

# SANDPAPER POLITICS<sup>1</sup>: THE BLURRING OF THE SHARP EDGE OF ECONOMIC POLICYMAKING

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*The worlds of economics and politics are impossible to separate, but the information asymmetries involved in divesting the power to make economic decisions to our politicians often lead to disenchantment. Karl Cronin delves into the philosophical background of the social contract. He examines the role of interest groups, the media and bureaucracy and argues that ideology and party politics are essentially incompatible.*

## **Introduction**

‘What is curious is not that we are content to delegate to others the hard business of taking decisions, but that we choose to give authority over our lives to people who so many of the population seem to think are a bunch of charlatans’ (Paxman, 2003, p.13).

Statistical studies show that the western world’s economic success can be somewhat attributed to the quality of its institutions. Knack and Keefer (1995) argue that the strength of civil liberties backs up property rights, which allows democracies to progress economically. Hall and Jones (1999) argue that social capital is an influence, whilst Acemoglu and Robinson (2005) point out that inequality was reduced to a certain level in western institutions, allowing democracy to consolidate. These studies point to the West as being a free and fair place, yet people in general feel disillusioned with the political and bureaucratic policy outcomes that determine the course of their lives.

This paper, by focusing on what the basis is for this disillusionment and whether it is rational, will posit an explanatory philosophical reasoning as to why both societies and individuals willingly adopt

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<sup>1</sup> Based on the opinion “His first instinct when confronted with most choices was to blur them. Blair was a sandpaper politician. Sharp edges were to be smoothed” (Rawnsley, 2001, p.315).

such institutional control, before criticising the nature of policymaking. In order to achieve this, explanations of the political process will be offered with a critique of EU interest group representation and an analysis of both the media and the civil service.

## **Philosophical Background**

Foucault (1991) argued that western, liberal neo-Christian democracies are self-regulating panopticons which grew from Bentham's utopian ideas of regulation, supervision and punishment. We are trained from birth to conform (through supervision) into bureaucracy which we allow to determine our lives. We contribute by and are rewarded for our conformity, and punishment trains us when we digress. Popper (2002, p.60) conjectured that we are born with the innate 'propensity to expect regularities and to search for them', thus such a regulated society suits our nature. If Foucault and Popper were correct in their observations it is little wonder that we delegate collectively and seem individually disillusioned with outcomes at the same time. Good governance then is what is best collectively for society's benefit, yet individuals in government are also influenced by what may be in their own individual self-interests.

## **The Political Process**

The political principal-agent problem comes about as politicians are our agents yet we feel disillusionment because once politicians gain power the relationship seems reversed – the government (as our agency) ceded a tenancy of our secondary rights to arbitrate on our behalf within the spheres of reparation, redress and defence (Locke, cited in Rawls, 2007, pp.117-121). If they are deemed to have misused our rights an individual has only one vote in the next election to try to restore balance in the relationship. An individual may be correct in his analysis but this might be hard to argue or publicize due to the asymmetric nature of information. Although 'information' is a public good, beneficial for all, it can be costly to acquire (Hillman, 2009, p.74) and disseminate. Due to the nature of our single vote, which is unlikely to determine outcomes, it is irrational to seek complete information, based on the 'income utility' which a non-deterministic vote brings (Downs, 1957, p.147). The cost here outweighs the lack of individual benefit. This is not to say that voting is not important, but that a certain amount of 'ignorance' is 'rational', most especially when information, such as taxation policy, requires expert analysis that is costly to gain (Hillman, 2009, pp.75-77).

Downs (1957, p.142) argues that 'each party invents an ideology in order to attract the votes of those citizens who wish to cut costs by voting ideologically'. Voters may also choose parties with local or family roots, or parties that are better for a particular industry or single issue. Parties are therefore judged on their ideological performance by voters whose own benefits don't necessarily pigeon-hole into that party's preferred outcomes. Similarly, politicians choose parties. Ideologies change as situations arise,

with party-members whipped to vote certain ways in parliamentary democracies. Politicians often blame the whip when individual ideologies digress from that of the party. Voting against the whip on an ideological basis can stem career progress.

In multiparty systems governments usually take the form of minority governments or coalitions and therefore 'a multiparty system offers voters an ostensible choice between definite, well-integrated policy-sets in each election, but only rarely does one of these sets actually govern' (Downs, 1957, p.144). If voters have voted to reflect an ideology or strong belief in certain issues, the resulting policy outcomes, however they are spun, might not reflect their individual preferences. After electoral punishment, politicians will still have to negotiate policy outcomes with similar results. In a two-party system, because choice is limited, deviations from expected policy may not bring as much electoral punishment, as within such systems choice will be limited at the next election (Ferejohn, 1986, pp.19-20). Voting for the opposition might be a step too far, given general ideologies.

