

TIM BESLEY

SAN SERVOLO – 22/10/2005

Prof. Ignazio Musu: It's a great pleasure for me to have the opportunity today to introduce the next and last speaker now at the conference, who's name is Tim Besley, who comes from the London School of Economics. As I said it's a great pleasure, and I want to express the three reasons why I think I am very privileged in having the possibility of introducing Tim Besley to this audience.

The first one that he is one of the most prominent economists in the UK and known to everybody has been working in political economy nowadays, for his incredible production of books for quantity and quality. And so we're really very, very privileged in having him talking with us tonight and I am pretty sure that we will be able to learn a lot from what he's got to tell to us.

The second reason is that he comes from the London School of Economics and I graduated in that School and I have the fortune of conducting some research, ADLC, regularly, and so it's particularly pleasant for me to have the possibility of introducing a person who comes from an institution to which I'm so closely connected.

And the third reason why I think we're particularly privileged tonight to have Tim talking to us is that his talk was, his title was, choice accountability and subsidiarity; his talk is going to be about a problem which is particularly relevant for us as Italians and especially given the circumstances in which our government is working nowadays.

Tim is going to talk about the different ways of improving the way in which governments in general work. To explain us his point of view in this matter, he is going to take a perspective, which is the political economic perspective, which seems to me particularly appropriate for achieving the task that he is going to perform today but extremely interesting in terms of conveying to the audience scientific approach to the analysis of how government works and how government could be improved in providing the services that they are supposed to provide.

So I don't want to take any other time and I want to leave to Tim the possibility of presenting his talk. We will follow the rules which have been established in the two previous talks that we we've been listening to, after the talk there will be about ten minutes rest, a break for coffee in the nearby room and then we will be back for questions and answers.

Tim Besley, please.

Prof. Tim Besley: Thank you very much. It's a great pleasure to be here. I'm actually going to try and through out a number of thoughts which hopefully will have somewhat provocative reaction from you all on the general topic of choice, accountability and subsidiarity.

The organising theme for my presentation is around the theme of creating effective government. What do we mean by effective government? One possibility is government that is responsive to the needs of its citizens in areas where markets fail, and the other is government that provide the preconditions for growth and prosperity; two reasonable definitions of what we mean by effective government. We could spend a lot of time debating that notion but I don't really think it will be that fruitful in the context of what I have to say.

The thing that I think it's striking is when you look at indicators of government quality and you can look at this in a variety of ways, people have their own preferred outcome measures for looking at this.

We see a huge amount of difference in performance of quality of governments across the world. And it's really hard to believe that it's entirely a story about formal political institutions. Let me give you an example, one which I think really brings it home to me, is if I looked within local governments within my own country, within the UK. We observe a huge amount of difference in the quality of local governments. We actually have something in Britain called the audit commission, which collects data on performance measures of local governments.

The local governments in Britain have incredibly similar political institutions: the elections mechanism is similar, the periods for which often people serve etc are very similar, and yet we observe big big differences in performance. So I think it's very hard to believe that really the whole story, I'm not saying none of the story, but the whole story about the quality of government is political institutions, or constitutions, or whether governments are democratic or not, even though I do believe all of those things are important.

So, I guess, to some extent I want to talk about features of the quality of governments, things that determine the quality of governments, that are not purely constitution based or institution based. So in a sense I think my talk is a complement therefore to the others two talks that had been given which are more focused on those issues.

So I'm going to take, just because I think it's of interest here and in general, I'm going to take as my sort of key theme to develop these ideas, the question of whether or not decentralization of government is an effective way to improve the workings of government. That's not because I think it's the only issue on the agenda, far from it, but I think it serves quite well to illustrate some of the

ideas that I want to develop. It's also highly relevant, not just here in Italy, but around the world, governments are deciding one way to deal with the problem of poor quality government is to try and decentralize to make government in some way closer to the voters and closer to the people.

And if you look across the world where that's been tried, and you have a very large project in India, that I've been working on for the last three years, where the Indian government in 1993 passed the constitutional amendment to empower local government, again what we see is huge amount of variety in performance. There are some parts of India where decentralization worked incredibly well and governments are really responsive and effective, and there are other parts of India where this is frankly a complete disaster and things that were functioning moderately well fell to pieces in the hands of local governments.

So again I'd illustrate my theme, decentralization may or may not be a good idea, but what's clearly true is that is not sufficient to improve the quality of governments, it may be necessary, I'm not even sure of that, but it may, but it's certainly not sufficient. And again it comes only to understand the preconditions that you need. And I will kind of draw a similar parallel with the debates that went on about privatization in Eastern Europe post communism and everyone knew there was going to be privatization, in some ways that was a given. But what you observe over a whole variety of ways of choosing to run the process of privatization and to establish structures inside which privatization would take place.

And what you observe is that in some countries privatization quickly gave way to an effective market system with the usual benefits of markets. But in other countries it became a lot harder to establish those benefits quickly. And essentially what was the missing ingredient it was to understand what kinds of structures you put in place as complements to markets, to really make those markets work effectively from day one.

And I kind of have a similar view of decentralization, you need to understand what are the things you have to do and what are preconditions to make decentralization work. And if we understood that, then maybe when we do decentralize government, we'd have a better feeling for when that would contribute to an improved and more effective government.

And I like to sort of develop a general theme here, and that's the need for government to be competitive, and I'll talk later about different ideas about competitive government. And this is an important idea, it's not an idea which is in any sense novel to my presentation, but I think it's an idea that we need to be reminded of and I think it's an idea behind which we can gather a certain amount of empirical evidence, and I'm going to give you one, towards the end of my talk, I'm going to talk about a particular empirical study that I conducted fairly recently which I'm going to use to support this proposition.

There's a variety of different ways of thinking about what makes government competitive, the right idea of government competition, and I'll talk about these as we proceed, but I'm going to talk about the preconditions for effective and competitive government, as being in part good information about government performance, if you're going to have a government in which citizens have the right to vote, have real power of the government it surely got be true that government is open and transparent, and there also needs to be an effective electoral fret, in the sense that the politicians have very safe incumbent positions it might be very difficult to create effective government. And I am going to try and substantiate that with some empirical studies.

Ok, this is one of my favourite quote ever, it's from the federalist papers and it's a quote from James Madison, this is kind of just by way of background, who says "the aim of every political constitution is, or ought to be, first to obtain from rulers men who possess most wisdom to discern and most virtue to pursue the common good of society, and in the next place to take the most effectual precautions, for keeping them virtuous while they continue to hold the public trust".

And in that ... this define what I consider to be the problem of effective government. If we knew how to do what Madison said we'll be done, we'll be all, you know, why have this talk.