

6 Policy instruments

The preceding chapter discussed implementation and intervention in a relatively general manner, but we now need to consider more carefully the means through which that implementation is conducted. Public programs are in essence designed using policy instruments, or tools, for implementation. These tools (see Hood, 1976; Salamon, 2001a; Hood and Margetts, 2007) are necessary to take the intentions of legislators or other “formators” of policy and translate them into effective action.

This point about the central role of policy instruments appears rather simple, but behind that apparent simplicity lies a good deal of complexity. Policy instruments are not simple, mechanical means of intervention, but have political impacts of their own. Further, they can be evaluated along a number of different dimensions and there may be little agreement on the desirability of one over another in specific policy situations. Finally, instruments themselves involve a number of different underlying mechanisms for affecting the society, and these need to be understood in order to make informed choices about instruments.

Perhaps even more basically, to be successful policy instruments require compliance from the members of the society. In some societies that is relatively easy, and governments are able to use relatively “soft” policy instruments because they can be sure the public will obey laws. In other societies, however, direct command and control, and direct enforcement, may be required to get the public to obey laws (Salamon, 2001b; Héritier and Rhodes, 2012). And of course the targets of the laws being imposed may affect these choices, with most people readily complying with laws against murder but relatively fewer citizens being willing to obey speed laws.

This chapter will discuss the role that policy instruments play in implementing policy, and how they relate to more general designs for policy interventions. This discussion will require first categorizing the

instruments, then discussing how to select them for utilization in a policy design and then evaluating them. The selection of instruments is a function of a number of factors, which emphasize the political dimensions of instrument selection. That evaluation is multi-faceted, so that instruments that are evaluated well on one dimension may be rated poorly on others. Further, that evaluation of instruments is contingent, so an instrument that may be evaluated positively in some circumstances may be considered negatively in others.

I am discussing policy instruments in the context of implementation, but we could also address them as a major subject of policy formulation. Policy designers have to select not only the more general nature of the program but also the individual instruments that are used to achieve the goals of the program (James and Jorgensen, 2009). As described earlier when discussing agenda-setting, excluding options from consideration can be a significant means of controlling the outcomes of the selection process. In this case, however, the principal actors involved may be policy advisors and public administrators who present policy options, and instrument options, to the political leaders who in general are responsible for the choices. Thus, the exclusion of instruments may bias policy outcomes just as much as the exclusion of issues at the agenda-setting stage.

Classifying policy instruments

Governments have a very large tool chest at their disposal as they attempt to influence the society and economy. Each of these tools are not, however, *sui generis* but rather fall into a number of categories. These categories are useful not just for academic discussions of public policy but also for designing public policies. In addition, the categories of instruments help in understanding the underlying nature of the instruments and their linkages with other instruments. Further, it helps to understand both the effectiveness of instruments as well as the politics involved in their selection. Again, these instruments are not neutral tools like a hammer but have their own political economies.

In this discussion of policy instruments we will need to remember that the tools are to some extent empty vessels into which a good deal of additional policy content must be poured. For example, we can say that

government is using a tax instrument to achieve some policy purpose. That is helpful, but is it an income tax or an expenditure tax? And if it is an expenditure tax is it a general imposition or an excise tax affecting only a limited number of products? And is that excise tax levied at the point of sale or earlier in the distribution process (like the value-added tax) so that the consumer is not necessarily aware of the scale of the tax being charged? The fine print of an instrument is important, so as we discuss a range of instruments (Table 6.1) it is important to remain cognizant of the internal variations.

The first significant attempt at classification, or at least enumeration, of the policy instruments available to government was supplied by E.S. Kirschen (1964) and his colleagues. This effort listed 64 alternative policy instruments, all considered options for economic policy. Thus, even within one policy domain, albeit an important one, there is a very large number of options for the public sector to intervene. This enumeration is perhaps too extensive, but it does demonstrate the wide array of options for governments, and these were indeed for governments and did not include many alternative forms of intervention.

While the simple enumeration of policy instruments may not appear to advance the cause of policy analysis, it is still important to understand just what options are available to decision-makers who want to design a policy program. Table 6.1 provides a list of instruments arranged within some broad categories. This listing contains the principal policy instruments but each of these might be further differentiated. In short, there is no shortage of ways for governments to intervene, so we must now consider how policy designers should choose their instruments when they formulate policy.

Political science approaches to instruments

For political scientists and public administration scholars Christopher Hood's book *The Tools of Government* (1976) represented the first significant discussion of instruments and their role in policy implementation. Rather than begin with a simple enumeration of policy instruments, Hood began by considering the more basic resources available to governments. He classified these using the acronym NATO, meaning Nodality (Information), Authority, Treasure and Organization. In other words, governments can use information, legal authority, money

and people to influence their surrounding society.

