

The Institutional Foundations of Public Policy

Presidential Address

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Abstract

The effects of public policies on social and economic outcomes depend on some fundamental state capacities, such as the ability to commit to a policy course; the ability to adjust policies when circumstances change; and the ability to coordinate, enforce, and implement policies. In a democratic polity, such capabilities are built on some degree of consensus and intertemporal cooperation among key political actors; better policies emerge if participants in the policymaking process can cooperate with one another to uphold agreements and sustain them over time.

This paper explores the institutional determinants of such capabilities, with a focus on the political system. It argues that effective public policies are facilitated by institutionalized and programmatic political parties, legislators with sound policymaking capabilities, independent judiciaries, and strong bureaucracies. Such “institutional blessings” develop slowly over time, and the incentives of politicians and government officials, as well as their interaction with other societal actors, are crucial for their development.

The paper concludes by warning economists and other policy specialists that institutions and processes might be more important than policies. Advocates and advisors have to think twice before forcing a favorite policy onto a polity at the expense of violating principles such as a reasonable degree of societal consensus, congressional debate, or judicial independence.