Patterns of Policy Instrument Choice: Policy Styles, Policy Learning and the Privatization Experience

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The spread of privatization in almost every country over the last decade reflects a rapid and fundamental change in patterns of policy instrument usage. Yet the literature on policy instruments has almost nothing to say on this perhaps most significant development in public policy in recent times. This paper's objective is to aid in the development of a theory of policy instrument choice which is capable of dealing with instances of long-term, cross-national changes in policy instrument usage. It will be argued that reconceptualization of instrument choices in terms of policy learning can aid in this theoretical project.

Since the early 1980s, most governments around the world have been pursuing privatization with varying degrees of enthusiasm and success.[1] While there is a huge literature on privatization,[2] a systematic study from an instrument choice perspective is lacking. Economists concerned with reducing the scope of government have produced numerous studies on the subject but only a few have dealt with the full complexity of political decision-making. Political scientists working on instrument choice have analyzed political decision-making, but the models they have developed have difficulty accounting for major changes in cross-national patterns of instrument use.

The objective of this paper is to aid in the development of a theory of policy instrument choice which is capable of dealing with instances of long-term, cross-national changes in policy instrument usage. The paper is divided into three parts. The first part surveys the existing literature on policy instruments and offers a general critique of its strengths and weaknesses. The second part argues that elements of the recently emerging literature on policy learning have much to offer toward understanding changes in policy instrument usage, including long-term, cross-national changes in patterns of instrument choice such as privatization. The third part outlines the elements of a learning model of instrument choice. It argues that the choice of policy instruments is a learned experience, that both state and societal actors learn, and that the learning process has inter-temporal, inter-sectoral, and international dimensions.

Taken together, the paper argues that a conceptualization of theories of instrument choice within a policy learning perspective is required if the understanding of instrument choices is to break out of its hitherto national and ideological bounds.

THEORIES OF INSTRUMENT CHOICE AND THEIR LIMITS

Policy instruments are tools of governance. They represent the relatively limited number of means or methods by which governments effect their policies. The question that concerns us in this paper is why a government chooses one instrument and not another. The literature on the subject offers several answers, from both economic and political perspectives. Economists' study of policy instruments is shaped by the theoretical debates between neoclassical and welfare economists on the proper role of the state in the economy. Both prefer market-based instruments since they both share the premise of the relative efficiency of the market versus the state in the allocation of society's scarce resources. The main point of contention between them centers around their divergent views of the state's ability to improve allocation by the market. Welfare economists argue that numerous market failures exist, a condition which necessitates government intervention (Bator, 1958; Economic Council of Canada, 1979; Utton, 1986). Neoclassical theorists tend to argue that the market only fails to provide pure public goods, warranting only limited intervention by a government in their provision (Breyer, 1979, 1982; Posner, 1974; Stigler, 1975; Wolf, 1987).

The welfare economists' greater theoretical acceptance of the state's role in improving the functioning of the market leads them to more systematic analyses of instrument choice. There are several sophisticated analyses which attempt to provide an optimal match between specific market failures and policy instruments (Mitnick, 1980; Stokey and Zeckhauser, 1978; Weimer and Vining, 1989). In these works, however, the choice of instrument is usually treated as a strictly technical exercise, one which consists of evaluating the features of various instruments, matching them to different types of market failures, estimating their relative costs, and choosing that instrument which most efficiently overcomes the market failure in question.

The main problem with such a concept, as many welfare economists admit, is that, in practice, states almost never make their choices in this manner. Even if one could identify the most efficient and effective instrument, which is most doubtful given the limitations innate to the social sciences, the actual choice is a political one, bound by political institutions and made by political actors often responding to political pressures. As such, the technical analysis generated by welfare economists is most often merely another political resource used by those likely to benefit from it (Weiss, 1977). Only in very specific circumstances where welfare economists happen to be policymakers—as sometimes happens in sectors such as taxation or fiscal management—would one expect political decisions to be made solely upon the basis of welfare-maximizing criteria as defined by welfare economists (Markoff and Montecinos, 1993).