'In political life, perhaps the most basic incentive comes from the need to be re-elected' (Besley, 2004, p.196).

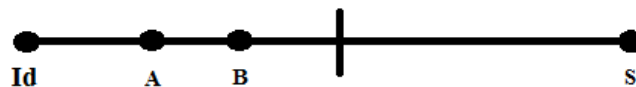
Besley (2004) shows (using data from U.S. states where Governors have two terms and different state dependent salaries) that salary levels only 'weakly' reflect performance in regard to policy outcomes, yet does acknowledge that a political career can affect future earnings. Politicians are faced with the dilemma that elections cost money and successful careers are longer than one term. Besley and Case (1995, p.793) show that 'incumbents who are eligible to run again care about building their reputations' and do so by forming policies more to electoral wishes. Zupan (1990) shows that long serving Congressional Representatives do change their ideological positions in their final term, but due to the successful nature of their careers 'natural selection' has proved them 'fitter', so there is no real difference between their final term voting behaviour and that 'displayed by non-retirers', yet compared to their previous voting patterns they do vote differently. What all three studies implicitly point out is that politicians often form policies for reasons other than their electorate's preferences, becoming more the principal than the agency of their electorate's ideology. Thus voters justifiably feel disillusioned with their chosen representatives.

## **Interest Groups in the EU**

Within the EU policymaking machine there is a recognized democratic deficit, which has been filled by interest group representation. In theory, if one politician accepts support from an interest group,

and, whether through electoral donations (Hillman, 2009, p.78), technical information or electoral support, they are deemed to be at an electoral advantage, other politicians will rationally follow.

In Europe the Commission is not an elected body. The Burson-Marsteller Report (a professional lobbying firm) indicates that the Commission and parliamentarians rate business lobbyists as more successful than NGO and civic lobbying, with NGO lobbyists rated more successful by elected parliamentarians. The report points out that decision makers trust their unelected bureaucratic staff more than lobbyists, thus bureaucrats are targeted (Burson-Marsteller, 2005). Lobbying restrictions are the weakest regulations of any regulated political system (Chari, Hogan and Murphy, 2010, p.109). It can be argued that lobbying regulations, rather than being to guard the political process from influence, are in place to add legitimacy to a legislated process.



In the above illustration (based on Hillman, 2009, p.79), party or national ideologies are represented at point Id, whereas a special interest group's policy outcome needs are expressed at point S. If an interest group provides politicians with support on a policy issue, they will at least move to point A; the benefit gained is equal to the vote loss from marginally moving from party or indeed national ideology. Any further benefit gained would enable politicians to move closer to the interest group, at point B or further, depending on the policy.

‘Article 8a in the Lisbon treaty highlights the functioning of the European Union as a representative democracy and Article 8b provides for the incorporation of representative interest associations and civil society organisations in EU policy-making’ (Saurugger, 2008, p.1282).

‘While most groups are only consulted by policy-makers, under certain circumstances they may formally take part in some government activities or be legitimised by some sort of subsidiary principle’ (Beyers, Eising and Maloney, 2008, p.1107).

The subsidiary principle here, legislation with light-touch regulation, leads to the situation where EU policymakers in need of information and expertise begin towards point A, rather than at their own, their government's or their party's ideological point. Interest groups are a legitimized political

constituency. It is then rational to move to point B, as parliamentarians need access to electoral voting blocks, such as farmers' groups or union movements, whilst commissioners and bureaucrats need access to the information interest groups provide.

Due to the fact that interest groups are smaller than the population they can co-ordinate their actions in a focused way electorally and they can be seen to have more to gain within single policy outcomes (Hillman, 2009, p.80). In Europe, industry lobbyists do not 'bargain', as has been perceived but appeal to the 'better argument' process in negotiation (Naurin, 2007, p.224). Civic group lobbyists represent institutions that are not necessarily democratic in structure, especially 'insofar as the internal structures of these organisations are rarely internally democratically accountable' (Saurugger, 2008, p.1279). In policy forming, decision makers rely on their unelected bureaucratic staff, who in turn have been lobbied (Burson-Marsteller, 2005, p.12) by all sides.

What are left behind are the European electorate's ideologies, which are being represented by undemocratic forces of both the left and the right. Meanwhile policy decision makers start from a point closer to the centre due to the legislative legitimacy of the lobbying process which allows the agency of minorities an advantage over the agency of their overall principal, the electorate. The logical outcome of this is the disillusion of that electorate with the decision making process at EU level.

