behaviour and therefore useful in developing and understanding organisational performance. However, as a way of analysing all public service behaviour in aggregate its application may be less useful, since the cost of doing so could be prohibitive.

4.2.4. Incremental model

The **incremental** model starts with bounded rationality. Associated with Lindblom (1959, 1979) who advocates taking "baby steps" where decision making requires bargaining and negotiation. Policy needs to land in a feasible area and may not drive towards the desired goals of citizens. Features of this approach are small scale, less radical and ambitious approaches, where policy is tested and adjusted and focuses on limiting the downside of regulatory and policy approaches. This approach has loosely association with the "what works" approach to policy (Roberts and Andrews 2005).

Critics of the gradual approach to policy change argue that it has limited applicability since in practice only familiar policy options are adopted. Also, policy options disappear as result of lack of consensus rather than via rational selection. The focus is on avoiding disadvantageous or problematic situations and goal orientated achievements are not considered e.g. when investigating the possible collapse of a fishery (such as the collapse of the Atlantic North West cod fishery) a gradualist approach may not be in the feasible set of efficient and effective policy solutions.

The response to this criticism points to the success of gradualism in areas such as social policy. In social policy gradual decision-making can stimulate policy learning since decision making requires constant negotiation and adjustment as actors respond to the shifts in the regulatory environment.

4.2.5. Time consistency policy settings

Time consistent approaches allow for policy changes as circumstances change. These changes can occur as long as they are consistent with the original policy intent. They provide investment certainty and allow the public and private sectors to plan with more confidence.

If we assume that we can trust our policymakers to "get on with it" then allowing them discretion rather than a fixed policy rule is a sensible and least cost course of action. This introduces the notion of developing relational contracts that defines "*a process for developing and changing rules by which all parties agree*", Evans and Quigley (2013) pii. If trust can be maintained over time then this is an optimal policy approach.

As Mankiw[24] points out, problems arise when in the next period the government reneges on its policy prescription e.g. to encourage investment, the government announces that it will not tax income from capital. But after factories have been built, the government is tempted to renege on its promise to raise more tax revenue from them.

4.2.6. Irrational model

A more intriguing approach is the **irrational** model of decision making (Cohen et al 1972). The irrational model of organisational choice can be applied to regulatory issues that are characterised by:

- having **unclear objective preferences**, even possibly inconsistent. The preferences of society can only be discovered by experience or through a crisis
- linked to **uncertain or rapidly changing technology**, or requiring iterative result driven approaches
- involving a **variety of stakeholders** where the organisational boundaries are unclear.

Those running the organisation (modelled on Cohen's own place of work – a university) are unable to agree on what to do when, do not have a good understanding of how the entity works, and experience high turnover at multiple levels of the entity. In this situation, there is only coincidental alignment of problems, solutions and possible choices. Also there is varying participation and time investment varies considerably among the various actors.

In the words of Cohen et al, the problems, solutions, and possible choices are dumped into a garbage can to fester and await the arrival of a different situation.[25] However, at some point a suitable problem might arise and sifting through the garbage can might produce a solution.

While this model does describe situations and conduct in corners of otherwise dysfunctional parts of bureaucratic operations, it is not an all embracing theory that can be applied generally.

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[24] http://gregmankiw.blogspot.co.nz/2006/04/time-inconsistency.html

[25] The garbage can analogy is used because this type of organisation generates multiple solutions which are dumped - in a garbage can - due to the lack of an appropriate problem.

4.3. Application of theory to practice

We now look at two ways of using the models/tools developed above, applying them in a practical way to achieve socially desirable outcomes. Both approaches emphasise the importance of a careful understanding of the details of the problem being addressed, since it is the workings of the specifics that determines the chances of achieving durable policies.

4.3.1. Creating public value

Potentially there is a link between durability and creating public value, since if it can be demonstrated that a particular approach can create value it may also shed light on what is durable about an intervention.

Moore (1995) introduced the concept of public value: deploying government assets to produce a good and just society.[26]