The welfare economic theories of instrument choice fare the worst in explaining privatization. The analyses they provide suggest that privatization represents governments' acknowledgment that the market failure which occasioned the original use of command and control instruments no longer exists. Since it is unlikely that the initial regulatory or nationalization activity was actually undertaken to correct a market failure, it is implausible—although not entirely impossible—that a second correction would occur for the same reason.

The neoclassical school's theoretical assumptions predispose analysts to oppose state intervention in the economy. They accept state intervention only in the provision of pure public goods which, due to their properties of nonexclusivity and indivisibility, cannot be supplied by the market. Intervention for any other reason is viewed as distorting the market process and leading to suboptimum outcomes. If a decision to intervene has been made, such economists recommend choosing policy instruments that cause the least distortion (Savas, 1977, 1987; Sproule-Jones, 1983).

The neoclassical economists working on instrument choice generally rely on public choice theory to explain patterns of instrument use. They argue that, in a democracy, the dynamics of self-serving behavior by voters, politicians and bureaucrats promotes, an increasing tendency to tax and spend, and to regulate and nationalize private activity. It is argued that democratic politics leads states to choose instruments that provide concentrated benefits to marginal voters while spreading the costs to the entire population (Buchanan, 1980). For electoral reasons, governments make efforts to choose instruments that do not reveal their true costs to the voters who ultimately pay for them. Hence, privatization is difficult in a democratic polity because of governments' reliance on market-distorting policy instruments for electoral purposes (Hanke and Walters, 1990).

While the incorporation of political factors into the analysis is an improvement upon welfare economic theories, the rent-seeking analyses do little to further the explanation of systematic patterns of instrument choices. It is very difficult to match types of instruments with patterns of the distribution of costs and benefits (Wilson, 1974) since one must first know whether governments want to claim credit or avoid blame for the action to be undertaken (Weaver, 1986). Most instruments can be used for both purposes; which purpose is chosen depends on any number of contingent and contextual factors.

This has led to a second neoclassical view of instrument choice which focuses on the imprecision of decision-making contexts and on the highly subjective nature of individual decision-making. In this "garbage can" or "neo-institutional" view, instrument choices are viewed as *ad hoc*, idiosyncratic decisions which defy generalization and theorization beyond the observation that they reflect the individual utility maximization efforts of decision-makers (Cohen, March and Olsen, 1972; March and Olsen, 1984).

The adherents of both of these neoclassical perspectives fare only slightly better than welfare economists in explaining privatization. If, as the rent-seeking perspective alleges, the dynamics of democracy leads inexorably to ever-increasing use of inefficient and coercive policy instruments, then it is not clear how the opposite is occurring with the worldwide trend toward privatization (Przeworski, 1990; Starr, 1990b). Similarly, if, as the proponents of the garbage can view argue, each decision on instrument choice is inherently peculiar and idiosyncratic, then how can a wave of similar instrument choices, be they the nationalizations of the 1930s and 1940s or the denationalizations of the 1980s and 1990s, occur? Since neither approach successfully accounts for privatization, adherents of both views have responded to the privatization boom by either discounting the significance of the phenomenon or arguing that it represents the fruits of efforts made by "heroic" politicians somehow capable of resisting the allure of longevity in office through public expenditures (Dunleavy, 1986). In the latter instance, no explanations are forthcoming as to why these politicians, and not others, are capable of resisting the lure of reelection or the maximization of their self-interest in orthodox neoclassical terms.

The essence of the problem with economic theories of instrument choice is that they are overly deductive and lack a solid empirical base in studies of actual decision-making by governments. Their rationales for policy instrument choice are based on their theoretical assumptions concerning what governments do or ought to do, rather than on empirical investigations into what they actually do.

Political scientists' studies tend to display a wider variety and are generally more empirical in nature. While they may lack elegance and parsimony, they represent sincere efforts to grapple with the complexity of policy instruments and inductively develop a bona fide theory of instrument choice.[3] They tend to explain instrument choices from within the context of a particular country and its traditions of policymaking or its "policy style," which makes their models appear somewhat idiosyncratic (Howlett, 1991). Despite this limitation, each identifies several elements in national patterns of instrument choice which transcend national boundaries and can serve as the basis for a more generalizable theory of instrument choice.