### **The Fourth Estate**

'Once, MPs set the agenda. Since then, the journalists have taken over the political arena... Once, Parliament controlled the Executive. Today, the Government doesn't listen to us but to a fourth estate which obsesses it... My job has been deskilled. All the interesting bits have been taken by journalists... ability, style, originality... What counts in politics is the crawl up the ladder' (Mitchell, A., cited in Paxman, 2003, p.285-286)

Some asymmetry problems can be corrected by the media, who as a 'key branch' of civil society (Besley and Burgess, 2002, p.1446) can act as 'objective' (Hillman, 2009, p.82) information providers. Of course the media are lobbied by special interest groups as well as politicians and individuals, and as information sources can be legitimately kept confidential, it can be hard for an electorate to realize that journalists often use 'political opportunism' which arises for oppositions when policy outcomes are less ideologically placed than proportions of the electorate would prefer (Hillman, 2009: 82).

Yet the media does enable politicians to be lauded for correct decisions, such as in India where a correlation has been shown between states with more newspapers and famine responses (Besley & Burgess, 2002). Media freedoms also correlate positively with high levels of political knowledge and participation as well as voter turnouts (Leeson, 2008). Yet, due to the manipulative nature of journalism, its ability to be controlled by influential owners and the state's interest in controlling it 'when the

importance of information to democratic decision making [is] at its highest' (Gentzkow and Shapiro, 2008, p.149), the media perform at their best as information providers when competition is high, deregulated, and media channels diverse (Gentzkow and Shapiro, 2008). It is up to citizens to piece the information together, yet due to its asymmetric nature this is difficult to achieve. It can be difficult to ascertain on whose agency the media are acting. This is reflected in contradictory but mainly cynical attitudes of much of the electorate towards the media.

### **The Bureaucracy**

In theory, bureaucrats are the agents of the electorate, yet within the electoral process they become the government's agency. As monitors of the social contract, bureaucrats monitor citizens in such areas as policing or tax regulations, which are policy outcomes. This essentially places them as principals, thus we reach another principal-agent problem. Again, due to the asymmetric nature of information, it is difficult for citizens to monitor these bureaucracies. The bureaucracy is run on a day to day basis by unelected officials. These officials have their own preferences and benefits that they can advance by influencing policy outcomes on an ideological basis. It is impossible for citizens to acquire and understand the information required to judge bureaucracy; this problem is backed up by the fact that opposition parties normally have more limited access to the machinations of bureaucracies than incumbents.

To complicate matters further, when monitoring bureaucracies within the setting of performance goals, 'it is important not to confuse a focused effort with a productive one' (Heckman, Heinrich and Smith, 1997, p.394). It is beneficial for managers to have large staffs and higher budgets in relation to their careers. While managers may be engaged by performance related issues, there is no guarantee that staff will follow. Whilst certain civil servants might be seen to be 'Thomas à Becket' characters, putting public interest over 'personal self-interest' (Hillman: 2009, p.107), their ideas on what is in the public interest will be influenced by their ideological self interest. Similarly, committee members that regulate bureaucratic policy outcomes suffer from the same natural inclinations. Civil servants are rational if they protect deficiencies, as their careers are on the line. Thus it is rational to be disillusioned with a bureaucratic layer and its decision makers.

### **Conclusion**

In conclusion, individuals in society are born with an innate ability to seek and recognise regularity, which implies that regularity is a psychological positive whilst implicit dissimilarity may be a negative; therefore the individual conforms by nature. Society itself is a regulative institution which takes advantage of this conformity. Policy outcomes have gone through dilution stages, initially due to the

rights surrendering the structure of the social contract, backed up by the asymmetric nature of information which creates principal agent problems from the starting point of personal ideologies across the sphere of the democratic process. Political parties seek election by adopting ideologies not necessarily totally representative of their own politicians' preferences. The politicians are often whipped to adopt legislation which has been influenced by other political parties and undemocratic and unrepresentative interest groups from civil, social and business spheres. A corruptible media is used to assimilate asymmetric information which is also provided by a rationally selfish bureaucracy. Due to the fact that the electorate is rationally ignorant, and that singular policy outcomes can become diluted of ideology, the electorate can be deemed rational to feel disillusioned. In the circumstances where politicians or parties adopt political ideologies on which pre-election policy promises are based, the electorate, when weighing up outcomes on a policy by policy basis, can be deemed rational when viewing politicians as charlatans.

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