Table 6.1 Examples of types of policy instruments

Economic	Legal	Persuasive	Other
Grants Subsidies Taxes Tax expenditures	Regulation Contracts	Information "Nudges"	Monitoring

As well as these four categories of the resources available to governments, Hood argued that instruments could be considered as "detectors" or "effectors". We tend to think of policy instruments primarily as producing change in the environment (effectors), but they can also be used to detect changes in that environment. For example, government personnel are in touch with their clients or are patrolling neighborhoods (police) and hence know what is happening within the society that may require intervention. This role of detection is perhaps as important for instruments as producing change, because if government is blind to environmental change it is unlikely to make good policy decisions.

The Hood taxonomy of policy instruments, or perhaps more precisely the resources of government, also makes it obvious that the majority of the programs actually used by government are hybrids, involving more than one of those basic resources. For example, tax expenditures are obviously dependent on Treasure, but also require monitoring (Nodality). They, and any tax, depend on the legal authority of government, and finally tax authorities (Organizations) monitor and perhaps directly implement those laws. Thus, although the resources of government can be separated analytically, and that separation is useful for the analyst, in practice individual tools involve some or all of those resources.

Hood's four categories of tools, or resources, was the beginning for other categorizations of policy instruments in political science. One classification (Bemelmans-Videc et al., 1998) described instruments as "Carrots, Sticks, and Sermons". An even simpler categorization (Gormley, 1989) was that instruments can be understood as "Muscles and Prayers". The latter dichotomy makes the point that government can

either choose to exercise its power or it can merely rely on moral suasion to attempt to gain compliance. The former classification differentiates the use of government power into incentives and disincentives, but at times the only option is to preach at the public.

The above classifications of instruments emphasize the mechanisms of intervention, but instruments can also be classified according to their political and social characteristics. In particular, some scholars have argued that the most appropriate way to understand instruments is through the level of legitimate coercion they impose on actors in the society. Their argument (Macdonald, 2001) is that less coercive instruments are, all else being equal, more acceptable in liberal societies than the more coercive. In this context instruments can be classified from self-regulation at one end of the continuum and direct government provision of a service at the other.

Yet another classification system (McDonnell and Elmore, 1987) contains four major categories – mandates, inducements, capacity-building and system-changing. These two scholars were working primarily in education policy, but their scheme has relevance beyond that one area. Perhaps the most significant element in this analysis is the difference made between individuals as the targets of the instruments and institutions or systems as the focus of change. This analysis makes the point that although we tend to think about changing individual behavior or the outcomes for individuals with policy, the most efficient way of doing so may be to address deficiencies at the systemic level. This emphasis on process and the environment of decisions is echoed in part in Michael Howlett's (2001) concept of procedural policy instruments. His argument is that each of the four categories in the NATO scheme has procedural as well as substantive elements, and indeed each of those can be further divided into positive and negative.

Finally, Lester Salamon (2001b) has labeled tools as simply "old" and "new". This is not as simple a classification as it appears, given that what is meant by old in this case are instruments that depend heavily on command and control. The new policy instruments, on the other hand, depend more on negotiation and collaboration. These new instruments are, in other terms, "soft law" rather than hard law (Mörth, 2004). As with the classification based on coerciveness described above, the

assumption is that the degree of intrusiveness and control is central to understanding policy instruments, and further contemporary politics and society are more resistant to the direct use of government power than was true in the past.¹

Constructivist perspectives on instruments

In addition to the classification schemes based on more or less objective characteristics of policy instruments, other scholars have argued that instruments are best understood in constructivist terms (see Bressers and Klok, 1988). That is, most categorizations of instruments assume that the instruments have objective characteristics that will produce relatively similar consequences regardless of the setting within which they are being utilized. The constructivist position, analogous to some of the framing literature mentioned above, is that policy instruments are generally discussed in objective terms, but they can also be seen as social and political constructs.

For example, Lascoumbes and Le Gales (2007) point to the extent to which most studies of instruments have tended to look at them in a rather technical manner. They argue that instruments, like other aspects of policy, need to be understood in a political and social context as well as simple "tools". The tools metaphor has been useful, but may undervalue the political aspects of these means of creating public action. Further, the focus on individual tools tends to undervalue the importance of constructing policy mixes that involve multiple instruments. Even a simple tools logic might alert the designer that not all instruments will work together easily, but the more political and constructivist position may make the need to consider interactions even more visible.

