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Government Performance: Missing Opportunities to Solve Problems

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Journalists, activists, and other policy actors have strong incentives to publicize and stir up political conflict. Newspapers frame stories about complex issues around personality battles among the players. Political activists with parochial interests claim to be on the front lines of a "cultural war" that will determine the fate of the nation.[1] And candidates for public office go to great lengths to differentiate themselves from their allegedly extremist opponents.

Lost in the political system's focus on conflict and controversy is the tremendous common ground—among ordinary citizens and political elites alike—over government's role in contemporary American society. No prominent leader or influential social group today advocates a wholesale shedding of the federal government's responsibility in any major area of public policy. Regardless of whether Democrats or Republicans are elected to office, the government will continue to protect the environment, assist senior citizens with health care costs, and maintain the world's most formidable military. Although the media tend to magnify the differences between opposing sides on policy issues, the reality is that even ideologically charged clashes typically take place within certain boundaries.

Consider a contentious issue such as Social Security reform. Important social values are undeniably at stake in choosing among pension reform alternatives. Liberals and conservatives have very different reform ideas. Yet, as political scientist Hugh Heclo points out, not even the most radical privatization plan calls for a total government withdrawal from the problem of retirement security. First, there is a general consensus against relying solely on "do-it-yourself" pension arrangements. The public *expects* the government to address the problem of financial security in old age. Second, there is no "government-less private sector in sight to withdraw to."[2] Even the most "private" individual market plan would require an extensive framework of government rules to govern withdrawals, borrowing, and investment choices. Most plans would also include new subsidies for the poor.

This pattern repeats itself across the full scope of governance. Policy alternatives are debated, often quite vehemently, but the essential role of government as supplier of public goods and guarantor of public health and safety is *not*. Total government expenditures in the United States accounted for 30.9 percent of gross domestic product in fiscal year 2004.[3] This aggregate level of government activity has been remarkably constant in the face of large-scale economic, social, and political developments since the 1970s.[4] It is highly unlikely that the United States will soon develop a government as large as Sweden's, but it is equally unlikely that the federal government will shrink back to the size it was prior to World War II and the Great Depression.

If activist yet limited government is a widely desired and, in any event, permanent fixture of modern American society, government performance matters greatly. Can the government identify and solve collective problems? Does the government possess the political incentives, institutional capacity, and analytic tools to weigh social benefits and costs and generate useable information about problems, preferences, and policy priorities? What are the major causes of government performance troubles? When all is said and done, can the government promote the general welfare?

This book offers new perspectives on government performance. The essays in the volume address the topic by examining both the government's performance in specific policy areas and the capacity of key political institutions to identify and solve important societal problems. The first group of essays demonstrates that the government is failing to tackle significant problems in key arenas of domestic policymaking, including health (Alan Gerber and Eric Patashnik), transportation (Clifford Winston), housing (Edgar O. Olsen), and special education (Jay P. Greene). These cases are both illustrative of the tasks performed by modern American government and designed to stimulate thinking about government performance. They do not, however, represent all the important tasks government does or might undertake. We chose to study these policy areas not only because they are substantively important, but also because they demonstrate the pervasiveness and significance of market and government failures and the incompleteness of existing explanations of the sources of government underperformance. These case studies underscore the need for fresh thinking about the reasons for government underperformance and are complementary to other studies that formally test hypotheses by considering the effect of variation in independent variables across cases or over time.[5]

It is helpful when policy analysts not only address problems that decision-makers have placed on the agenda, but also speak up for the general public and other diffuse interests that lack adequate representation in the political process. As David L. Weimer and Aidan R. Vining explain in chapter 2, prominent among those interests deserving greater voice is efficiency. The concept of efficiency takes a variety of forms. In practice, many policy analysts use the concept of potential Pareto improvement. The relevant test is whether a policy change produces sufficient social benefits that winners could theoretically compensate losers and still come out ahead. This concept of potential efficiency (formally known as the Kaldor-Hicks criterion) is not uncontroversial. Its implementation requires the ability to measure gains and losses in a common metric. Moreover, in practice, the transfer payments needed to compensate losers may not be made. Nevertheless, the Kaldor-Hicks criterion gives analysts a powerful diagnostic lens for seeing potential opportunities to improve on the status quo. Weimer and Vining forcefully argue that efficiency should not necessarily override other social values, such as equity and human dignity, but it deserves much greater respect than it often receives in the democratic process.

