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Technocratic Policy Making and Democratic Accountability

Technocratic styles of policy making pose a threat to democracy, because decisions are not subjected to the public scrutiny and dynamics of bargaining that are at the heart of democratic politics.

The Issue

Many new democracies have emerged since the late 1980s following worldwide demands for respect of human rights, accountability and transparency in policy making. Aid donors have promoted the view that democratization improves the quality of public policies and services. However, democratization is occurring at a time when the power of investors and financial institutions is changing both parameters and styles of governance. Financial globalization, high levels of indebtedness and neoliberal prescriptions narrow economic policy options to a limited set of objectives that emphasize fiscal restraint, privatization and liberalization.

In order to meet these objectives, policy making is increasingly restricted to "technocrats", or those with highly technical knowledge and expertise whose decisions are unconstrained by political processes. Technocrats tend to work in those executive institutions of government that are the most insulated from public pressure, and therefore the least democratically accountable—such as central banks, and finance and trade ministries.

Technocratic styles of policy making pose problems for democracies. They distort structures of accountability, as governments become more answerable to multilateral agencies and investors than to representative institutions and the public at large. Such styles of policy making also affect responses to employment and social protection, poverty eradication and conflict management. Even though these issues are important in consolidating new democracies, they may be sidelined by policy objectives that emphasize macroeconomic stability. Furthermore, citizens may lose confidence in the democratic process if they believe their votes are irrelevant in decisions that affect their lives.

Yet if governments are to be responsive to citizens' demands, policies—including economic policies—must be decided democratically. The role of legislative institutions in holding the executive accountable is crucial in this regard. In democracies, legislative institutions—parliament or congress—are expected to aggregate and articulate citizens' choices, scrutinize policy proposals and provide legitimacy for policy outcomes. But economic policies affect social groups and institutions differently, and democratic processes and accountability suffer when important decisions about trade-offs are entrusted exclusively to technocrats. Central bank chiefs and ministers of finance and trade, for example, may be beholden to special interest groups in the financial world, which may privilege strategies for inflation reduction, or financial and trade liberalization, over those for employment generation or more inclusive social protection.

Research Findings

The UNRISD research shows that countries have managed the tensions between technocracy and democratic accountability differently. Exposure to different types of financial pressure, the economic situation before democratic transition, elite consensus, party behaviour, party representation in the legislative branch, technical skills and knowledge of legislators, and activism of civic groups and citizens may determine the extent to which policy making reflects democratic choices.

The imbalance in expertise and power between the executive and legislative branches grows as economies become globalized. Countries that are dependent on multilateral institutions for finance and advice show high levels of policy capture by these institutions. However, the rise of technocratic behaviour in the executive branch can serve as an incentive for legislators to become more technically competent. This may check the growth of technocracy if it is accompanied by improved levels of accountability to citizens, and if the latter also become more aware of the technical issues involved in policy making. Citizens often do not have enough information or expertise to make informed judgements on public policies, hold governments accountable, or effectively scrutinize and influence the work of their legislators. This affects all democracies—old as well as new.

Politics, not systems of government, determine technocratic and democratic outcomes

According to many observers, parliamentary systems are more effective than presidential systems in checking technocratic behaviour. Under a presidential system, the president is elected for a fixed term and tends to be insulated from the dynamics of parliamentary politics. The office-holder need not necessarily seek to build consensus in exercising power. In a parliamentary system, on the other hand, the prime minister is largely dependent on the strength and representation of political parties in parliament, and can be removed from office after losing a vote of confidence. This means that prime ministers may spend more time than presidents cultivating parliamentary support for their policy proposals.

However, the UNRISD research suggests that the linkages that produce either technocratic or collaborative behaviour are complex. The studies on Argentina, Chile and the Republic of Korea indicate that despite strong presidential systems of government, presidents may indeed seek parliamentary legitimacy for their policies. This may happen when the opposition and governing parties have narrowed their differences on economic policies, and when legislators have developed expertise that enables them to bargain with the executive based on the technical merits of policies.

A parliamentary system of government is not a guarantee against technocratic behaviour if the political party of the prime minister enjoys an overwhelming majority in parliament. However, coalition or minority governments may enhance the policy-making power of the legislative branch. The reforms that liberalized the Indian economy in 1991, for example, were implemented gradually, in part because of the need to cultivate support within the loose governing coalition. A bill allowing foreign investment in the insurance sector was only passed after the executive conceded four amendments to it. Similarly, amendments to bring India's Patents Act into conformity with World Trade Organization commitments were passed only after the executive agreed to parliament's demand that licences for patented drugs be granted in the event of a health emergency. Although in both cases the delays were costly, the final legislation was perceived as an improvement on the initial proposals.