The psychology and sociology of instruments: nudge and its allies

There has been increasing interest in a set of tools relying on psychological rather than more material forces to produce the desired outcomes on behalf of the public sector (Thalen and Sunstein, 2008). The basic idea of nudge is to provide subtle incentives and disincentives to the public to get them to behave in the ways desired by policymakers without having major intrusions, or at least obvious intrusions. In this way nudge is perhaps at an even further end of the intrusiveness scale than the examples given by Salamon. For example, rather than having

real police personnel to deter speeders it may be possible to achieve the same thing simply by parking empty police cars in strategic places.

Although nudge is an important addition to the armamentarium available to policymakers, it is a rather general conception of a style of intervention. Much of this literature provides interesting examples of how less intrusive mechanisms provide often subtle cues to citizens to behave in certain ways. Can these seemingly subtle interventions be related to the four categories in Hood's NATO scheme? For instance, the example above of the empty police car is actually invoking authority, or the threat of authority. Further, many, if not most, of these interventions depend on nodality and the diffusion of information, assuming a particular reaction of the target individuals based on that information (John, 2013).

As well as having a psychological dimension, policy instruments also can be seen as social and political constructs. The capacity of instruments to achieve their ends may be a function of the manner in which they are perceived by the actors involved, especially by target populations. The nudge mechanisms, and indeed many other informational instruments, tend to rely heavily on accepted social norms for their success. They assume that citizens want to do the right thing, so that if they are reminded what is the right thing to do – pay one's taxes, for example – then they will be more likely to comply. This approach may therefore be effective in societies with common, and publicly regarding, value systems but less effective in more fragmented and individualistic societies.

Evaluating the classifications

The attempts to classify policy instruments have been significant for the development of policy studies in political science, but the multiple versions of classification also raise some analytic questions. What is the relative utility of the various classifications? Are they mutually really that different or are they all looking at some fundamental features of instruments and merely discussing them from slightly different perspectives? Further, does the emphasis on differences in tools mask the important reality that most instruments are really hybrids? Even in those classification schemes focusing on a single dimension, for

example, coercion, any individual instrument may have some features that are highly coercive and others that allow a good deal of choice on the part of individual citizens.

The simplest versions of classification of instruments are simple enumerations, for example, Kirschen and to some extent the Salamon's Handbook of Policy Instruments. Simply understanding the range of instruments available to government, as well as some of the characteristics of those instruments, is not without its uses, especially for a policymaker thinking about options for a program. That simple enumeration does not, however, provide that policymaker, or the student of policy, with much guidance about what to expect from any of the possible choices.

The other classification schemes provide at least some of the needed answers, but none really links any particular instrument to either a type of problem or to a likely set of consequences. These classifications do give us some insight into the ways in which governments can and do intervene, and emphasize some important analytic points about the modes of intervention. The classification scheme based on levels of intrusiveness, for example, forces the policymaker to consider very carefully the political impacts of instruments, as indeed does the seemingly simple classification used by Salamon. The NATO scheme, with the amendments from Howlett, does provide some inklings about the relative utility of different instruments, but is not concerned directly with their relative utilities.

Choosing instruments

Once we have an understanding of the characteristics of policy instruments, we can begin to consider the ways in which political actors make choices about instruments. This choice may seem like simply matching an instrument to the demands of a policymaking situation, but unfortunately there is no simple algorithm to make the linkage between the situation and the instrument. Therefore, like most things in governing, judgment is involved in making those decisions.

Although judgment is certainly involved in the selection of policy instruments, that statement alone does not go far toward understanding how the choices are made. Further, we should not expect those choices

necessarily to be rational in the usual sense of that term, but rather they may reflect a number of factors that are more political, personal and organizational. Indeed, many of the choices will be made from habit and routine rather than through rational calculation. Although we are stressing the design of public policies, that design process will involve a wide range of factors rather than simple answers for complex questions. Further, those choices are made by individual decision-makers and by policymaking organizations, with each of these sets of actors bringing their own perspectives to the choices.

Individual decision-makers

Ultimately individuals make decisions about which instruments to use in any situation. Linder and Peters (1989) therefore asked a group of decision-makers in government how they made these choices. Although these respondents provided a variety of answers, their answers could be divided into four groups. The first, and largest, group we labeled "instrumentalists", and these respondents said they would select the same instruments almost regardless of the circumstances. Many of these decision-makers had strong professional backgrounds, so that economists tended to opt for mechanisms depending upon economic incentives, while lawyers depended on law-based instruments such as regulations.

A second group of respondents were labeled "managerialists" (approximately 20 percent of the sample). These actors argued that the selection of instrument was to some extent irrelevant to the success of a program. They believed that they would be able to make any instrument work effectively. As might be expected, the majority of these respondents were trained in public administration, and believed that the management of the instrument was more important than the nature of the instrument itself.