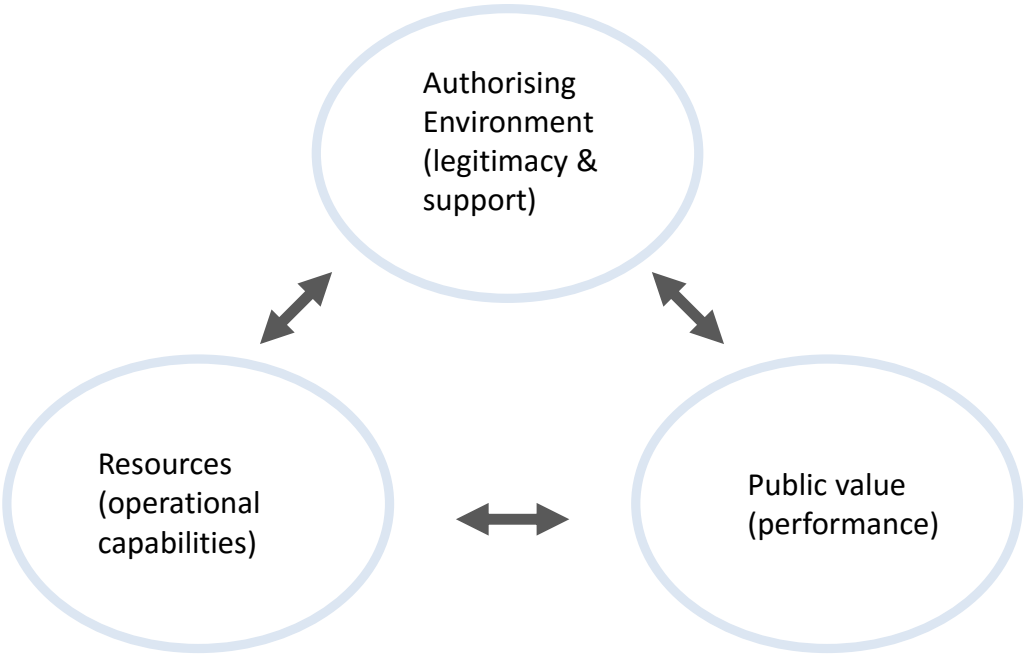
The approach focuses mainly on the actions and implementation process of policymakers. This is slightly different from developing fit for purpose policies, although it has similar objectives, since it is about achieving social outcomes. Public value requires delineation between the development of the goals and the tools to do the job. How this is done requires policy managers to balance three areas:

- the public value problem being addressed
- identification of who is supporting the process thereby legitimising its need
- the resources available to do the job.

This is shown in the following figure, where what is possible requires the balancing of these three issues.

[26] As is usual this theory has been criticised about its definition and its real world application. See, for instance, Prebble (2012).

Figure 4 Mark Moore's public value concept – the triangle



Source: Adapted from Moore (1995)

Performance evaluation is necessarily focused on:

- **outcome effectiveness**: satisfying clients and achieving social outcomes
- **fairness and justice**: the way clients are treated and outcomes achieved
- **efficiency gains** over time including: technical efficiency (scale), allocative efficiency (matching needs to resources), and dynamic efficiency (innovation).

To make this all work requires multidirectional active management of all three corners of Moore's triangle. This highlights the importance of Moore's insights since interrogation of the nuanced interactions between various policy advising actors (a feature of the government sector) are important in the ultimate success or otherwise of any particular policy initiative.

4.3.2. Mix and match approach

From a practical perspective, starting with the rational decision making model and the theory of public choice (see Mueller 2003) is the first step – a framework is available. As the specific details of the political imperatives, policy design, and implementation issues are uncovered, the approach can be adapted to fit specific agencies. For example, in environmental protection policy, it is possible that the pursuit of economic growth by itself may increase the risks of environmental damage. Thus restraints may be apt to control the types of activities allowed, and the manner in which they are undertaken. This recognition underpins concepts such as "sustainability", which is at the core of the Resource Management Act 1991.

The key practical question then becomes: how to design a balanced and appropriate regulatory regime, in terms of the substantive rules, and the associated processes and institutions.[27]

What should an intervention framework look like? There are fundamental questions that need to be addressed when designing any regulatory regime, if it is to be effective and appropriate. These questions are based on simple principles in relation to policy design, which are reflected in many publications (specific to New Zealand conditions) and from the NZIER's practical experience in developing and advising on policy in a range of fields.[28]

Important questions are:

- what are the policy objectives and what evidence do we have that the problem exists or that it requires public intervention?
- will the proposed intervention advance those objectives? In principle? In practice?
- what are associated costs?
- do the benefits from the regime (measured in terms of advancing its aims) justify the full costs associated with the regime? Can the costs be reduced without appreciably compromising the benefits?

The ability to obtain answers to these questions shapes the type of response/approach/model used. If data is unavailable or gives a partial understanding of what policymakers need then using aspects of the bounded rationality, incremental or irrational approaches is appropriate.

Successful application of these approach(es) requires an understanding of the institutional details since policy has to be implemented in a setting. In some circumstances a mix and match of theories is useful, e.g. the incremental approach in tandem with goal setting objectives can be a viable option.

A helpful diagram to illustrate the factors influencing choice of approach is set out below.

Gill et al (2010) separate policy into stability and know-ability of the cause and effect of the problem. On the right-hand side are the knowable and known problems. Known problems are straightforward, and their impacts are stable and predictable. Knowable problems can be expert driven and managed through systems for service delivery based on a measurement approach.