Bruce Doern and several of his Canadian associates developed one oft-cited political science approach to theorizing about the question of policy instrument choice (Doern, 1981; Phidd and Doern, 1983; Tupper and Doern, 1981). They view decisions on policy instruments as choices made from a continuum of instruments ranged according to the level of state coercion required for their implementation. Doern and his colleagues first placed only self-regulation, exhortation, subsidies and regulation on this scale (Doern, 1981). They later added categories for taxation and public enterprise (Tupper and Doern, 1981) and an entire series of finer gradations within each general category (Phidd and Doern, 1983).

This taxonomical exercise led these authors to hypothesize a two-fold rationale of instrument choice. Assuming that all instruments are technically substitutable, Doern and his associates argue that, in a liberal democratic society, governments prefer to use the least coercive instruments available and will "move up the scale" as necessary to overcome societal resistance to effective regulation. Thus, any instrument can theoretically meet government aims but governments will prefer less coercive instruments unless forced by recalcitrance on the part of the target group and/or continued social pressure for change to utilize more coercive instruments. Overall, Doern and the others suggest that a typical pattern would be for governments to begin with minimal instrument use and move slowly, if at all, towards direct provision by the bureaucracy.

There are problems with Doern's taxonomy of instruments, his understanding of substitutability among instruments and his rationales for instrument choice. First, the placement of instruments on a scale of coercion is questionable. It is difficult to operationalize coercion and determine whether, for example, taxation is more coercive than public enterprise (Baxter-Moore, 1987). In fact, it would appear that the instruments are ranged on a scale of precision of targeting rather than on coercion (Howlett, 1991). Second, no government has the complete range of instruments available to it. Social and political constraints favor the choice of some instruments and inhibit the choice of others. As Woodside (1986, p. 786) says, "the range of 'politically tenable' choices from among the possible policy instruments [vary] in response to ideological trends, the presence of crisis conditions and concerns about their budgetary implications."

Similarly, the concept of changes in instrument choice consisting of a slow movement up the coercion scale does not conform to the empirical evidence. Governments frequently use coercive instruments in the first instance to convey the appearance of toughness to the population. The idea of social resistance provoking governments to move up the coercion scale is also problematic. While in some policy areas—notably the economy—it may be true that there often is societal resistance to further government action, in many other fields this is not the case. In social policy matters, social pressure often runs the other way, urging greater regulation and expenditures than governments are willing to provide.

All of these difficulties in Doern's model are manifested in its application to the case of privatization. According to this model, public enterprises are established when either (1) social and political pressures outweigh the government's ideological preferences for less coercive instruments or (2) a government's interests in nationalization outweighs opposing social/political pressure. In either case, privatization would result from changes in these relationships. In this concept, the movement down the scale of coercion would be caused by either strengthening of government ideological preferences or weakening of social pressures in (1) or weakening of government interest or strengthening of social/political pressures in (2). This is a difficult if not impossible conception to operationalize. First, how can the same phenomena result from both a weakening or strengthening of the same pressures? Second, what exactly would constitute such a weakening or strengthening? Third, even assuming these difficulties could be overcome, which is it in any individual case—interests, ideology or pressure—that counts?

A second, widely cited political model of instrument choice has been developed by Christopher Hood (1983, 1986) to deal (implicitly) with the British situation (see also Schneider and Ingram, 1990, on the U.S.). He argues that governments have essentially four resources at their disposal—informational, financial, coercive, and organizational—and can utilize those resources for either of two purposes: to monitor society or to alter its behavior. In Hood's terms, these resources are "nodality, authority, treasure and organizational" (NATO). The two purposes to which these resources can be put are "detectors" or "effectors." This formulation leads to eight clearly differentiated categories of instruments.

Like Doern, Hood (1986) argues that instrument choice is not a technical exercise but "a matter of faith and politics." He argues that the choice is shaped by resource constraints, political pressures, legal constraints and the lessons learned from past instrument failures (Hood, 1986, pp. 118-120, 141-143). Although he does not spell out the exact nature of these forces, Hood does discuss a number of "normal" patterns of government "retooling" over time. These include:

- A shift from information-based instruments to those based on other resources.
- A shift from reliance on coercion alone to the use of financial and organizational resources (Hood, 1986, pp. 126-131).