The second group of chapters examines novel institutional mechanisms for improving government performance, including the use of laboratory experiments as a tool for policy design (Charles A. Holt, William M. Shobe, and Angela M. Smith) and the creation of information markets (Robin Hanson). The chapters explain how new analytic tools can promote more informed decisions and the conditions under which their use is likely to be compatible with the incentives of policymakers. The point of these chapters is not that such methods can identify the "right answers" to complex problems such as the prevention of terrorist attacks, but rather that they may help policymakers evaluate alternatives and reduce the uncertainty under which they must make high-stakes decisions.

In the third part of the book, the authors step back from the details of specific policy debates and assess the overall performance of three foundations of American government: Congress (chapters by David R. Mayhew and

Sarah A. Binder), the political party system (Morris P. Fiorina), and federalism (Mark Carl Rom and Roberta Romano). These contributors evaluate whether electoral incentives and institutional rules give politicians an adequate motivation to support public policies that are in the broad national interest. Several of the chapters raise disturbing questions about whether recent political developments have led to a decline in the amount of problem-solving activity in government. In the concluding chapter, Eugene Bardach critically reviews the arguments and assumptions of the individual essays, pointing out the strengths and limitations of the two major contending disciplinary perspectives (economics and political science) on government underperformance. He argues that economists' studies of the relative efficiency of specific policies are very useful in assessments of government performance, but that it is also important to understand the political and institutional conditions that promote or hinder effective government problem solving. Bardach suggests that this is a research area to which political scientists could bring special insights, and he urges the political science profession to devote far more energy to studying this topic.

Although we are sympathetic to Bardach's advice, we also recognize that any effort to persuade political scientists to direct more attention to the overall quality of government performance is an uphill battle. Most political scientists today view politics as a zero-sum game in which values and scarce resources are allocated among contending social groups. Since the 1930s, the fundamental political science research question—following the pioneering work of Harold D. Lasswell—has been "who gets what the government has to give?"[6] Relatively few political scientists investigate the political requisites of effective problem solving or the conditions under which government promotes (or frustrates) the efficient operation of society as a whole. As table 1-1 shows, the ratio between the level of attention given to distributive issues and that paid to efficiency in leading political science journals is almost four to one. It is not surprising that the situation is reversed in top economics journals—economists publish nearly three articles on efficiency for each article on distributional issues.

Recent developments in political science are only likely to reinforce these basic patterns. Under the leadership of Theda Skocpol, the American Political Science Association has published major reports on the impact of economic inequality, race, and ethnicity on democratic governance.[7] Some of the discipline's most distinguished scholars have strongly criticized the profession for devoting *too little* attention to "the distribution of political power and influence."[8] We applaud this important commitment but also see an unmet

Table 1-1. *Attention Paid to Distributional Issues and Efficiency Concerns, Leading Political Science and Economics Journals, 1980–2002*
Number

Discipline	*Distributional issues*	*Efficiency concerns*
Political science	149	39
Economics	45	123

Methodology: J-STOR search of abstracts of articles appearing in the following journals over 1980–2002 period: *American Political Science Review, American Journal of Political Science, Journal of Politics, American Economic Review, Journal of Political Economy, Journal of Economic Perspectives.* Coverage of distributional issues was measured by counting number of article abstracts that contained the following terms: distributional, distributive, redistribution, redistributive, or justice. Coverage of efficiency concerns was measured by counting number of article abstracts containing the terms efficiency or Pareto (but excluding those containing the terms informational or cognitive to eliminate articles focusing on technical or narrow meanings of the term efficiency only indirectly related to the overall quality of government performance).

need for a research agenda that assesses the political system's capacity to identify and solve problems that are not essentially distributional in nature.

In this introductory chapter, we frame some new arguments about the politics of government underperformance. Drawing on the individual chapters, we shall argue that a critical attribute of American government is the degree to which social problem solving and efficient policy design emerge as a by-product of democratic politics, which we take to be "that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote."[9] This "Schumpeterian" perspective on government performance stands in contrast not only to idealistic models of democratic deliberation, in which the people directly get to decide public policy matters, but also to more realistic "public-choice" theories in economics. Because the classic public choice theories have contributed a great deal to our understanding of public sector underperformance, we begin by discussing these theories.