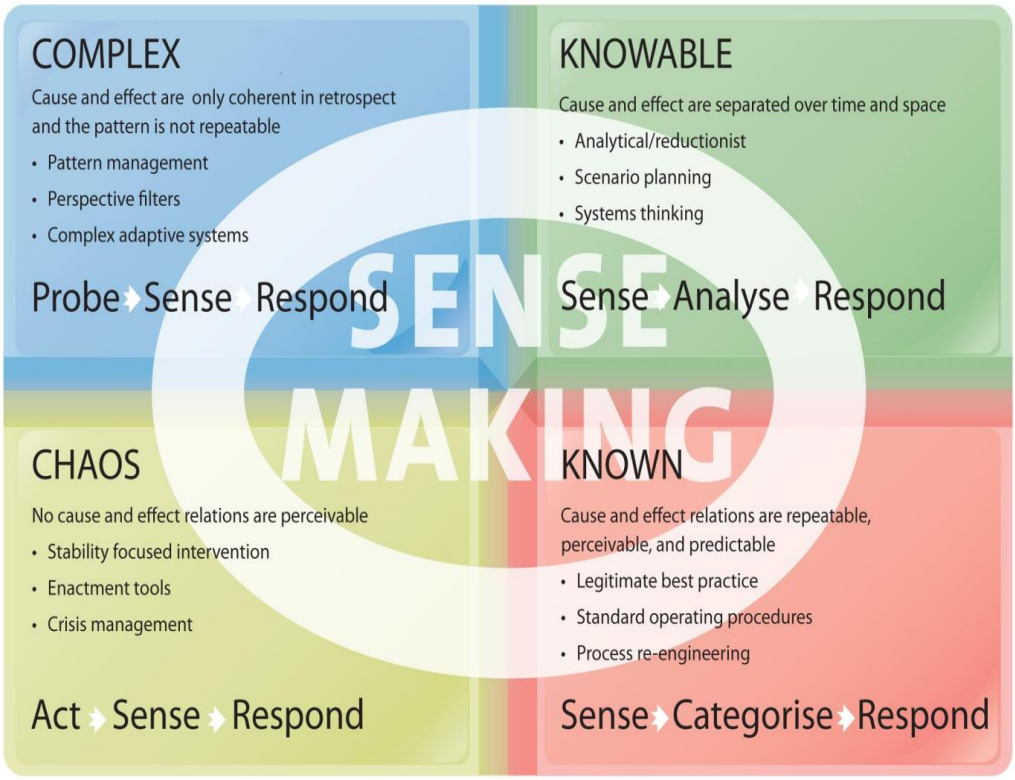
The problems on the left-hand side are a different. Cause and effect are not knowable in advance, and the relationships are not stable or predictable. Complexity and chaos rule. Complexity is more likely to require a tailored decentralised approach where tacit knowledge and partnerships are more effective.

Chaotic problems, where even after the event it is difficult or impossible to determine cause and effect, are even more intractable. To the extent that they can be addressed, decentralised approaches and tacit knowledge may sometimes mitigate the worst aspects of the issue at hand.

[27] A core problem is the lack data on environmental data in the New Zealand context.

[28] See for instance: Gruenspecht & Lave (1989), and Rose Ackerman (1996), which contain good background material. For New Zealand policy, see Hawke (1993) for a sound overview.

Figure 5 Types of policy problems

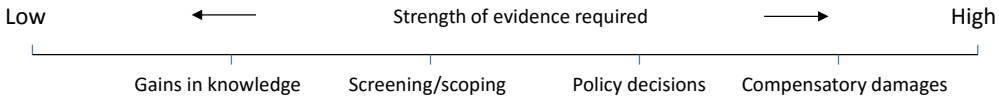


Source: Gill et al (2010) p. 26, based on Kurtz & Snowden (2003)

There is also the practical issue of how much resource should be put into understanding the full range of costs and benefits. It is important that the evidence should be as strong as possible, however policymakers should also be willing to expose themselves to evidence error to better inform policy-making advice (Nixon and Yeabsley 2014).

The following diagram sets out the approach.

Figure 6 Continuum of decision making settings



Source: Based on Brookshire (1992) quoted in Pearce et al (2006)

If the objective is to obtain more information, then a relatively low level of evidence is required. At the other end of the scale where decisions are vital then more in-depth assessments are required. This approach matches the strength of analytical understanding to the size of the problem.

In the next section we examine the administrative feasibility of policy. Typically, administrative feasibility is the poor cousin of policy advising and in some instances it is ignored by politicians or advisors. Yet it can be vital in ensuring durability.

5. Administrative feasibility

The role of administration is to translate the intent of policy and implement programmes directed by government. Wilson (1989) goes further and sets up a "straw doll" definition of government funded administration as:

> "a distinctive form of social organisation which exists to increase predictability of government action by applying general rules to specific cases."

Wilson then suggests that having this view is a grave misconception of what actually occurs on the ground, since many agencies apply rules in a haphazard way, resist attempts to clearly set out policies or develop transparent approaches. In other cases, administrative approaches are regular and predictable.

There are a number of practical factors that impact on the consistency of interventions. These are set out below. Any one of these factors can adversely impact on durability therefore attention to the detail is of overriding importance.

5.1. Practical implementation factors

5.1.1. Resources

The amount of resources applied to implementation is a limiting factor since piecemeal implementation can limit the effectiveness of planned interventions. Figure 6 shows the balanced approach. However, if insufficient resources are applied in a situation where the strength of evidence required is high, then the intervention is unlikely to always achieve the outcomes desired.

5.1.2. Capability

Capability is a core issue in the implementation process. Capability can impact at a number of different levels. In the short/medium term existing infrastructure can constrain new interventions e.g. tax and social policy may be constrained by the inability of Inland Revenue Department or Ministry of Social Development computer systems to handle new policy initiatives in the short term.

Effective interventions may also be constrained by the lack of knowledge or research on how complex systems work e.g. we still do not understand the scale of the effect on water quality of adding an extra cow to a farm on a catchment by catchment basis. This is constraining effective and efficient freshwater management processes.

