

have showed, can the fear of regulation or its enforcement be used to good effect in the case of small business in order to complement other more innovative approaches.

Once again, what we are witnessing is not the demise of the regulatory state but a regulatory reconfiguration, in which command and control retains a place, albeit no longer at centre stage, as a complement to a range of next-generation policies. This reconfiguration, however, remains a work in progress. Certainly, our knowledge of what works and why is much greater than it was a decade ago. Notwithstanding the considerable promise of the new generation of environmental-policy tools, the road to regulatory reform is long and tortuous, and the journey is far from over.

Conclusion:

The Future of Instruments Research

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The research presented in this volume, along with the scholarly work contained in other recent publications on policy instruments (see especially Salamon 2002; Peters and van Nispen 1998), indicates the significance of the progress that has been made in understanding the nature and importance of instruments in the policy process. Although much of this development has been done in an academic context, the practical application of this work has not been lost on government; indeed, this book and the conference that provided its basis are a consequence of the concern of government officials about the need to understand instruments in order better to understand how to govern.

Instruments have been always been used in governing; what has changed is that we now understand that instruments can, and should, be considered independently of other aspects of the design of policies (see Linder and Peters 1984). Rather than being inherently intertwined in the policies that they deliver, instruments do have some autonomous effects of their own and can independently impact the policies for which they are chosen. These effects can determine the success or failure of a program in reaching its policy goals as well as the *political* success or failure of a program.¹ Understanding the independent influence of instrument choice is important because policies that appear to be failures because they have chosen goals that are not achievable through collective action may, in fact, be quite feasible and even popular if they were attempted utilizing different instruments.

Therefore, both academic analysts and practical policy makers need to think consciously about the strengths and weaknesses of each instrument

and need to attempt to understand instruments not only in the abstract, but also in the contexts of the particular political, social, and economic situations within which they will be put into operation. Individuals and organizations tend to have commitments – intellectual as well as practical – to particular instruments (see Linder and Peters 1998) and tend to adopt these instruments whenever faced with the need to design a new program, regardless of the goals or the environmental conditions.² While this “path dependency” in instrument selection is very human, and although an individual commitment to an instrument may be reinforced by membership in organizations, such dependency may produce suboptimal decisions for a program.

Even though the instruments research has made substantial progress and has enjoyed something of a revival in recent years, there are still a number of issues remaining if this literature is to fulfil its potential. The instruments approach, as is true of many aspects of the policy-studies literature, is an area in which there is nothing so practical as a good theory. That is, while experience and habit may provide useful rules of thumb for the selection of instruments, having a more comprehensive conceptualization of instruments and their correspondence to the environment will provide more general assistance in making decisions about program design. At the same time, these attempts at conceptualization must be linked with empirical research on the consequences of instrument choice if the type of progress that is needed is to be achieved.

DEVELOPING THE INSTRUMENTS APPROACH

What will follow here is a set of observations about what needs to be done in order to further develop the instruments approach and to make the research more usable for practitioners and academics. These observations constitute a research agenda that to some extent reflects the papers and discussions arising from the conference as well as my own observations on developments in the instruments literature. The first premise motivating this research agenda is that we have a reasonably good understanding of how individual instruments perform in a functional, technical manner. The literature, such as that collected in Lester Salamon's *The Handbook of Policy Instruments* (2000) or in studies of individual instruments (Steuerle et al. 2000; Howard 1997), demonstrates a substantial understanding of individual instruments and their technical effects. The second premise is that, although this level of understanding is certainly important, it can serve only as a beginning for a more complete comprehension that will involve more dimensions of analysis: not only the technical, but also the political, ethical, and managerial.

THE POLITICS OF INSTRUMENTS

A first point to be made about the selection of policy instruments is that the selection is being done in a political setting. The foundation of the instruments approach was largely in economics (Kirschen 1964), and a good deal of the available literature continues to emphasize the technical economic and legal attributes of these tools. As I will point out below, these technical attributes of instruments are important, but it is likewise crucial always to remember that the decisions about tools are being made for the purpose of governing and that governing is a political process.

The political importance of policy instruments arises both in their capacity to build political coalitions and in their capacity to implement policies in a manner that maximizes the legitimacy of the policy and of government more generally (see Issalys ch. 7 herein). First, in order to be successful, policy instruments have to be acceptable to a political coalition sufficient to justify the adoption of the policy. The need to create political coalitions around a policy choice – substantive or instruments-based – is an obvious point but one that may be forgotten if an analyst perceives solutions to policy problems from a more technical perspective. A scholar may be quite capable of demonstrating that a particular tool could produce a desired outcome with minimum distortions in the economy and perhaps even with minimum administrative costs. As laudable as these features may be for an instrument, they do not ensure that the instrument will be acceptable to the political actors needed to adopt the program.