Public Choice Theories and Government Failure

Public choice scholars argue that politics, like markets, is organized around the pursuit of self-interest. The decisions public leaders make depend largely upon the pressures they face from social actors. Hence, public choice scholars have traditionally emphasized the role of interest groups and have neglected other actors in the political process.[10] There is considerable disagreement among public choice theorists about whether pressure group influence leads to efficient outcomes.[11] "Virginia School" public choice scholars, such as Gordon Tullock and James Buchanan, are quite pessimistic about this.[12] For the Virginians, government is not an institution that promotes social welfare by producing public goods and overcoming externalities. Rather, government officials use their monopoly on the coercive power of the state to extract wealth, which is redistributed to favored "rent-seeking" groups.[13] In contrast, the "Chicago School," associated with widely influential economists such as Gary Becker, is much more sanguine about the possibility of efficient governance. Like the Virginians, Chicago School theorists recognize that compact groups may function as cartels and that diffuse interests may be poorly represented in the political process. Groups that are able to overcome the free-rider problem will be more able to win favors from politicians in exchange for political support.[14] Chicago School theorists, however, are as skeptical of claims about destructive monopoly power in political markets as they are about assertions of destructive monopoly power in economic markets. Chicagoans believe that political competition limits the social costs of rent-seeking behavior, very much as the 1950s "pluralist" theorists in political science once claimed that interest groups check and balance one another. According to Becker, a particular interest group can gobble up only so much wealth before it triggers a political countermobilization or undermines the economic production that makes its subsidies possible. Because inefficient policies reduce the surplus available for distribution (an outcome no one wants), there should be strong pressure toward efficiency.[15] Yet we know empirically that inefficient policies (such as farm subsidies) can last for long periods of time. If the Virginia model is too pessimistic, the Chicago model can lead to Panglossian conclusions.[16]

For all their differences, the Virginia School and the Chicago School share some fundamental analytic assumptions. Both seriously downplay the importance of competition *among public officials or candidates* in a representative democracy and the myriad ways that political elites seek to build public support for their platforms, proposals, and pet ideas. In classic public choice models, the government is a "black box." At best, politicians are brokers who exist to do client groups' bidding. This portrait is misleading. U.S. politicians are also *sellers* of problem definitions and proposed policy solutions who may be entrepreneurial in searching for market niches for their products. The creative problem-defining and problem-solving role of politicians must be taken into account in any effort to understand and evaluate what government does or how well it performs.[17] As Richard Posner observes, the most interesting politicians are the ones who seek to create (to satisfy at a price) new demands among the public. "The consuming public did not know that it wanted social security, conscription, public education, an independent central bank, an interstate highway system, a Presidency open to divorced or Catholic persons, the North Atlantic Treaty Organization, or the auction of rights to the use of the electromagnetic spectrum before those things were proposed by political entrepreneurs, as distinct from run-of-the-mill politicians."[18]

In sum, traditional public choice theories of government failure—for all their important insights—often rest on a simplified view of the political process. The public choice literature tends to focus on sins of commission (the myriad ways that government blunders). Less noticed are the government's sins of *omission*. If government fails to seize opportunities to improve social welfare that are technically feasible and for which supportive political coalitions are potentially assemblable, it is not serving the citizenry, its constituency. Many government performance problems are extremely subtle. The same litany of concerns (for example, rent seeking, bureaucratic waste and abuse, pork barrel spending) receive seemingly endless attention. Yet these are not necessarily the worst policy distortions.[19] Less obvious but far more serious government performance problems include the failure to bring relevant information to bear on complex problems; the undersupply of political entrepreneurship in areas where diffuse constituencies lack representation; the unwillingness of policymakers to experiment with new approaches when old ones are not working; and, above all, the maximization of the *appearance* of problem solving rather than the successful execution of its reality.

A Schumpeterian Perspective on Government Failure

These governance failures can be best understood from a Schumpeterian perspective. In the starkest version of this model, there are only two sets of actors: politicians, whose sole motivation is to win office, and voters, who evaluate the politicians and cast votes. Good public policy will emerge if politicians have the capacity to *produce* good public policies and voters adequately *reward* politicians who offer it. These conditions sound easy to satisfy, but they might not be.