The type of capability assigned responsibility for implementation influences the outcome. Quite different responses are likely depending on who has chief responsibility for implementation.

So the policy on tsunamis will have a different response depending who leads the process. If engineers are given the job they may emphasise building resilient structures. Social development agencies may focus on creating strong family ties, and planners might zero in on zoning provisions to minimise harm.

5.1.3. Lead times

The lead times need to be considered. If the ability to implement depends on the outcome of research or an essential piece of infrastructure to be completed, then any hold up can constrain implementation.

Lead times can also impact on policy interventions particularly where the costs are concentrated, upfront and known, while the benefits are diffuse, take time to materialise, and are difficult to value. This is a major factor in environmental policy, particularly where little work has been done on valuing intangible environmental goods – especially those with positive results a long time away (future generations). This can hamper effective implementation of interventions because they take no account of or undervalue these distant environmental goods. This is a major focus of Boston (forthcoming).

5.1.4. Mind-set – achieving behavioural change

Another issue that can constrain effective interventions is the mind-set of those doing the implementation. If implementation requires the development of new methods or even a learning by doing approach, relying on approaches taken in the past or the "mental models" of those doing the implementation, can constrain the implementation process.

This is particularly unhelpful when the most efficient response requires new ideas and an approach that is completely different from those taken in the recent past.

5.1.5. Political capital

Implementation does not take place in a vacuum – reputations matter. Agencies that are noted for previous good implementation practice are likely to be given more leeway in the next implementation process by politicians. Therefore, the political capital built up by specific agencies is important in their ability to implement effectively.

This is particularly so when innovation is required to achieve outcomes. In this situation, the ability to trial approaches[29] and make "fast" mistakes can be helpful prior to full implementation. Obviously this is difficult territory for politicians since implementation failure is likely to have political consequences. Indeed it is argued that the role of politics means the metric of risk control is different in public policy.[30]

Agencies with less political capital, because of past performance, may find it more difficult to take the risks required in the innovation required to achieve a desirable policy outcome.

A good example of how political capital impacted on a policy intervention was the Fiscal Responsibility Act (FRA) 1994. The aim of the FRA was to ensure that the fiscal reforms of the 1980s were cemented in place without tying the hands of future governments. In this respect, the policy issues and implementation were relatively

[29] See left side of Figure 5.

[30] Sundakov & Yeabsley (1999)

straightforward with the application of Generally Accepted Account Principles (GAAP) ensuring that the focus was on the Crown's net worth.

The important issue was the political feasibility. Crucial for the FRA was the success of the Reserve Bank Act (RBA) 1989. In fact, the political aim was to "*write a fiscal equivalent of the Reserve Bank Act*". While this is an oversimplification of what was actually put in place the prior success of the RBA greatly assisted the process and passage of the FRA.

Today the reporting requirements of the FRA set out short and long term fiscal intentions and are published each year at budget time (see Table 1 below). The FRA has survived changes in the political environment as coalition partners and governments have come and gone. It also changed public views as to what was socially, economically and politically acceptable. So unlike the view prevailing in the 1970s, budget surpluses and associated reduction in government debt are seen as prudent by governments and the wider public – where previously they were not an issue.

Table 2 Reporting requirements[1]

Short term fiscal intentions, long term fiscal objectives, and principles of responsible fiscal management

	Short-term fiscal intentions	Long-term fiscal objectives	Principles of responsible fiscal management
	Expenses, revenues, operating balance, debt, net worth	Expenses, revenues, operating balance, debt, net worth	Principles as set out under section B.1.2
Set by:	Current government	Current government	Specified in Section 4(2)
Time horizon:	Three years	Not specified	Not specified[1]
Required reporting:	Fiscal forecasts	Progress Outlooks (10-year minimum fiscal projections)	Specified in Act
Other reporting:	Cyclically-adjusted operating balance	What if? Long term fiscal scenario (typically 50 years)	
Operational target:	Fiscal provisions		
Notes (1) As a set, the principles endure with the Act. However, individual principles do not contain explicit time horizons.			

Source: Janssen (2001)

5.1.6. Public capital

Similar to the situation on the political side, the build-up of public trust or capital in implementation processes by those regulated can also contribute to more effective policies. There will always be a degree of tension between regulators and those regulated. However, the more predictable the intervention regime the more likely tension will be reduced and the more effective implementation is likely to be.

Also when there is a major disaster event a key goal of politicians is to prove to the public that steps are being taken to correct the problem. Thus the Royal Commission into the Pike River Tragedy was a way of restoring public trust in high hazard policies.

5.2. Other factors impacting on implementation

Head (2008) claims that the delivery of services by those implementing government regulatory responses are often under-valued by politicians and those developing policy responses. Possibly there is some truth to this claim since in some instance politicians see passing legislation as the end of the matter – the political problem is fixed.

The more that policymakers are disconnected from implementation the more likely they are uninterested in the nuts and bolts of putting policies into practice. In many cases monitoring and review clauses are not imbedded in policies or addressed in a cursory way.