Take, for example, the provision of financial aid to university students in the United States. Probably the simplest way to deliver this aid would be to give students grants directly. However, politically, there appears to be a majority that favours loans over grants given that this tool could save public money and also could be a means of forcing individual responsibility on the students. Then, after the decision for a loan-based program is made, the simplest alternative might be to give the money to the universities and have them administer the loan programs on behalf of their students. This option, however, would not include one influential industry that stands to gain from the loan program: banking. Therefore, the largest program that has developed for student aid is one of guaranteed student loans through private lenders. While this involves several more administrative steps and more actors than is necessary, it is capable of benefiting not only students and universities, but also banking interests.

Legitimacy is the second dimension of the political relevance of instrument choice. Some instruments are simply more legitimate in

different countries than they are in others, and any attempt to ignore this cultural and political context will reduce the probability of the program's being successful. For example, a good deal of the Canadian literature (Woodside 1986; see also Howlett 1991) on policy instruments emphasizes that, everything else being equal, instruments that are less intrusive are more acceptable politically than are instruments that are visible to the public and that make it clear to the public that costs and benefits are being created. Again, these instruments are often not the most effective in achieving public purposes, depending as they often do upon the initiative of individual citizens to be effective.

Again, context is important for understanding the legitimacy of different types of policy instruments. For example, the political culture of the United States tends to favour, perhaps even more than that of Canada, unobtrusive policy instruments. However, policies that are directed to the poor may have to be more intrusive and may have to exercise more control over the recipients if they are to be acceptable to much of the public. The welfare reform of 1996, for example, reduced some controls over the poor but substituted what have become in many ways even more direct controls over the lives of the recipients of benefits. Thus the acceptability of instruments is shaped not only by national cultures, but also by the image associated with particular policies and particular target groups of clients.

The political importance of instruments is most evident when we think about these tools in the broader context of governance. As governments come to place less reliance on regulatory instruments, or at least on regulatory instruments alone, and begin to involve the third sector in the delivery of public services, the political support for instruments will also change. In many industrialized democracies, the legitimacy of organizations in the third sector is as great as or greater than that of governments, as is the legitimacy of the public sector itself. Further, providing policies through partnerships or quasi-public arrangements may be perceived as less intrusive than mechanisms that depend entirely upon the authority of government.

MULTIPLE CRITERIA

The above points illustrate a more general point about instrument choice, namely that there are a range of criteria that need to be considered when making a choice. My own inclination as a political scientist is to begin with the political considerations inherent in making the selection of an instrument, but as noted this has not been the dominant approach to selection. Each academic discipline will assume the primacy of its approach and its criteria, but in reality the exercise is one of

balancing a wide range of concerns and values. Policy instruments have economic, administrative, and even ethical dimensions in addition to the political dimension emphasized above, and selection therefore involves means of assessing the relative importance of these different concerns.

It is easy to say that it is necessary to balance a range of concerns when making the selection of policy instruments. It is substantially more difficult to make the required trade-offs in practice. Again, there may be technical aids for making, or at least improving, such decisions. For example, the decision maker may begin with the premise that one criterion or another is primary, and then if the alternative instruments are equal on this primary criterion, proceed to second- or third-order considerations.³ Alternatively, decisions could be made by developing some weighting of the multiple criteria that are relevant for the decision on instruments and then adding together the scores of alternative instruments. This approach implies a great deal of knowledge and a well-developed sense of priorities and may not be practical in the majority of cases.

In the end, most decision makers are capable only of recognizing that there are numerous dimensions of instruments that should be considered when deciding between alternatives. Above, I made the more general point about the necessity of conscious deliberation when selecting instruments. As this deliberation is carried into the process of making choices based on multiple criteria, the process may involve no more than simply recognizing the multiplicity of the criteria and the trade-offs that are involved. This process may be enhanced by making it more transparent so that habit and familiarity do not return to dominate decisions in the guise of a highly subjective weighting scheme. In the final analysis, the use of multiple criteria for assessing policy instruments may come down to the exercise of good judgment.