Constructive relations between the executive branch and political parties, as well as investment in expertise, improve parliamentary oversight

Parliamentary accountability can be enhanced when governing parties engage in critical—not rubber-stamp—support of government policies, and when opposition parties develop expertise to bargain with the executive and dispense with strategies of non-cooperation. A technocratically inclined executive cannot be held accountable if the legislative branch itself lacks comparable levels of technical expertise. And if parties fail to strengthen their members' technical capacity, then parliaments will remain equally uninterested in enhancing technical capacity.

Until the early 1990s, Argentina's parliament was seriously disadvantaged in dealing with the executive. Very few efforts were made by the president to consult parliament, and a record number of executive decrees were used to push through tough economic reforms. The rise of technocracy in the executive coincided with a decline in the operational budget, staff size and competency of the parliament. Unable to scrutinize the technical merits of policy, opposition parties in parliament adopted strategies of non-cooperation. However, the technical knowledge and expertise of the legislative branch improved between 1995 and 1997, as it emulated the executive by incorporating more economist-legislators; economics-related committees experienced

The UNRISD Research

Between 2000 and 2002, UNRISD carried out research on economic policy making and parliamentary accountability in eight developing and transition countries: Argentina, Benin, Chile, the Czech Republic, Hungary, India, Malawi and the Republic of Korea. The case studies sought to understand the interconnections between economic and social policies, the salience of these policies in government strategies, the influence of societal interests on the making of these policies, and the trade-offs or complementarities between policies in parliamentary bargaining. Insights into these issues were gained by focusing on the budget, which is a major policy instrument for government spending and taxation.

The Czech Republic, Hungary and India are parliamentary democracies, while the rest operate presidential systems. More political parties are represented in the parliaments of Hungary, India and Benin than the other five countries, yet no single party consistently obtained an absolute majority of parliamentary seats in any of the eight countries. This made it interesting to study the politics of coalition building, policy trade-offs, and the extent to which the policy process is technocratic or collaborative.

The eight countries have different types and levels of exposure to global economic influences. Argentina, Chile, India and the Republic of Korea are more fully integrated into the world economy and are often regarded as emerging markets, with the Republic of Korea recently becoming a member of the Organisation for Economic Co-operation and Development. Benin and Malawi are aid dependent; the multilateral financial institutions and bilateral donors have more policy leverage over them than the other countries. At the time the research was carried out, the Czech Republic and Hungary were aspiring members of the European Union (EU), which exposed them to certain conditionalities. In addition, they faced pressures from international financial markets as they undertook market-led economic transformation.

Argentina, Chile and the Republic of Korea have a long history of technocratic governance. Technocratic policy making in Malawi and Benin is closely linked to the adoption of lending programmes of the multilateral financial institutions. In the Czech Republic and Hungary, much of the technocratic elite associated with communist rule is now discredited, and a new economic policy-making elite has emerged from the lower ranks of the bureaucracy. In Hungary, however, where there were already rudimentary markets under communist rule, there is evidence that members of the old elite still occupy important positions in the bureaucracy.

The research asked the following questions.

- What kinds of institutional developments affect the way economic policy is made in new democracies?
- Are the new parliaments able to hold the executive accountable in the economic policy field?
- How democratic—or top-down—are the efforts of the executive branch to coordinate the policy choices of the legislative branch?

greater diversification and specialization; and there was more willingness by members of the opposition and governing parties to question the executive, introduce legislation and modify government-proposed bills. Requests for reports increased after 1997, an indication that legislators were showing greater interest in the technical details of the executive's policy proposals.

In Chile the number of economist-legislators has grown dramatically since the 1990s, and they now dominate the finance committees of both houses of parliament. These economists have played an important role in moderating executive dominance in economic policy, particularly by asserting their professional jurisdiction over parliamentary economic committees and in informal negotiations with the executive's economic experts. However, legislators still feel disempowered in the budgetary process despite improvements in the quality of the information sent by the executive to the parliament. Attempts to institute mechanisms for independent policy analysis in the legislature, in the form of an independent budget office, have failed and parliament still lacks sufficient expertise, information and resources to scrutinize all economic policies.

Low technical capacity hinders effective scrutiny of policies

The lopsidedness in executive-legislative relations in the economic policy field in low-income countries is often compounded by the lack of technical expertise of most legislators. More than 60 per cent of the members in Malawi's first democratically elected parliament had qualifications below a college diploma, and only about 15 per cent had a first degree or more. While donor interventions have strengthened the technical knowledge and expertise of the executive, those of the legislative branch remain severely underdeveloped.

However, the issue of technical capacity is not restricted to formal education alone. The India study suggests that despite the high level of education of Indian legislators (about 90 per cent hold a college degree), their familiarity with budget issues is limited and most lack sufficient knowledge of economics. As a result, they focus on "visible" policies—such as subsidies—that affect their constituencies, and ignore the much larger effects of less visible policies—those on exchange rates, interest rates and tariffs, for example. In 1999, 2001 and 2002, the Indian parliament passed the federal budget with virtually no scrutiny or debate.