The growing recognition of the fundamental importance of implementation started with the seminal work of Pressman & Wildawsky (1984). They based most of their theories on a study of Economic Development Agency (EDA) projects in Oakland-California funded by the U.S. federal government in 1965. They identified that top down solutions devised for the "war on poverty" and the "great society" projects were not delivering as intended.

Wilson (1989) argues that successful implementation is the result of skilled decision makers who can identify the critical tasks within the entity, match authority to tasks, ensure that they have task buy-in and allow subordinates to get on with the job.

In the Oakland case Pressman and Wildavsky (1984) suggested that the decisions taken were not bad; but the way these decisions were implemented were.

More specifically their recommendations suggested:

- policy and implementation go hand in hand and should be designed at the same time.
- if multiple intermediaries are involved then close cooperation and agreement on objectives is required.
- careful consideration of the underlying approach and how it will deliver the desired outcomes is required.
- continuity of leadership is important
- the simpler the better.

Not all public service approaches require a top down approach. Where discretion is required, typically where front line staff deliver policy outputs at the street level a bottom up perspective is desired (Lipsky 1969). Lipsky points out that, the decisions taken, the routines they establish and the devices they invent dictate the effectiveness of public policies carried out.

Problems occur where there are high caseloads, inadequate resources and client unpredictability. To cope with this, implementers (teachers, customs' officers, court officials, and police) develop approaches that process people in stereotypical ways to

meet service and decision making values. Ensuring these align with societal objectives at least cost dictates success or otherwise.

A key part of the implementation process is policy evaluation; or how does the policy and regulatory process determine "success or failure". This is difficult ground since determining success or failure is a judgement of the events – often made complicated by vague and conflicting goals. Policymakers also do not want to make judgements on previous governments since they know that some of those political actors could again control government policies.

The types of criteria used include:

- **cost effectiveness** – is it being done at least cost?
- **achievement** - are outputs being produced?
- **effectiveness** – is it doing what it is supposed to do?
- **efficiency** – are the different types of efficiency being satisfied (technical, allocative, and dynamic)?
- **process evaluation** – is there scope for reengineering?

Cohen and Levinthal (1990) set out four approaches to evaluation (see Table 2 below). The interesting point about these evaluation styles is that not all evaluative styles are geared towards learning (where the state has high capacity to do the job). Where the state's capacity to provide information and data is limited then the ability to learn is diminished.

Table 3 Policy evaluation styles

		Dominant actors in subsystem	
		Societal actors	State actors
State administrative capacity	High	Social learning (fundamental acknowledgement)	Instrumental learning (lesson drawing)
	Low	Non-learning (political evaluations)	Limited learning (technical evaluations)

Source: Cohen & Levinthal (1990)

Complicating matters further, bureaucracies are increasingly operating within the public sector, the private sector, and the not-for-profit sector. Some operators are also foreign owned or controlled.

6. Implications

This section brings together the elements: politics; policy advising; and implementation; setting out the main implications of the various approaches to policy durability. In particular, it finds:

- a remarkable **convergence** about durability's underpinnings in a variety of literature;
- the importance of **relationships** that bridge the cultural divide between politicians, policy advising, and implementation;
- the importance of **political dynamics**; and ends with
- a **classification system** that assists in identifying the durable factors in each of the political, policy advising, and implementation spaces.

6.1. Literature converges

There is an understandable expectation from citizens that public policy and associated interventions will be effective; that they will not prescribe but describe society's values; and that they will make a difference.

While certain sections of society may not like the change, it does not mean that change is not in some way benefit or is desired by society. Typically, reducing cost is an important part of the claimed benefit of change but this may not always be the case. Society may be willing to meet costs over the longer run. So the import licensing system where society (through successive governments) was prepared to cross subsidise local industry in high prices to consumers between 1938 and 1988 to encourage manufacturing – and its associated employment - in towns and cities. Economically this did not make sense[31], however, from the political and implementation perspective it reflected New Zealand society's then priorities and successive governments were willing to continue its economic costs which could be offset by a degree of wider economic success.

Despite the differences between the writings from different disciplines with little knowledge of each-others' research, the literature agrees on more issues than it disagrees upon. Authors tend to point to:

- politics as central to the process of changing policies. Without political authority (Andrews, 2008) the ability to change policy settings is very small. Those designing change must do their political analysis first
- the policy or analytical component of change is more structured in approach but takes its cue from the politics. Success is the ability to translate political aims into workable policy (Nixon and Yeabsley 2014)
- implementation of regulatory approaches underpins the strength of the response to change. Head (2008) says that implementation is undervalued by the political process and by those designing change. However, without

[31] See Hawke quoting Chandler p2. http://www.nzae.org.nz/wp-content/uploads/2012/04/Hist-of-NZEcon-NZAE-20-July-05.pdf

effective implementation, the chances of durable regulatory responses being developed is more reliant on luck.

6.2. Aligning approaches to policy objectives

The skill associated with ensuring all factors in the development of durable policy align in a globalised world is becoming more complicated. Nowadays trade policy is not a special category on its own as it was prior to the signing of the CER agreement with Australia.