The third group of respondents were those whom we hoped we would find in this research project. These we labeled "Contingentists", meaning their answers were that the choice of instrument depended upon the problem and the situation in which it was to be applied. They possessed, whether from experience or academic training, some sense that tools did indeed have appropriate as well as inappropriate uses and some matching was required. Unfortunately, we found relatively few of

these individuals (only 10 percent) in our sample of policymakers. Further, although they understood the potential utility of linking problems and instruments they had only intuitive ideas about how to do that in practice. That said, they hoped to find some means of linking contingencies and policy problems to the choice of instruments.

Finally, there was a small group (5 percent) of respondents, whom we labeled "Constitutivists" who had something of a post-modern, or at least constructivist, conception of instruments and the public policy process more generally. These respondents argued that instruments could not be understood out of the context of the policy problem, and the problem and the instruments to address it had to be constructed simultaneously. This perspective to some extent reflects the complex reality of making policy decisions, but it also tends to make analysis of policy in other than a fully contextualized manner difficult. Further, these respondents may have had, perhaps unwittingly, a perspective on policy similar to that of the "garbage can".

In summary, individuals within public organizations have their individual perspectives on how to design policies, and on which instruments are the best to achieve their policy goals. As well as waiting for opportunities to utilize their favorite policy instruments, individuals – especially the instrumentalists and the contingentists – are likely to be policy entrepreneurs and advocates (Kingdon, 1985 [2003]). As has been argued in the garbage can model of choice (Cohen et al., 1971), solutions chase problems just as much as problems chase solutions. The individuals who have clear ideas about how to solve policy problems are therefore very likely to try to find situations in which they can employ their favorite tools.

Unfortunately, this research did not take into account the manner in which individuals with different perspectives on instruments interact, or the extent to which the organizational framework within which they make those decisions influences their choices. No matter how influential they as individuals may be, they must still function within an organizational setting and the choice of instruments may develop through negotiations among many actors. Therefore, in the next subsection of this chapter we will discuss a range of other factors that may influence the selection of instruments.

Institutions and instrument choice

In the public sector one of the most common explanations for any decision is that institutions are relevant. This is as true for instrument choice as for other decisions, and institutions can have a significant impact on these decisions. In the case of instrument choices, institutions have influences in several ways. The first is that institutions have routines and habits, and they have certain instruments to which they are committed. For example, when social service organizations in most countries are faced with a social policy problem they are likely to think first of social insurance as the most desirable option. These instruments appear to have been effective in the past, so why would they not be in the future?

This selection of instruments through familiarity is not necessarily irrational on the part of organizations. If the organization is familiar with an instrument and knows how to make it function then it is quite sensible to continue to employ it when possible. This logic for selection makes the additional point that instruments do not work automatically but rather have to be administered. And even minimizing decision-making costs when investing in extensive analysis to find the "perfect" instrument is far from irrational. The proceduralists (see above) may be correct and good administration, or administration that is familiar with the dynamics of an instrument, may be capable of overcoming many difficulties resulting from a less than perfect match between instruments and problems. And attempting to train employees to manage a new instrument may be a waste of resources when the familiar instrument may be as effective.

As well as selecting instruments out of habit, institutions may select certain instruments for political reasons, meaning primarily bureaucratic politics. Just as instruments must be administered to be effective, they also have political characteristics that should be considered when being adopted. Emphasizing one type of instrument or another can create a political advantage for an organization. For example, regulatory organizations will benefit if governments attempt to address economic issues through those legal types of instruments rather than through more direct forms of intervention. Or is the best way to address issues of malnutrition through food subsidies (favoring a ministry of agriculture) or through cash transfers to the less affluent families? Either could work

but the politics and the political economy of the programs will be very different.

The institutional role in choosing instruments may not be simply a matter of their choice, however, and may be a function of the range of legal opportunities available to institutions. For example, an organization may want to use loans or guaranteed loans as the mechanism for achieving its goals. But to do that it requires the authority to make those loans, or more generally to have access to funds that can be loaned. Of course new legislation could provide the opportunity to make loans, but that is new legislation and therefore involves building a political coalition necessary to enact the law.

Ideas

Ideas can also be the source of choices of policy instruments, as argued by the constructivists mentioned above. We generally think about ideas influencing the substance of policies rather than the instruments for the delivery of those policies, but there are definitely ideas about the relative virtues and vices of different instruments. For example, the neo-liberalism as a seemingly dominant ideology during the 1980s tended to denigrate the direct delivery of public services by governments, producing a spate of schemes for contracting out programs to both market and non-market actors.