Furthermore, Hood (1986) argues that technological change may erode the usefulness of old instruments and lead to the application of new ones, often on the basis of analogies between historical and present day circumstances drawn by policymakers (pp. 128-131).

While Hood admits the essential irrationality of the policymaking process, he argues that the process is driven by identifiable forces based on the governments' experience with various instruments and their effects on social actors. According to Hood, different instruments vary in effectiveness according to the nature of the social groups they are intended to influence. Hood argues that if large and well-organized social groups exist, governments will utilize persuasion and expenditure instruments. He notes that the size of the target group is significant since the larger the group to be affected, the more likely governments will use passive rather than active instruments. However, he also argues that regardless of the size of the social group affected, a government will not utilize coercive instruments if it wants voluntary compliance from the group. On the other hand, if it wants to redistribute resources among those groups, it will utilize coercive instruments (1986, pp. 138-139).

For Hood, instrument choice is a function of the nature of the state's goals and resources and the organization and capacity of targeted societal actors. Overall, he argues, these lead governments to practice the ethos of "using bureaucracy sparingly"; that is, towards a distinct preference for use of information and authority instruments since those instruments are "non-depletable" (Hood, 1983). In fact, the most preferred is nodality or information-based influence, since only instruments based on this resource are both non-depletable and place minimum constraints on citizens. When coercion is required, it is primarily due to the desire to more closely target societal groups for action. Even then, authority is preferred to organization because the former is less resource-intensive (Hood, 1986).

Like, Doern, Hood's model has several difficulties which limit its usefulness in practice. First, its classification system for governing resources, although alluring in its simplicity, is suspect. Virtually all government actions rely on some combination of the four resources and efforts to restrict instruments to the use of a single resource require instruments to be classified by their intent rather than by their resource use. For example, is a government agency which dispenses funds for advertising purposes an instance of organization, authority, treasure or nodality? There are also difficulties with the rationales for instrument choice Hood provides. Why should governments desire to use bureaucracy sparingly? Why should resources like treasure and organization be considered less replenishable than resources such as information or organization when it is apparent to most observers that the extended use of either propaganda or force has diminishing returns?

Hood makes a convoluted argument about instrument choice which becomes all the more evident when applied to privatization. In his terminology, privatization represents a government's desire to use instruments based on nodality, treasure or low-constraint authority in place of instruments based on organization or high-constraint authority. In his view, organization is a depletable resource which governments would rather not use. Similarly, high-constraint authority instruments are expensive in terms of the bureaucratic resources they consume, which leads governments to avoid them. Moreover, both organization and high-constraint authority are onerous instruments that burden society and therefore provoke resistance from social groups. Considering these problems, it would appear as self-evident why governments would want to privatize. The real question, then, is why governments chose organization and high-constraint authority instruments in the first place.

Hood's reasons for instrument choice—the nature of the task in question, the nature of the social group to be regulated and past experience with various policy instruments—provide little clue as to why governments everywhere initially chose authority and organization instruments and are now turning to privatization. Are these patterns of choices shaped by the nature of the task, social pressure or past negative experience with using instruments, or all of the above? While all these appear as plausible answers, the manner in which they shape choices needs to be conceptualized more systematically. There is especially a need for explaining why governments everywhere—including governments in countries that never shared the English predilection for "using bureaucracy sparingly"—at roughly the same time moved toward a preference for private policy instruments.

In one of the most sophisticated works on the subject, Linder and Peters have developed a model that is a remarkable synthesis of many of the various conceptions of instrument choice put forward in both the economics and political science literatures (Linder and Peters, 1989; Bressers and Klok, 1988). They list the following factors as playing a critical role in shaping instrument choice. First, while retaining the notion of the technical substitutability of instruments, they argue that the features of the policy instruments are obviously important for selection purposes because some instruments are more suited for a task at hand than are others. They argue that instruments vary according to eight criteria, all ranging from low to high in a series of conjoint continua: complexity of operation, level of public visibility, adaptability across users, level of intrusiveness, relative costliness, reliance on market, chances of failure and precision of targeting (Linder and Peters, 1989, p. 56). They aggregate these attributes into four general categories, resource intensiveness, including administrative cost and operational simplicity; targeting, including precision and selectivity; political risk, including nature of support and opposition, public visibility and chances of failure; and constraints on state activity, including difficulties with coerciveness and ideological principles limiting government activity (p. 47).