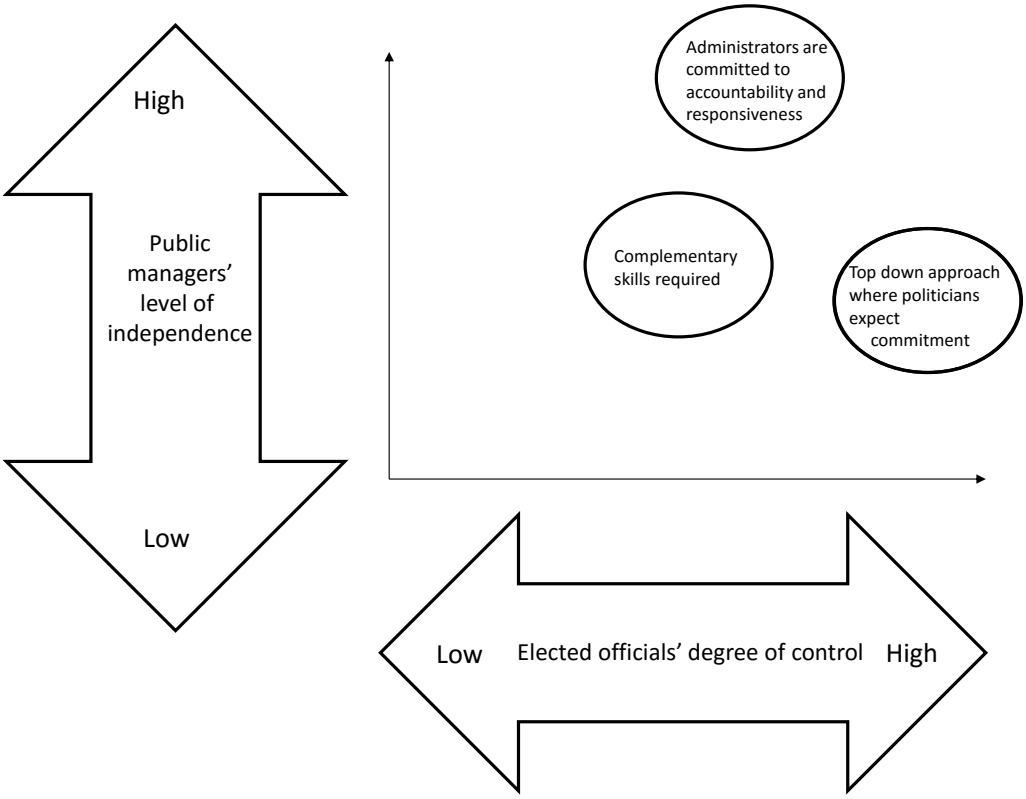
Aligning policies domestically can still fail because of underlying political and economic agreements and trends off-shore. This is especially true for small open economies such as New Zealand, who are policy takers in most international engagements. The Australians ripped up the New Zealand Australia Free Trade Agreement (NAFTA), something that New Zealand could not do, telling their New Zealand counterparts something better was required (Nixon and Yeabsley 2002).

Understanding the relationship between the politicians and public management (both implementation and policy making) in specific circumstances is also important, since politics and public management operate in two different worlds. The type of engagement determines the approach. The Reserve Bank of New Zealand is an independent bureaucracy with a single objective. While politicians can question its policies (say through select committee processes) they cannot interfere with the day-to-day running of the organisation.

In many other areas of government, the relationships are dominated by political imperatives (much of the normal process associated with a government agency) or more complementary where independent boards also have a say (e.g. decisions on science funding, the Health Quality and Safety Commission, and the Accident Compensation Corporation).

The Figure below illustrates this relationship between politicians and public managers and maps bureaucratic autonomy with political dominance to characterise the relationship.

Figure 7 Stylised characterisation of the interaction between politicians and public managers



Source: Blaug et al (2006) adapted from Peters & Pierre (2001)

Another issue that has a major impact on policy durability is the degree of concentration of costs and benefits.

Table 4 below sets out the likelihood of policies being reviewed. This is highly dependent on the perceived costs and benefits that are at stake in any particular policy. While this is a highly stylised approach it does suggest (as does Figure 7 above) that policy durability is highly dependent of the details of each regulatory action and the relationship between the parties.

Table 4 Stylised view of the concentration of costs and benefits-

Concentration of costs and benefits	High Concentration of Benefits	Low Concentration of Benefits
High Concentration of Costs	Highest likelihood of review (e.g. workplace safety)	High likelihood of review (e.g. leaky buildings)
Low Concentration of Costs	Lowest likelihood of review (e.g. occupational regulation)	Low likelihood of review (e.g. weights and measures)

Source: Gill & Frankel (2014)

6.3. Dynamics

A few articles highlight the dangers of the reform process being upset despite the best intentions of politicians and policymakers. Andrews (2008) focuses on the dynamics of policy interventions from conceptualisation through to institutionalisation describing the different stages and the skills needed to build space. Dee (2011) takes it a step further, examining the impediments to the incremental steps that can drive change.

The economics associated with an intervention does not change quickly in a developed country such as New Zealand.[32] New factors such as innovation will have an impact but typically this happens over time and there are few sudden violent changes. The background economics is relatively stable and the process is about setting out a means to achieve an end.