MULTIPLE INSTRUMENTS

In addition to the multiple criteria for consideration, there are multiple instruments that should be considered (see Macdonald ch. 9 herein). One of the important points made in several of the papers in this volume is that decision makers, and analysts, need to consider mixes of instruments rather than the single, lonely instrument when designing programs. Most of our thinking about the selection of instruments has been focused on the idea that we should think about choosing the one best instrument for achieving the purpose at hand. In reality, most efforts at program delivery involve multiple instruments and indeed combine their effects with other policies and other instruments in order to achieve their purposes.

The emphasis on a single instrument corresponds nicely with the tendency to regard redundancy in public programs as wasteful and more streamlined mechanisms for delivering services as inherently desirable (but see Landau 1969; Bendor 1985). It may well be, however, that thinking about mixes of instruments is not only a political and programmatic reality, but also a virtue when attempting to achieve public purposes. The needs of potential clients of programs may be varied as well, such that governments could be well-advised to select different ways of reaching these clients. In the case of assistance for higher education, for example, some potential students may require more aid than could be reasonably provided through student loans; the student would be burdened with so much debt for so long that the consequences would be highly undesirable or would prevent the student from ever taking up the program of study. Therefore, without a mixture of instruments, delivering this service effectively would be less likely, if not impossible.

Once one has decided that a mixture of instruments may be the most important means of addressing public-policy issues, deciding what will comprise this mixture is substantially more difficult. The above example is rather clear, given the alternative approaches to addressing the financial needs of students seeking to attend universities, but most options for inclusion in effective policy mixes are less clearly defined. This is especially true when seeking to combine instruments that utilize very different types of underlying instruments to achieve their purposes. For example, the several methods discussed for addressing the financial needs of students all depend upon using public money (or the guarantee of public money) to achieve their purposes, but there may be options for mixing the "treasure"-based instrument with other forms of control, especially controls over the providers, to achieve the policy goals.

One might argue that instruments utilizing different underlying mechanisms to achieve their purposes might be the most effective for achieving policy goals. While different versions of the same fundamental instrument may help considerably in achieving the goals of the programs, the more extensive the range of instruments involved in attaining the policy goals, the more incoherent the government is likely to be. The administrative literature tends to focus on eliminating redundancy and multiple provision of the same service. There may be, however, a good deal of rationality in redundancy (Landau 1969) in that different types of instruments may address the needs of different types of potential clients that might be missed by a more linear conception of governing.

We can extend the above example of providing opportunities for students in higher education to think about extending the mix even

further. For example, rather than providing funds to students directly or insuring bank loans to those students, the issue might be dealt with by regulations. For example, universities might be mandated to maintain low tuition fees or to provide scholarships to students from socioeconomically deprived backgrounds. This strategy might address the financial needs of potential students.

LINKING INSTRUMENTS AND ORGANIZATIONS

Policy instruments are highly dependent on institutional capacities for their implementation. Even those instruments that permit the individual beneficiaries to make the decisions about whether to use them depend upon one or more organizations for effective implementation. For example, although individuals make decisions about whether to claim tax preferences (tax expenditures), the taxing authority must monitor the take-up of this benefit and provide some credible threat of monitoring and enforcement if the instrument is to be used as intended (Sparrow 1994). Even more obviously, governments rarely go seeking individuals to apply for social benefits. Instruments such as regulation and subsidies are even more dependent upon public organizations for their success in producing the desired economic and social consequences.

As well as the basic structural issues involved in the implementation of programs through public organizations, there are other considerations in developing and implementing policies. First, as governments involve the for-profit and the not-for-profit sectors in delivering public services, the emerging structures are moving away from the "single lonely organization" (see Hjertn and Porter 1981) and toward more complex structures for employing instruments; thus there is a need to consider the design of these structures. On the one hand, if these structures are to be inclusive and to provide nongovernmental organizations some capacity to influence the outcomes of the process, then decision making becomes difficult. If, on the other hand, the same authoritative decision making is to remain in place, then these structures may be meaningless and may be incapable of effectively delivering complex programs. That is, organizations outside the public sector may not be willing to be used by government without some real influence on the outcomes of the process.

Second, there is a need to consider the political dimension of policy instruments not only in the context of mass politics, as discussed above, but also in terms of another dimension of politics: that involving the role of organizational actors. Organizations have commitments to instruments as well as to the policies that are delivered through these instruments. These commitments may be a function of an organization's

experiences and the familiarity that it has with certain instruments, or they may be a function of the staffing of the organization. Organizations staffed by lawyers, for example, are more likely to use regulation and other legal instruments than are those staffed by economists or public administrators.