Second, Linder and Peters argue that a nation's policy style and political culture, and the depth of its social cleavages have a critical bearing on the choice of an instrument. Each nation has a peculiar national style, culture and pattern of social conflict which predispose its decision-makers to choose a particular instrument. Third, they argue that the choice of an instrument is circumscribed by the organizational culture of the concerned agencies and the nature of their links with clients and other agencies. Fourth, they argue that the context of the problem situation, its timing and the scope of actors it includes will also affect the type of instrument choice made. Ultimately, instrument choice for Linder and Peters is a matter of the decision-makers' subjective preferences, based on their professional background, institutional affiliation and cognitive makeup. They are the ones who define the situational context constraining choice and, in the process, imprint their professional and personal preferences on instrument choice.

In Linder and Peters' model, there is a complex rationale for instrument choice emphasizing the varying characteristics of different instruments along the various continua the authors present, and the context in which the choice is made. In the choice between private and public instruments, the former are lower in public visibility, level of instrusiveness, costliness and precision of targeting, but higher in complexity of operation, adaptability across users and reliance on market. In the past, decision-makers obviously preferred the highly visible, intrusive, costly, precise public enterprises to market-based alternatives and this preference—experienced to different degrees and in different conditions in different sectors—presumably constituted one element of a nation's policymaking style.

The question concerning privatization is why this particular combination of instrument characteristics would fall out of favor with decision-makers, leading them eventually to prefer privatization? The fact that such privatization decisions have been taken, according to Linder and Peters' model, implies that resource use, targeting, risk and constraints were the most important criteria for choice since private instruments are less resource intensive and less risky but also less precise and may run into ideological constraints. Thus, we would expect privatization when concerns about resource use and risks of failure outweigh concerns about efficiency of targeting and ideological opposition. While this is the most comprehensive explanation of instrument choice we have, we still do not know why so many governments around the world would choose privatization despite their very different political, social and economic contexts, and the different subjective preferences of the decision-makers involved.

Thus, none of the economics or political science-based models provides an adequate explanation or theory of instrument choice capable of accounting for the shift towards privatization evident in the 1980s and 1990s. Welfare economics and neoclassical economic theories have difficulties dealing with political phenomena and the difficulties are evident in their efforts to grapple with privatization. The weaknesses of the three political science approaches considered above also become obvious when applied to privatization. Some, like Doern and Hood, have internal inconsistencies and difficulties which make them less useful than the model proposed by Linder and Peters. Regardless of these inconsistencies, however, all of the political approaches are nation-bound and therefore have difficulties coming to grips with transnational phenomena.

Nevertheless, there is a common notion implicit in the political approaches which provides a clue to the direction to pursue in developing a new theory which can explain cross-national similarities in patterns of instrument choice. This is the idea, expressed most clearly in Linder and Peters, that instrument choice can be explained in terms of the decision-makers' preferences for combinations of instrument characteristics that are understood as being socially acceptable. To understand changes in instrument choices, a theory is required which aids in understanding why and how the preferences of decision-makers and those of society change (Hernes, 1976).

RECONCEPTUALIZING INSTRUMENT CHOICE: THE POLICY LEARNING PERSPECTIVE

The main conclusion that emerges from this discussion of economics and political science-based analyses of instrument choice is that the instrument selection process cannot be described as rational in any objective sense. It is rather a typical case of muddling through in which the choice is shaped by the characteristics of the instruments, the nature of the problem at hand, past experiences of governments in dealing with the same or similar problems, the subjective preference of the decision-makers and the likely reaction to the choice by affected social groups. While the political science models explicitly or implicitly address one or more of these elements, none deals with all of them. However, it is possible to reshape these models into a coherent theory of instrument choice with the aid of theories of policy learning.