Similarly, the ability to implement does not change drastically over time in developed countries. Typically, a ten to twenty-year timeframe is required to build up a capability to effectively manage a complex set of interventions e.g. such as building an effective air fighting capability or satisfactorily understanding complex environmental systems.

Unlike the other two factors politics is always in perpetual motion – in this it reflects the perceived mood of the public. Unfortunately, this constantly moving part of the durable policy bargain is not well studied.

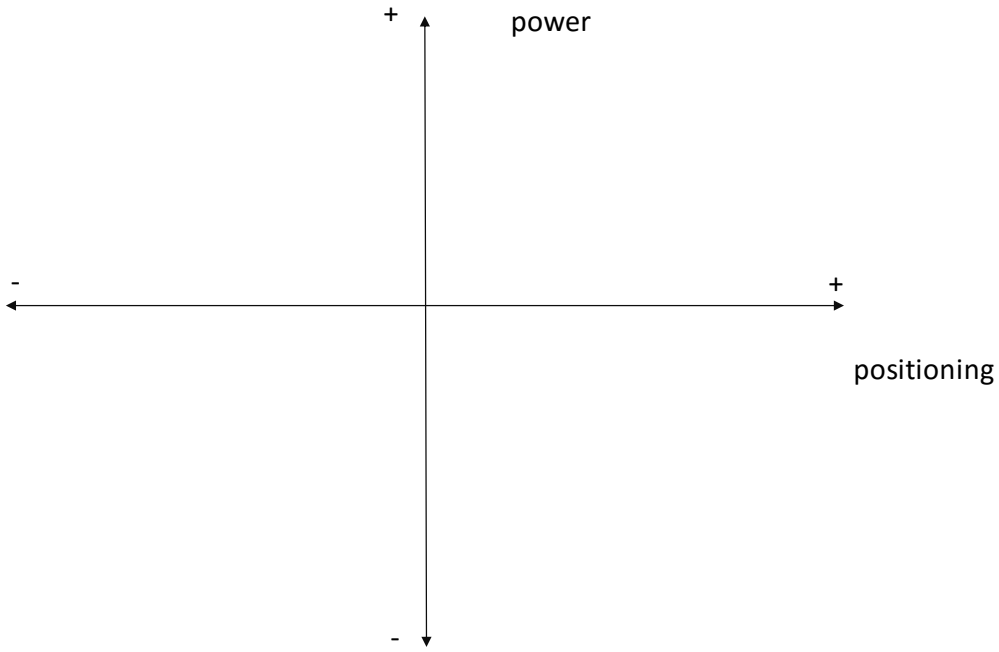
An NZIER view based on our own experience suggests that in New Zealand today, the focus is on attempting to build coalitions and relationships that can influence the policy direction. There are many ways in which policymakers test the political waters, not the least of which is the consideration of past experience. However, there are tools that can help clarify the situation. For example, to assist in the design and to focus on the important political actors, one technique used to identify who to influence and what their reaction to a particular intervention might be is to use a Machiavelli index.

The Machiavelli index sets out the amount of power a particular actor has and their perceived view of an intervention (a positive or negative positioning), by placing the actors in a quadrant Figure 8 (below). In this way those promoting particular policies can identify who is likely to be important on a specific policy and thus the limits to what they might be able to achieve.

Part of the issue is understanding the critical political, economic and implementation factors that cause the feasible set to expand and contract. Politically, what are the factors that could prevent change? If the ideas for a “feasible” solution might come from an opposing political party, then the chances of an intervention may contract. To improve the interventions chances, the policy might need to be repackaged as part of other initiatives.

[32] Andrews has focused on developing countries where the situation is much more fluid.

Figure 8 Machiavelli index



Source: NZIER

In 2004 the Crown Entities Act was passed in New Zealand. Its aim was to put all independent Crown Entities under one umbrella statute. The ground work for this Act started in 1996 and was ready for political consideration in 1999. With a change in government political action stopped. The intervention re-surfaced – virtually intact – as part of omnibus legislation[33] emphasising a whole of government approach. Politically, it is important for those governing to brand interventions as their own and not be seen as adopting policies associated with those they are competing with.

One solution to counteracting impediments to change suggests that policymakers need to recognise likely obstacles and then find ways around (or though) them. One approach is to make government entities more independent of the political process (the Reserve Bank Act 1989 increased the independence of the Reserve Bank). Others include setting up independent commissions or develop one-off independent policy reviews by a trustworthy independent. These solutions do have an element of risk attached to them, not the least of which that independent commissioners may have completely different views than those who have appointed them or the citizens whose behaviour they are attempting to modify.

Boston (forthcoming) discusses other solutions to this problem focusing on those that mitigate against the "here and now" short term focus of many interventions.

The Crown Entities Act example shows the importance of timing. Exploiting a window of opportunity where political actors or policy advising entities are sympathetic to the specific policy reform issues is crucial.

[33] The legislation included the Public Finance Act, State Sector Act, and Crown Entities Act.

Internationally a consistent approach over a long period of time can also pay dividends. A clear example of this is the New Zealand China Free Trade Agreement. The origins of it go back to 1972 when New Zealand was one of the first industrialised (OECD) nations to recognise China and establish diplomatic relations. Of particular note also are the "four firsts".