An additional constraint on the development of capacity is the proliferation of small political parties, which find it difficult to meet the costs of investing in expertise. In such situations, parliamentary parties may resort to threats of obstruction or the strategic formation of coalitions in order to achieve their objectives, with such behaviour replacing bargaining based on technical knowledge. In 2000, Benin had 118 registered political parties, and 35 party lists representing 62 parties were present in parliament. Most parties revolved around their leaders, who largely financed the parties and used them to further their own agendas. The interests of civic groups were not well integrated into the work of political parties.

Elite consensus and democratic transition favour the executive

If a democratic transition is preceded by an authoritarian regime with a good economic record, as in Chile, the new government may accept the former regime's policy-making parameters. Elite consensus on economic policies may also emerge if past approaches to policy making are discredited, and parties and citizens yearn for a new beginning. In the Czech Republic and Hungary there was strong consensus among the political elite on economic policy reform, and the government enjoyed a honeymoon period among voters, during the initial period of transition. Widespread distrust of central planning, and strong faith in the market and EU membership as vehicles for reversing the economic decline and improving living standards, served to bring elites together across the political spectrum. During this period, parliamentary oversight of the executive branch mainly entailed acquiring information about the executive's activities and acting in ex post facto ways—establishing committees to examine cases bordering on corruption, for example.

In Hungary, executive-legislative consensus broke down in 1995 as a result of economic crisis. A hard-hitting stabilization programme led to party splits and intense parliamentary debates on the budget, especially on taxes. In the Czech Republic, the crisis of 1996–1998 led to government criticism of the monetary policy pursued by the independent central bank. When the government later collapsed, it was replaced by a caretaker administration headed by the central bank governor. Parliamentary oversight on the executive improved when a new parliament was constituted in which no party had a majority; the executive's scope of action was limited following signature of a pact between the governing and opposition parties relating to the budget and the staffing of economic and other strategic committees.

Aid dependence and indebtedness strengthen technocratic tendencies

Technocratic approaches to policy making tend to have deep roots in aid-dependent countries that are highly indebted to the multilateral financial institutions. In Malawi and Benin, these institutions have played important roles in identifying, supporting and, sometimes, recruiting technocrats for vital economic ministries. In Malawi, there is tension between government proclamations on poverty alleviation and the technocratic requirements of economic reform. Aid dependence and the strong influence of the multilateral financial institutions have imposed limits on the extent to which the government can pursue its social programme. UNRISD research found that technocrats in the economic ministries had rejected a welfare-focused approach to policy making. The poverty alleviation programme launched in 1995 was never implemented because of the subsequent introduction of cash budgeting, the need to control expenditures, and the transfer of many of the technical staff entrusted with the implementation of the poverty alleviation programme from the National Economic Council to the Ministry of Finance and Economic Planning.

As a member of the CFA franc zone, Benin has long surrendered monetary sovereignty to a regional central bank. Economic reform is thus largely concerned with fiscal stabilization, privatization and liberalization. The government's budget is submitted to the multilateral financial institutions to ensure that spending plans meet agreed targets. These institutions have also intervened at critical junctures to influence budget debates in parliament. Two major crises have underscored the tense relations between the executive and parliament on economic policy making. The first was in 1994 when the CFA franc was devalued and Benin's parliament, acting in alliance with labour groups, called for an increase in salaries and social spending. The second was in 1996 when the national oil company was privatized, and the opposition parties, which dominated parliament, joined the national public sector workers' union in resistance to privatization because of its assumed effects on employment. In both cases, parliament refused to approve the proposed budget, forcing the president to use emergency powers to govern.

Policy Implications

The democratization of economic policy making is essential if social and other issues of public concern are to be integrated in ways that contribute to cohesion and the well-being of citizens. This view currently enjoys some support in the poverty reduction strategies of the multilateral financial institutions. Strategies for poverty reduction are to be brought into adjustment policies, and civic groups are to participate in the formulation of such policies. But participation has so far been limited to consultation, and parliaments are yet to be fully engaged in the process.

The growth of expertise in both executive and legislative institutions of government is essential for development in a complex world. Democracy is threatened when decisions are not subjected to public scrutiny and the dynamics of bargaining that are at the heart of politics.

The UNRISD research suggests that technocratic policy making can be moderated when:

- political parties invest in expertise and are willing to engage the executive on the technical merits of policy;
- parliaments establish effective mechanisms—such as specialized committees with technically qualified members—for gathering information and independently analysing policies;
- the technical knowledge of legislators, especially on economic issues, is enhanced;
- there is a high probability that the government will lose a vote of confidence if it tries to circumvent proper parliamentary scrutiny of economic policies;
- aid dependence and indebtedness are reduced, and countries reclaim their autonomy in the economic policy field; and
- citizens and civic groups are well informed about the choices governments make on their behalf and are willing to hold policy makers to account.

Further Reading

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