If politicians are to produce good public policies, they must first be able to recognize them. This may be a demanding requirement. As Edgar Olsen argues in chapter 5, despite substantial evidence that vouchers are a superior method for delivery of subsidized housing benefits, the shift away from project-based assistance is occurring at an unjustifiably slow pace. Olsen argues that one reason vouchers have not diffused more rapidly is the failure of housing policy experts (as against industry lobbyists) to make sufficient efforts to communicate with congressional staffs and the negligible inducements provided by the academic reward system for scholars to allocate time to this important public service. The professional return on conducting studies relevant to current policy debates typically comes only from writing journal articles that no one in power will read.[20]

Politicians may not only be ignorant of the costs and benefits of alternative policy solutions. They may also fail to employ the best methods for analyzing policy options rigorously, such as the experimental approaches described by Holt, Shobe, and Smith in chapter 8, either because they are unaware of these methods or because they are uncomfortable with them. The potential return from experimentation is large in policy areas where the outcomes are important, and our knowledge of what works is poor because of weak studies and the presence of actors with a stake in preserving the existing system. A good example is K–12 public education. We know embarrassingly little about the best way to teach children, in part because teachers unions have blocked direct assessments of teacher and school performance. To be sure, there are many education theories and studies, but precious little high-quality scientific evidence. Despite the potential benefits of such studies, experimentation has been regarded as an anathema in education research because we cannot treat children like "lab rats." As Eric A. Hanushek points out, the irony is that "schools experiment on children all the time. They just do so in a nonsystematic way and seldom evaluate the experiments so that we can learn from them."[21]

Elected officials may be genuinely offended by novel policy analytic tools that seem to challenge widely held cultural taboos, such as the proposal to create an information market in which actors would bet on the likelihood of specific geopolitical events taking place. As Robin Hanson argues in chapter 7, decision markets could generate potentially useful policy-relevant information at extremely low cost, but their creation requires politicians to cross perceived moral boundaries, something they are often unwilling to do.

There may be other reasons why politicians fail to recognize opportunities for policy improvements. Posner, in his provocative recent book on the dangers posed by a variety of catastrophic threats, observes that governmental responses to the possibilities of mega-risks such as bioterrorism and nuclear winter are often grossly inadequate because people struggle to think sensibly about low-probability threats.[22] A central problem is that politicians have very short time horizons. Their focus on near-term risks may cause them to neglect more remote ones that could be far more serious. Moreover, people, politicians included, are captives of their experiences. When horrific events have not occurred before (like the risk of 9/11, *before* 9/11 happened), it is difficult to imagine them.[23]

Zero Credit Policymaking

Another reason politicians may fail to produce good public policy is because problem solving may offer small political returns. If problem solving is an unintended by-product of political competition rather than something pursued for its own sake, and if politicians are motivated to do what wins elections, a tension exists in our system of collective choice. From the standpoint of social welfare, a policy should be adopted if the benefits are greater than the costs, whereas from the standpoint of a politician, a policy should be adopted if the political benefits to the politician are greater than the political costs. Good policies that have large *social* but small political benefits may not find a political sponsor.

Proposing creative, thoughtful solutions to important policy problems may not be the most straightforward way to generate political support. As David R. Mayhew explains in chapter 10, there may be severe disagreement over whether some objective societal condition constitutes a "problem" that requires governmental intervention. Even if people agree that a problem exists, there may be disagreement over the best course of action. A Schumpeterian legislator who wishes to do good for society while doing well for herself first needs to frame the problem in a way that brings the public along yet also makes sense from the standpoint of the instrumental rationality needs of political executives and bureaucrats. She must then "deliberate, bargain, and compromise in a fishbowl setting in a fashion that can swerve both publics and experts toward emergent solutions" (Mayhew, p. 223). All this requires tremendous political effort and creativity.