Finally, organizations can use instruments as a political strategy to "capture" programs, thereby increasing budgets and staffing. For whatever reasons, however, organizations are not neutral about instrument choice and will be engaged in a variety of political actions to influence selections.

HOW CAN WE LEARN?

One of the difficulties for instrument research, and for many other areas of policy research, is that instruments pose important problems for research. In the best of all worlds, we might experiment with a range of instruments as means of reaching a policy goal and use the resulting evidence to guide the final selection of a program. Rarely do governments have the options to perform such experiments and instead must rely on quasi-experimental results to guide decision making (Cook and Campbell 1979).⁴ In the relatively few cases in which large-scale experiments on policy and policy instruments have been possible, as in the New Jersey Income Experiments, they have produced a great deal of useful information about the impacts of program choice.⁵

The absence of strong experimental evidence is a general problem for policy analysis given that the public rarely want to be experimented upon and that their behaviour might be different if they were aware that the intervention was indeed an experiment. For example, among the few experiments that have been done on policy instruments, some of those involving vouchers for education suggested that potential providers of educational services were reluctant to enter the market as long as the program was discussed as an experiment (Loomis 2000). Why should these potential providers invest their time and energy in a program to which government is not really committed? Likewise, why should parents risk disturbing their children's education when there is no certainty that the program will continue?

The obvious source of quasi-experimental evidence about policy instruments is our experience with other political systems. For many policy areas, there have been a range of attempts to provide the services and to reach the same goals through alternative means. These attempts thus comprise a natural laboratory for the implementation of programs and should provide us a means of understanding what instruments can be successful. Within the United States, Brandeis's famous comment on the

us's being the laboratory of democracy was but one indication of the utility of collecting evidence from multiple locations, and there is an international literature on the importance of learning about policy interventions from other geographical areas (Rose 1992; Dolowitz 1998).

As valuable as this evidence may be, its use can be problematic. As noted above, much of the existing literature on policy instruments assumes that the instruments are in essence technical instruments that are largely independent of the context within which they are being employed. This assumption is almost certainly incorrect, and the political, social, and economic circumstances within which an instrument is being used are of great relevance to the success of the instrument. For example, over the past decade or more the United Kingdom has been moving toward greater financing of higher education by the consumers of the service, much as students (or parents) pay high tuition in the United States (Brown 2002). British policy makers appear to have assumed that this form of financing is consistent with broad participation of students in higher education. Using this instrument successfully, however, depends both on middle and working class parents beginning to save for higher education practically from the birth of a child as well as on universities having substantial, independently financed scholarship programs to help the most needy students. Neither of these conditions exists in the United Kingdom, and hence there might be little reason to expect the instrument to be successful.

The above example is only one of any number of examples of attempts on the part of governments to learn from experience in which borrowing program elements has been less than successful once they are transplanted. Therefore, there appears to be a need to think more systematically about the mechanisms through which successful learning can be conducted and about the manner in which the environmental factors having an impact on the utility of an instrument can be assessed.⁶ From this perspective, the analysis of policy instruments may move away from strict technical analysis of the economic or administrative criteria to consider policy instruments in the context of comparative policy studies more generally (see Ringeling ch. 8 herein). The agenda of the conference from which this book emerged was to think broadly about instruments, their utility, and their applicability in a wide range of circumstances.

GOVERNANCE AND POLICY INSTRUMENTS

Finally, we need to remember throughout the analysis of contemporary policy instruments that the purpose of thinking about policy instruments

is to improve the state's capacity to govern and thereby to improve the quality of life for citizens within a political system. At one point in our collective political and administrative histories, a discussion of the state's capacity to govern would have involved an almost exclusive role for the public sector (see Dror 2001). As already noted in a number of places in this book, government is increasingly involved in complex and multi-organizational structures for the delivery of programs. There is some tendency to think of instrument choice in terms of rather simple principal-agent terms, with delegation from one principal (the legislature or the minister) to a public agent, which uses an instrument to produce action. The contemporary world of policy implementation and governance, however, is a good deal more complex.

Further, policy instruments are, as also noted throughout this volume, increasingly moving away from regulatory and other "command and control" instruments depending directly upon the formal authority of government and toward softer, less direct forms of intervention into the social system. Even when law and regulation remain the principal instruments for intervention, they are increasingly implemented in the form of "soft law," such as compacts or voluntary agreements or other negotiated settlements with the private sector, rather than by means of hierarchical imposition (Héritier 2002; Mörth 2003).