Although not developed explicitly from an "instrument choice perspective" (Salamon, 1981) and despite the fact that many relevant contours and concepts are not yet entirely settled (Bennett and Howlett, 1993; Huber, 1991; May, 1992), theories of policy learning offer great potential for furthering our understanding of instrument choice. They point out the extent to which instrument choice is an integral part of the learning process and the manner in which the choices are influenced by the experiences of the government in question and those of other governments. While some theories of instrument choice implicitly acknowledge the significance of policy learning, none of them explicitly describe the implications of a learning framework for instrument choice. The following brief look into the works of Sabatier (1988), Hall (1988) and Rose (1991) demonstrates how their insights into the process, subject, object and effects of policy learning can help re-conceptualize policy instrument choice.

Sabatier has argued that "policy-oriented learning"—defined as "relatively enduring alterations of thought or behavioural intentions that result from experience and that are concerned with the attainment or revisions of the precepts of one's belief system" (Sabatier, 1987)—is a major determinant of policy innovation and change. He sees policy-oriented learning occur primarily as policy networks cognize how better to realize their core beliefs based on their past experiences. Thus, learning is about improving techniques and processes of effectively implementing policies, not about the core values underlying the policies (Sabatier, 1988). This is an important insight, even though Sabatier himself does not elaborate upon the connections between policy learning and instrument choice.

A similar analysis in the policy learning vein which is more directly relevant to instrument choice has been made by Peter Hall. He defines policy learning as "a deliberate attempt to adjust the goals or techniques of policy in the light of the consequences of past policy and new information so as to better attain the ultimate object of governance" (Hall, 1988). Unlike Sabatier, however, he stresses the role of changes in ideas, rather than material circumstances, in effecting changes in policies (Hall, 1988, 1989b). The principle agents of learning are, in Hall's view, "the officially-sanctioned experts operating in a given field of policy. The most important of them work for the state itself or advise it from privileged positions at the interface between the bureaucracy and the intellectual enclaves of society" (Hall, 1988). He identifies three types of learning: about the "setting" of existing instruments, about the uses of various instruments, and, in rare instances, about the goals underlying the policies (Hall, 1988). Hall, like Sabatier, associates normal policymaking with learning about policy contexts and policy instruments. Learning about policy goals occurs only in special circumstances associated with shifts in "policy paradigms" or the dominant ideas that inform the policy discourse (Hall, 1989a).

Richard Rose has put forward the most explicit recognition of the role instruments play in policy learning. Rose developed the concept of "lesson-drawing" to describe the process by which programs and policies developed in one country are emulated by others and diffused throughout the world (Rose, 1988, 1991). According to him, "confronted with common problems, policymakers in cities, regional governments and nations can learn from how their counterparts elsewhere respond. More than that, it raises the possibility that policymakers (sic) can draw lessons that will help them deal better with their own problems" (Rose, 1991).

In Rose's schema, policymakers usually draw their examples from epistemic communities (Rose, 1991). Following Peter Haas, he defines such a community as "a knowledge-based network of individuals with a claim to policy-relevant knowledge based upon common professional beliefs and standards of judgement, and common policy concerns" (Rose, 1991, pp. 15-16). Unlike the theorists of international relations, who focus only on the international sphere (Haas, 1992), Rose argues that such communities exist at the sub-national, national and international levels. The members of such communities are constantly drawing lessons from their own past experience as well as the experience of their counterparts in other countries. These lessons then form the basis of their advice to the decision-makers, the elected officials. Lesson-drawing typically takes the form of scanning programs existing elsewhere, producing a conceptual model of a program of interest, comparing the exemplar with the problems of the existing program which occasioned dissatisfaction, and then devising programs that are eventually presented to the elected officials. For Rose, policy learning extends only to programs and, presumably, to instruments. Policy goals remain unchanged (Rose, 1993).

Each of these authors explicitly acknowledges the significance of policy instruments in the process of policy learning as each has suggested that, for the most part, in normal times policy learning is in effect learning about instruments. It would seem appropriate, then, to suggest that theories of instrument choice should be expanded to include the insights of theories of policy learning. Integration along this line would help overcome several of the shortcomings of the instrument choice literature, as the following section will show.