Sometimes good policy choices will be available but public support for them will be absent because of misconceptions and ignorance. Politicians-cum-problem solvers then must seek to *create* public demand for the new solutions. This is not just difficult but also electorally risky. If a politician pushes a policy idea that conflicts with what voters currently believe, or that is simply difficult for nonexperts to understand, voters might conclude the politician is a courageous truth teller and change their minds. Yet it is also possible (and perhaps *more* likely) that voters will instead remain skeptical about the proposal and become somewhat skeptical about its advocate as well. There are good reasons for voters' skepticism. Sometimes politicians are well meaning but out of step with their constituents. Sometimes they really are snake oil salesmen. When an uninvited visitor comes knocking with promises to help, it is not crazy that the first instinct of many people is to slam the door. One thing is certain: the opponents of the policy change can be counted on to pounce if they sense an opportunity to denigrate the proposal and thereby undermine the policy innovator's public standing.[24]

Despite these strong disincentives, suppose a politician *does* try to shift public opinion. This effort at persuasion might be viewed as making a risky investment that may or may not pay off. But what if the attempt to build public support for a new policy approach begins to work? In a commercial setting, such an investment often enjoys legal protections such as patents and trademarks. In a political setting, however, there is nothing to stop an opportunistic opponent who observes the changes in public opinion produced by a rival's hard work from proposing a substantively similar proposal of his own. If this effort at political mimicry is successful, the policy innovator will capture, at best, a small share of the credit for the results of his efforts. Worse, the second politician, by hanging back until political conditions become more favorable and observing how opinion unfolds, may generate more support for his alternative scheme, a copycat plan better tailored to public opinion. In the ruthlessly competitive world of democratic politics, the policy innovator could end up worse off for his effort.

In their chapter on the reaction of the government to the publication of a landmark study demonstrating that a common surgical procedure works no better than a placebo operation, Gerber and Patashnik conjecture that correcting popular misconceptions about the quality of medical evidence in the United States today is an example of what they term a "zero credit" policy, meaning a government intervention or activity that offers no captureable political returns even though it has large net social benefits. Patients are strongly inclined to trust their doctors' views about the care they need, and any effort to build support for more rigorous, third-party investigation of the benefits, costs, and risks of surgical practices would require challenging this deeply help popular belief. If this effort began to gain legislative traction, it is likely that all politicians would be willing to support some policy to address the problem, making it impossible for the original entrepreneur to differentiate herself from other politicians, including campaign opponents. If policy innovators anticipate that the political benefits from proposing novel solutions to public problems will be quickly appropriated, the effect will be to discourage the entrepreneurial investments in the first place.

This is not to say that *no* such political investments will be made. Political entrepreneurs who are willing to invest their time and energy on behalf of general interest reforms clearly do exist. Consider the case of airline deregulation. In the 1970s, the federal government controlled the fares airlines could charge and what routes they could fly. Airline service was generally excellent, but ordinary Americans could not find affordable flights to take them where they wanted to go. Although professional economists argued that the freeing of market forces would be highly beneficial for air passengers, the millions of potential winners from airline deregulation were largely unorganized. In contrast, the major airlines that benefited from anticompetitive regulations were mobilized. Nevertheless, in 1978 Congress passed a major airline deregulation bill in the face of strong industry opposition. Key to this reform victory was the entrepreneurial activity of both visible and less visible policy actors, including Alfred Kahn (a professional economist who headed the independent commission that regulated the airline industry), Senator Ted Kennedy (who saw in airline deregulation the potential to enhance his standing with the burgeoning consumer movement), and one of Senator Kennedy's (then unknown) legislative aides, a young Stephen Breyer.[25] Airline deregulation, together with cases such as the creation of an efficient market trading system to control the sulfur dioxide emissions that cause acid rain, demonstrates that general interest reform *is* possible.[26] But the level of entrepreneurial investment in collective problem solving (as against posturing or position taking) may be inadequate given the social return.

Politicians' willingness to invest in the development of good policy solutions is further inhibited by the short time horizons of voters, who generally reward current performance without regard to long-term consequences.[27] This gives politicians a perverse incentive to focus on policies with short-term benefits and long-run costs (for example, the Medicare prescription drug bill) and ignore solutions with short-term costs and long-run benefits (for example, flood preparedness steps in New Orleans).