Both of the above shifts in policy making are transforming the nature of government and governing, and the conventional analysis of instruments has been broadened along with the instruments themselves. Put somewhat differently, there are now multiple principals that change individuals and organizations with implementing programs.

As "governance" has become one of the more important manners of conceptualizing the tasks of policy making and steering society (see Pierre and Peters 2000; Lynn 2001), scholars and practitioners interested in how instruments are being used must begin to consider more carefully the general question of using not only multiple instruments, but also a mixture of public- and private-sector instruments. Indeed, as the "soft law" example mentioned above indicates, the conventional distinction between public and private instruments may become increasingly difficult to maintain. Regulations emerging from processes of creating "soft law" may have the force of law, but they are the product of delegation of some amount of authority and discretion to non-public actors.

At the extreme, the public sector may delegate a good deal of its potential regulatory authority to the private sector and even to individuals. The clearest example of this is using individuals to monitor the actions of service providers or even of governments. Governments

may, for example, provide opportunities for individuals to use the courts and tort actions to monitor the performance of important service providers, such as the medical profession, rather than investing in public regulation (Schuck 2002; Komesar 1994). At the extreme, the European Union relies heavily upon individuals to monitor the extent to which individual national administrations deviate from European rules and to use the court system to ensure compliance (Pollack 2003).

With the emergence of these less formal means of instrumentation as a standard mechanism for coping with public problems, the mixture of public and private instruments implies a new range of interactions and significant managerial challenges for the public sector (Kerl 2002). Not only do bundles of instruments have to be designed that will in principle work, and work in harmony, but they must be managed within a more complex political environment. In this environment, bargaining shapes the manner in which the instruments are utilized, just as do the actual instruments selected (Sorenson and Torfing 2002). Further, these mixed instruments that involve the private sector require developing the means for managing multiple relationships among actors that may have conflicting goals and commitments to services (Peters 2000a; Frederickson 1997).

CONCLUSION

The tools, or instruments, approach to public policy can add a great deal to the analysis of public policy. On the one hand, instruments can be used as the foundation for understanding policy in general, and the argument might be made that the instrument selected may be the most important element of the choices made about policy. This strong argument is especially applicable if we examine the underlying foundations of action contained within the tools and the dynamics of instruments for coping with social problems (Hood 1986). A less extreme version of the argument is that instruments are a crucial element of the design of a program, and of governance, but not necessarily the only – or even the most central – element in governing. In either version of the argument, developing the instruments literature can improve the academic and practical dimensions of policy studies.

If the instruments approach is to reach its potential, then some of the issues raised in this volume will have to be addressed. When taken together, these points add up to the need to cope with the real, and increasing, complexity of policy. Policy making and implementation have always been complex, but globalization and the increasing involvement

of societal actors have made these tasks all the more difficult. Perhaps the most significant challenge to the conventional understanding of the use of instruments is the need to involve nonofficial actors in the delivery of services, thereby broadening the simple principal-agent model implied in much of the literature to include multiple agents and multiple principals.

Notes and References

INTRODUCTION

- 1 The editors are grateful to Laura Chapman and Donald Lemaire, who were champions of this project in its early phases, and to Jean-Pierre Voyer for his support. We also thank Michael Trebilcock, who provided valuable comments on this introductory chapter. Any mistakes, of course, are those of the editors.
- 2 M.J. Trebilcock, et al., *The Choice of Governing Instrument* (Ottawa: Minister of Supply and Services Canada, 1982).
- 3 See H. Lasswell, "Key Symbols, Signs and Icons," in L. Bryson, L. Finkelstein, R.M. MacIver, and Richard McKean, eds, *Symbols and Values: An Initial Study*, 77-94 (New York: Harper Brothers, 1954); M. Edelman, *The Symbolic Uses of Politics* (Chicago: University of Illinois Press, 1964); T.J. Lowi, "Four Systems of Policy, Politics and Choice," *Public Administration Review* 32, no. 4 (1972): 298-310; L.M. Salamon, "Rethinking Public Management: Third-Party Government and the Changing Forms of Government Action," *Public Policy* 29, no. 3 (1981): 255-75; and L.M. Salamon, ed., *The Tools of Government: A Guide to the New Governance* (New York: Oxford University Press, 2002).
- 4 Thanks to Roderick Macdonald for this formulation of the assumptions guiding instrument choice.
- 5 Bridget Hutter offers a useful description of good governance in her chapter, "Risk and Regulation": "Good governance has come to refer to coordinated, "joined-up" approaches to policy making, to a recognition that both governments and business are involved in the allocation of finite