POLICY LEARNING AND INSTRUMENT CHOICE

Developing a comprehensive learning-based theory of instrument choice is beyond the scope of this paper. What will be done instead is to outline the principal components of such a theory and highlight how it will improve upon existing theories of instrument choice. All theories of instrument choice contain two elements. The first is to identify and categorize the characteristics of the policy instruments that are available to decision-makers. Linder and Peters' model is the most sophisticated existing work on the subject and is an admirable synthesis of many earlier works. It can easily serve as the template for this first element of a learning-based theory of instrument choice.

The second and more problematic component of a theory of instrument choice is analyzing and identifying the rationales that guide the choice of one among the various instruments available for a given problem. It is our contention that borrowing from the insights of the policy learning literature can help us understand the factors that shape the patterns of instrument choice in national, transnational and international settings.

First, the learning literature aids our understanding of instrument choice by directing our attention to the agents of choice. Learning theorists employ concepts such as policy community, policy network, advocacy coalition and epistemic community to encapsulate the notion that the choice of a policy and the associated instrument is made by a particular subsystem of state and societal actors (Haas, 1992; Hall, 1989b; Kenis and Schneider, 1991). They argue that public decisions are determined by the lessons learned by the members of the relevant networks or communities. While much of the learning is restricted to the bureaucrats, scholars and interest groups directly involved, at times the primary agent of learning and choice can be political members of such subsystems (Hood, 1993; Stewart, 1992). Thus, in order to understand instrument choice, we would need to identify the membership and norms of the policy community responsible for selecting policy instruments in a given sector. The membership and norms of, for instance, an environmental policy community may be different from one dealing with industrial policy, and this can be expected to affect the types of instruments that are chosen. However, the structure of the community or network would also be expected to affect choices. For example, as Ikenberry (1990) has suggested, if the elected executive plays the lead role in making the choice, then we can expect a modicum of uniformity in instrument use across policy sectors—as is arguably the case with the increasing choice of private instruments.

Second, the theories of learning help us delineate the process of instrument choice. The learning process has three dimensions—inter-temporal, inter-sectoral and cross-national—which affect the choice of policy instruments. The learning perspective takes the inter-temporal dimension into account by conceptualizing the choice of policy and associated instruments as a cumulative process, not a series of unrelated discrete decisions. Past experience with policy instruments enables the decision-makers to form a rational and instinctive assessment of which instrument works best under what circumstances. This assessment can often be the primary basis for future choice of instruments. Thus, the learning that led to privatization can be argued to have taken place in different countries through multiple learning processes as national and transnational policy communities learned the negative lessons of using the instruments of command, control and ownership. As many authors have argued, politicians learned that excessive state intervention increased budget deficits, promoted citizens' alienation when the proclaimed goals were not achieved and made the government appear responsible for any resulting economic malaise.

Bureaucrats and officials learned that they did not have the solutions to the problems they were increasingly being asked to resolve. Social groups and actors learned that continued large-scale government intervention involved a higher tax burden than many of these groups were willing to bear. Taken together, these lessons led to preferences for private instruments, precipitating a paradigmatic shift in the existing pattern of instrument choice.

Learning can also be expected to occur on an inter-sectoral basis. While no two problems are exactly similar, neither are they entirely unique; something can be learned even when the problems are very different. Thus, it can be argued again that the experience of many governments with the early elimination of subsidies and regulation in an area such as transportation served as an example and provided a lesson for privatization in communications and other sectors, which later occurred in many countries. Finally, policy learning also can occur across space, on a transnational or international level (Rose, 1991), whereby governments learn from other countries' use of instruments in dealing with policy problems. Social and economic development tends to generate similar problems everywhere, which makes the experience of one nation in dealing with a problem relevant for other nations (Bennett, 1991; Hoberg, 1986). Thus, it can be argued that the British experience in privatizing British Telecom and the American experience in deregulating domestic air travel have been major impetuses for similar measures in other countries.