Organizational myopia is not unique to government. The owners of private firms worry that managers will focus only on short-term performance to the neglect of future prospects. One of the ways that owners encourage their agents to take the long view is to tie compensation in part to the performance of the company's stock or give officers restricted stock that can be exercised only after some future date. Stocks and debt securities developed as a way to raise capital, but their trading produces an important informational by-product. If the stock market is efficient, stock prices are reliable measures of each firm's expected future earnings. Decisions taken today that improve the expected future earnings of the company are therefore reflected in the stock price prior to their realization. If, for example, a pharmaceutical company announces positive results from a new drug trial, its stock price should rise because future sales of the new product can be expected, even though the positive clinical result may cause the firm to incur large "losses" over the next few years in the form of development and marketing costs. In politics, however, the payoffs from good decisions are rarely "capitalized" by the voters. Voters may punish politicians for raising taxes, even if future benefits from the resulting expenditures will be large. Indeed, recent scholarship suggests that voters may punish politicians for events clearly beyond their control, such as natural disasters or swings in commodity prices on world markets.[28]

How might voters be encouraged to reward and punish politicians today for the effect of their decisions on the future? One possibility is to rely on decentralized information-generation mechanisms, such as financial markets. Information is produced as a natural by-product of market trading. As Hanson explains in chapter 7, securities can be designed to generate information about whether a policy being considered for adoption is expected by interested observers to produce certain effects in the future. The example he uses is whether national health outcomes will improve by a certain amount over a specific time period if a national health insurance bill is passed today. The information generated by purchases and sales of this proposed "health policy security" could potentially elevate the political debate over whether the proposal should be adopted.

One limitation of this kind of decision market as a mechanism for promoting electoral accountability is that the value of the security depends upon a specific government action (for example, passage of national health insurance) rather than on the election of particular candidates. Yet voters in a Schumpeterian democracy like the United States do not make direct policy decisions. Their role is to choose the leaders who in turn decide public policy.

Building on Hanson's arguments regarding the informational benefits of policy markets, we suggest the construction of decision markets with the explicit goal of producing information geared to the needs of voters when selecting among candidates.[29] Voters currently lack clear, unbiased information about the past and expected future performance of incumbent politicians and potential replacements. To help address this problem, we propose establishing securities called "Voter Information Shares." The value of these securities would be based upon the average outcomes during specified periods on economic or social performance measures such as economic growth, budget deficits, tax rates, unemployment, inflation, and poverty. There would be at least two types of Voter Information Shares for each outcome measure, one conditional on the Democratic candidate winning the presidency and one conditional on the Republican candidate winning the presidency.[30] For example, there might be a security whose value is determined at the end of 2012, with a value equal to zero if a Republican is elected president in 2008, and a value equal to the average economic growth rate from 2009–12 if the Democratic Party nominee is victorious in 2008. Voters could compare the corresponding Democratic and Republican securities prices and take them into account when deciding whom to support. While these remarks are obviously exploratory, and there are both technical challenges and incentives for manipulation to overcome, a well-designed market for Voter Information Shares might provide voters with useful information about expected officeholder performance.

Viewing policymaking as an unintended by-product of elite competition for votes captures some essential features of democratic politics, yet it is obviously simplistic. The chapters in this book therefore offer a more realistic account of policymaking in modern American government by incorporating the roles of both interest groups and political institutions. Interest groups may offer rewards and punishments to supplement those offered by voters, and the policy information they provide may enlighten, embolden, confuse, or paralyze politicians. As the chapters by Clifford Winston, Jay Greene, and others show, interest groups are responsible for many gross policy distortions, though they clearly play constructive information- and preference-aggregation roles as well.[31]

Political institutions similarly both foster and hinder governmental performance. Roberta Romano's chapter demonstrates that, in the case of public policy toward corporate governance structures, federalism indeed functions as a "laboratory of democracy" that generates efficient policy solutions. The financial incentives for states to create a favorable business climate are very strong. Yet Mark Carl Rom cautions in his chapter that this laboratory may function effectively only under very limited policy conditions and that differences in state preferences and goals often discourage policy learning. These two chapters offer fresh data and arguments to the longstanding debate about what programs and policies are most efficiently delivered at each level of American government.