New Zealand was the first country to:

- conclude a bilateral agreement with China on its accession to the World Trade Organisation, in August 1997
- recognise China's status as a market economy in April 2004
- enter into FTA negotiations with China, announced in November 2004
- sign a comprehensive free trade agreement.

Apart from Japan, New Zealand's significant trading relationships have mainly been with Anglo Saxon regions and Europe. Nobody could have predicted prior to 2000 that within 12-15 years China would be vying with Australia to be New Zealand largest trading partner. However, a consistent approach over decades led to this extraordinary situation.

6.4. Towards a classification system

One way of identifying durability factors (apart from experience) is to further understand the answers to the following questions. These are based around the politics, policy and analytical considerations and the implementation of prospective change. Depending on the way these questions are answered (if indeed they can be answered) they may give a steer to the durability of any particular piece of legislation.

Table 5 Towards policy durability

Politics	Policy/analytical	Implementation
Is the policy/regulation consistent with political processes and objectives?	Is there a need for change?	What type of implementation is required?
Will it change the political status quo? If so, who wins and who losses?	What type of change is required?	Do we have the information/data to implement reform?
How does it impact on all constituents?	Is there evidence of change needed? (data / information)	Do the skills/infrastructure exist to implement change? Over what time frame can they be developed?
How will it impact on party support for the incumbents?	Can the problem be succinctly described?	What type of evaluation is contemplated (if at all)?
Does it support the current party political platform?	What needs to be valued?	When will a review occur (if at all)?
What are the chances for unexpected gains/losses in political support?	What are the costs and benefits of change?	
Can the opposition be effectively nullified?	What are the risks and uncertainties?	
Will it achieve political aims?	Can the costs and benefits be monetised?	
What are the alternatives? And can they be contemplated?	Are there other ways of effecting the change at least cost?	
	What are the wider costs and benefits and is there a possibility of unintended consequences?	
	Will there be any institutional resistance to change? Who will gain and lose?	
	Will the current institutional structure support or hinder change?	

Source: NZIER, Andrews (2008), Nixon & Yeabsley (2014)

The nature of the issue at hand also needs to be considered (see Table 6). The politics occurs in real time with political actors reacting 'on-the-hoof' to events as they unfold. We have characterised the reactions as being a continuum from short term perception setting to long term agenda setting.

The policy advising entities react in different ways depending on whether the issue is one of perception or long term agenda setting. The more durable the regulatory response the more it requires economic coherence (necessary but not sufficient) and more importantly to take note of societal values. Of particular importance is the need to be seen to 'do something'. Whether the impact of 'doing something' has real or perception effects is sometimes irrelevant e.g. New Zealand has a large number of railway crossings which do not have barriers. Every now and again there are a spate of accidents on level crossings. The public become concerned. The only solution would be to put barriers on every unguarded crossing. This is hugely expensive and would take money away from other activities that are more likely to save more lives. All of this is well known, however there is a need to be seen to 'do something' at the political level. So one way to allay concerns is to hold an inquiry with the results coming out at a time when the number of accidents on level crossings has dissipated. This is a durable solution because it answers public concerns (and therefore political concerns) and has a degree of economic coherence (i.e. we want to spend public money in a way that saves the most lives with a limited budget).

Table 6 Durability consists of different approaches at different times depending on the issue

	Length of policy life		
	Short term (perception setting)	**Medium term (perception and agenda setting)**	**Long term (agenda setting)**
Politics	Must react immediately with statement of position (establishing control over the situation)	Reinforce perception and state how the situation will alter as will behaviour. Must salute societal values	Restate agenda detailing how new policies fit into core policy platform. Lasting policies require conformity to societal values
Policy making	React and show "something is being done" but slower than the politics e.g. review issue; propose commission of inquiry; commission independent reports	Perception of credibility must be reinforced by partial support from societal attitudes. Economic and social data and information may be used to support approach	Adheres to strongly held societal beliefs. If possible socially and economically coherent
Implementation	Little or no impact. Possibly an attempt to alter what is examined	Relevance dependent on the way systems can demonstrate efficiency and effectiveness	Relevance highly dependent on coherent data being collected

Source: NZIER

The implementation processes do greatly assist with durability since their long run success is key to making the intervention work – as it creates the public experience of

the policy. However, the lack of data being collected across the regulatory system suggests that monitoring and review are not strong priorities. This reinforces the notion that the perception matters more than the reality as little resource is dedicated to establishing the reality.

7. Conclusion

Policy durability is the holy grail. But quality policy development that underpins robust and flexible policies that can ride through government and public opinion changes is not cheap.

On the other hand, in a small country improving the durability of policy approaches can have a major impact on the effectiveness and efficiency of the economy. This paper sets out a way of thinking about how policymakers may actually move closer to this goal by understanding three critical factors that can have a major impact on durability.

Durability is more likely where politics fits with policy advising and implementation reinforces the policy approach. While simple in theory the practical application of these ideas are complex, not the least of which is the politics since what is politically palatable today may not be tomorrow.

To deal with this, policymakers must build relationships and coalitions, identify obstacles, develop systematic approaches to dealing with the issues, and be clear about the importance of the problem so that short or long term fit for purpose approaches can be designed, implemented, and monitored.

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