Third, a learning theory of instrument choice can help conceptualize the effects of employing a policy instrument. Following Hall, periods of normal, incremental change in the patterns of instrument choice can be distinguished from those in which the patterns undergo rapid, major and paradigmatic change. In normal periods, it is expected that decision-makers will fine-tune instruments, such as by varying the level of subsidy or tightening regulations to elicit desired behavior. In periods of paradigmatic change, by contrast, decision-makers can be expected to rethink their basic attitudes to the various policy instruments and alter their choices accordingly (Hall, 1988). The pervasive shift towards preference for private instruments in many countries, it might be argued, represents an example of such a paradigmatic change in the choice of policy instruments.

CONCLUSION

This paper began by surveying the literature on instrument choice and discussing the ability of the different formulations to account for major changes in patterns of instrument choice, such as those associated with the worldwide spread of privatization since the early 1980s. It found economics-based theories to be the least helpful in conceptualizing the privatization phenomenon because their deductive orientation prevents them from adequately dealing with the complex political variables that affect instrument choice. The inductively developed political science-based models, in contrast, were found to be more comprehensive and insightful into the political aspects of instrument choices, but were also somewhat idiosyncratic and partial in their application to cross-national phenomena.

The paper argued that a reconceptualization of the political science-based theories in the comprehensive yet flexible theoretical framework provided by theories of policy learning could overcome many of these limitations and aid in the understanding of privatization. The paper outlined a model for a future theory of instrument choice which synthesized parts of Linder and Peters' work dealing with the nature of the problems at hand and the features of the instruments available to address these problems, with those elements of learning theories which discuss the agents of choice; the process of choice at the inter-temporal, inter-sectoral, and international levels; and the intra- and inter-paradigmatic effects of choice.

While the exact contours of a learning-based theory of policy instrument choice are yet to be developed, it holds much promise for helping to explain not only the present privatization boom but also earlier waves of instrument adoptions, such as the spread of regulatory commissions in the early 20th century, or the wave of nationalizations characteristic of the mid-century. It represents not only a synthesis of two otherwise disparate streams of analyses, but a synthesis which is capable of generating hypotheses that can be tested to develop a coherent theory of instrument choice.

ENDNOTES

[1]Privatization carries two different, albeit related, meanings (Starr, 1989). In one common usage, the term is a shorthand reference for general efforts made to reduce the scale or scope of government. In this sense, those efforts represent a basic shift in the overall relationship existing between a government and its constituent society. In the second sense, the one relevant for our purposes, privatization refers to efforts by the state to replace instruments based on command, control or ownership with those based on information, exhortation or incentives. In this more restricted sense, the government's commitment to the provision of a particular good or service remains unchanged. What changes instead is the instruments employed to meet this commitment. Thus, instead of owning and controlling a company, a government may decide to sell it entirely or partly and then regulate its operation in a manner it deems fit. Or, instead of directly providing goods or services, the government may contract out to private producers or subsidize their private provision. While the precise form that privatization in this second sense can take is almost infinite, what is characteristic of private instruments is that they entail correspondingly less use of government organizational resources to realize policy goals.

[2]See Ascher, 1987; Bos, 1991; Chapman, 1990; Connolly and Stark, 1992; Cook and Kirpatrick, 1988; Cowan, 1990; Donahue, 1989; Dunleavy, 1986; Finley, 1989; Gayle and Goodrich, 1990; Gormley, 1991; Hanke and Walters, 1990; Heald, 1990; Hula, 1988; Ikenberry, 1990; Kamerman and Kahn, 1989; Kemp, 1991; LeGrand, 1984; MacAvoy et al., 1989; Marsh, 1991; Richardson, 1990; Salamon, 1989; Savas, 1987; Starr, 1989; Starr, 1990a; Starr, 1990b; Suleiman and Waterbury, 1990; Veljanovski, 1988; Walker, 1984.

[3]Interestingly enough, the inductively generated theories of political scientists and the deductive models of their economist counterparts shared a common origin in the early efforts of the 1950s and 1960s to derive a taxonomy of policy instruments for the purposes of economic policymaking in both the developed and developing worlds (Cushman, 1941; Dahl and Lindblom, 1953; Kirschen, Benard and Besters, 1964; Lowi, 1966). However, the two disciplines parted relatively quickly thereafter in terms of methodology and subject matter.

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