The chapters by Sarah Binder, David R. Mayhew, and Morris P. Fiorina offer a mixed portrait of the problem solving capacities of Congress. Contrary to popular belief, Congress *is* capable, at least at times, of passing bills that serve the general welfare. Nevertheless, the incentives for effective problem solving in the House and Senate today are often quite weak, and the organizational and analytic capacities needed to promote the larger view are often missing. As Fiorina's chapter argues, too often party polarization and electoral competition undermine the incentives for collective responsibility. Both Fiorina and Mayhew argue that political scientists' traditional belief that strong parties improve government performance by presenting voters with clear choices may need to be revised. The congressional parties are more cohesive and unified today than they were in the 1950s, yet public trust in the federal government is much lower. The institutional design challenge is to encourage more cooperation across party lines, and carve out a space for nonpartisan problem solving, without sacrificing the vital organizational roles that parties continue to play.

Binder suggests that although there is no guaranteed path to success, control of the policy agenda is essential. Coalition leaders must structure the procedural rules of the game to limit the blocking power of narrow groups, and they must frame socially efficient policies in ways that are attractive to both rank-and-file politicians and mass publics. Both Binder and Mayhew agree that information flows are critical, though they emphasize different approaches. Binder suggests that lawmakers may sometimes need to operate under a political veil if they are to be free to impose costs on narrow groups to serve the broad public interest, whereas Mayhew believes the potential of C-SPAN and other modern information-transmission technologies to educate the public about what their leaders are up to should be better exploited. As Eugene Bardach points out in his chapter, the conditions under which transparency promotes (or hinders) efficient governance is an important empirical consideration that requires careful attention.

Taken together, the essays in this volume suggest that opportunities to promote the common good are frequently missed in modern American government. A central challenge for researchers and institutional reformers is to find ways to make seizing these opportunities more rewarding for politicians.

Notes

1. Morris P. Fiorina, *Culture War? The Myth of a Polarized America* (New York: Pearson Longman, 2005). See also Fiorina's chapter in the present volume.

2. Hugh Heclo, "A Political Science Perspective on Social Security Reform," in *Framing the Social Security Debate: Values, Politics, and Economics,* edited by R. Douglas Arnold,

Michael J. Graetz, and Alicia H. Munnell (Washington, D.C.: National Academy of Social Insurance, 1998), pp. 65–88, at 69.

3. In fiscal 2004, federal government expenditures accounted for 19.8 percent of GDP, and state and local government expenditures accounted for 11.0 percent of GDP. Office of Management and Budget, *The Budget for Fiscal Year 2006: Historical Tables* (Washington, D.C.: Government Printing Office, 2005), table 15.3, p. 304.

4. In 1974 total U.S. government expenditures accounted for 28.9 percent of GDP; in 1984 the figure was 31.7; and in 1994, 31.9 percent. Ibid.

5. More recent scholarship has begun to examine the conditions under which governments make Pareto inefficient policy choices. For example, in his important recent manuscript Timothy Besley stresses the role of ignorance, costly rent-seeking, poor selection of policymakers, and intertemporal political and policy linkages. See Timothy Besley, "Principled Agents? The Political Economy of Good Government," typescript, October 2005, London School of Economics and Political Science. See also Timothy Besley and Stephen Coate, "Sources of Inefficiency in a Representative Democracy: A Dynamic Analysis," *American Economic Review,* vol. 88, no. 1 (1998): 139–56.

6. See Harold D. Lasswell's classic *Politics: Who Gets What, When, and How* (New York: McGraw-Hill, 1936).

7. See American Political Science Association Task Force on Inequality, "American Democracy in an Age of Rising Inequality," *Perspectives on Politics,* vol. 2 (December 2004): 651–66.

8. Lawrence R. Jacobs and Theda Skocpol, "Restoring the Tradition of Rigor and Relevance to Political Science," *P.S.: Politics and Political Science* (January 2006): 27–31, at 29.

9. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy,* 3d ed. (New York: Harper, 1950), p. 269. For a defense and insightful exposition of Schumpeter's theory of democracy, see Richard A. Posner, *Law, Pragmatism, and Democracy* (Harvard University Press, 2003), pp. 158-212.

10. Posner, *Law, Pragmatism, and Democracy,* p. 386.

11. For an excellent review of the two main paradigms of public choice theory, see William C. Mitchell and Michael C. Munger, "Economic Models of Interest Groups: An Introductory Survey," *American Journal of Political Science,* vol. 13, no. 2 (1991): 512–46.

12. See, for example, Gordon Tullock, *Rent Seeking* (Aldershot, U.K.: Edward Elgar, 1993).

13. In some models, politicians do not transfer the rent they collect to interest groups but rather keep it for themselves. See, for example, Fred S. McChesney, *Money for Nothing: Politicians, Rent Extraction, and Political Extortion* (Harvard University Press, 1997); on "budget-maximizing" bureaucrats, see William A. Niskanen, *Bureaucracy and Representative Government* (Chicago: Aldine Press, 1971).

14. George Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science,* vol. 2 (1971): 3–21; see also Mancur Olsen, *The Logic of Collective Action* (Harvard University Press, 1965).

15. Gary Becker, "A Theory of Competition among Pressure Groups for Political Influence." *Quarterly Journal of Economics,* vol. 98, no. 3 (1983): 371–401.

16. See Roger Noll, "The Economic Theory of Regulation a Decade after Deregulation," *BPEA: Microeconomics* (1989), p. 57.

17. On the need to take seriously the political autonomy of U.S. lawmakers, see David R. Mayhew, *America's Congress: Actions in the Public Sphere, James Madison to Newt Gingrich* (Yale University Press, 2000).

18. Posner, *Law, Pragmatism and Democracy,* 194.

19. Pork barrel projects, for example, do not constitute a significant share of federal spending and can be useful for building winning coalitions for general interest legislation. See John W. Ellwood and Eric M. Patashnik, "In Praise of Pork," *Public Interest* (Winter 1993), pp. 19–33; Diana Evans, *Greasing the Wheels: Using Pork Barrel Projects to Build Majority Coalitions in Congress* (Cambridge University Press, 2004); see also Sarah Binder, "Can Congress Serve the General Welfare?" present volume.

20. One suggestion is that universities—particularly public policy schools—consider providing incentives for scholars "to follow through on research by effectively introducing it into the policy process." Eric A. Hanushek, "Policy Analysis: Is It, or Could It Be, the Fifth Estate?" 2005 Spencer Foundation Distinguished Lecture in Education Policy and Management, originally delivered at the Association for Public Policy Analysis and Management Fall Research Conference, Washington, D.C., November 3–5, 2005, at p. 16.

21. Ibid., p. 10.

22. Richard A. Posner, *Catastrophe: Risk and Response* (Oxford University Press, 2004).

23. National Commission on Terrorist Attacks upon the United States, *The 9/11 Commission Report* (New York: W. W. Norton, 2004).

24. Putting aside its substantive merits, the recent effort by President Bush to gain support for Social Security privatization is instructive. The proposal initially enjoyed only mixed support; trying to move public opinion toward privatization did not just divert time and energy away from other domestic priorities but also appeared to lower the president's standing more generally among an increasingly skeptical public. This episode illustrates the danger of trying to change people's minds.

25. Martha Derthick and Paul Quirk, *The Politics of Deregulation* (Brookings, 1985).

26. See Eric M. Patashnik, "After the Public Interest Prevails: The Political Sustainability of Policy Reform," *Governance,* vol. 16 (2003): 203–34.

27. Edward Tufte, *Political Control of the Economy* (Princeton University Press, 1973).

28. Larry M. Bartels and Christopher H. Achen, "Blind Retrospection: Electoral Responses to Droughts, Flu, and Shark Attacks," paper presented at the Annual Meeting of the American Political Science Association, Boston, August 29–September 1, 2002.

29. In previous writings, Hanson has suggested the creation of securities similar to those we discuss here. In 1996 Hanson posted a web page about decision markets that included the example of a security that would allow people to bet whether the nation would be more likely to go to war under a president Clinton or Dole. See http://hanson.gmu.edu/policymarkets.html (August 7, 2006). In a 1999 article, Hanson discussed examples of military casualties conditional on the president's party, and of stock prices conditional on the party controlling Congress. See Robin D. Hanson, "Decision Markets," *IEE Intelligence Systems,* May/June 1999, pp. 16–20.

30. Third-party candidates might promote confidence in their electoral prospects if a bundle of securities associated with their candidacies were traded. This would also help remove barriers to entry in the electoral process.

31. A prominent line of political science scholarship argues that public policies may give rise to interest groups that then resist policy changes in their domain. See, for example, James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973), and Paul Pierson, *Dismantling the Welfare State?* (Cambridge University Press, 1994).