Ideas and academic theories provide policymakers with a set of ideas about causation, and these ideas often lead on to a set of mechanisms for intervention. For example, Keynesian economics provides a means of understanding the business cycles that have beset capitalist economies for centuries. If indeed changing levels of effective demand are at the heart of the problem then this understanding leads on to policy instruments that regulate that demand. Likewise, if one accepts the ideas of monetary economics then another set of economic policy instruments become appropriate for addressing the business cycle.

As noted above concerning the "Instrumentalists" in our sample of policymakers the professions also provide their members with a set of ideas about which instruments to utilize. Professional training tends to provide the recipients of that training with a set of ideas about how the policy world is organized and what the most effective means of

intervention may be. Professionals may observe the same social or economic problem and not only assume different causes but also have different remedies. While these different ideas at times may be useful, the potential incapacity of participants in the process to understand, much less accept, alternative conceptions of the issues may make effective policymaking difficult.⁷

And it is not only the professions that provide specialized and potentially narrow conceptions of policy problems and solutions. Any group of experts will tend to constitute an "epistemic community" that understands policy problems and solutions through the lens of a body of specialized knowledge, and who tend to exclude others who do not possess this knowledge, or even if they come from a different "school" within the community (see Zito, 2001; Dunlop, 2013). Having this specialized knowledge is of course a virtue but its exclusivity and the restricted vision may not be so virtuous.

Finally, ideas can influence the selection of policy instruments through processes of learning and diffusion (Radaelli, 2009). Although policy diffusion has been in operation for decades if not centuries, the more recent emphasis on "evidence-based policymaking" has made the possibilities of learning about how instruments have worked in other settings more popular with policymakers (Pawson, 2006). The use of the world as a source of ideas for policy does provide opportunities for expanding the range of instruments being used, but also can lead to misunderstandings, and excessive optimism, about the ease with which instruments (or other parts of policy) can be transferred from one setting to another.

Interests

Institutions may affect the choice of policy instruments, but so too can the interplay of social and economic interests.⁸ When we think of the role of these interests in policymaking we tend to think of the goals of policy and the structure of benefits being created for members of the society. Interests, usually organized in the form of interest groups, are also concerned with the instruments through which those services are delivered. Instruments can benefit and disadvantage interests just as can the substance of the programs that are being delivered. The effects may be somewhat more subtle than those of expenditures or services,

but the effects are still real.

The role of interests in tool selection presents something of a public management paradox. The tools that are the easiest to adopt, meaning primarily that the tools are favored by the affected interests, often are the most difficult to administer, and perhaps also the least effective in the longer run. This can be seen clearly in the Affordable Care Act – "Obamacare". The complex mechanism selected for expanding health insurance in the United States involves the insurance industry directly, and in many ways constitutes a subsidy to that industry. This reduced opposition to the program (at least at the onset) has produced a mechanism that is very complicated and difficult to navigate for citizens.

The role of interests can also be seen in the creation of instruments that are in essence building coalitions among affected groups and beneficiaries. For example, nutrition programs such as SNAP⁹ in the United States are in effect serving both farmers and the economically deprived. It might be more efficient simply to give the less affluent citizens a cash transfer and let them buy the food, but the program may not have been adopted without the involvement of the farm lobby. This particular instrument has the additional advantage of controlling the consumption of the poor, reflecting the feelings among conservatives that these individuals cannot be trusted to make the correct decisions when given cash. This instrument thus serves three interest – the needy, farmers and conservative ideologues.

Summary

Trying to understand how policy instruments are chosen involves understanding at least four possible sets of explanations. The first is the role that individuals play, and the various conceptions that policymakers have of the best instruments to match particular circumstances. The second factor is the role of institutions, and especially the dependence on organizations in the public sector on routine and familiarity in the selection of instruments. Third, we can see that policy instruments reflect ideas, including ideas of the professions and other expert bodies with clear ideas about what the best solutions for problems are likely to be. And finally we can see that social and economic interests are concerned with the selection of policy instruments, just as they are with the selection of other aspects of public programs.

While this plethora of possible explanations for instrument choice is generally useful, it also raises the question of which of these explanations is the most effective. The answer, as with so many aspects of policy studies, is that "It depends". For example, a policy that is visible to a number of interests is likely to evoke their involvement and the exercise of their political power in the selection. Likewise, a highly technical policy area is likely to be dominated by ideas and the role of experts in advocating their ideas for the solution will be crucial.

The final and perhaps most important question about tool selection is not really answered by this array of explanations. In a design perspective on instrument selection we want to know how to relate policy problems to the tools that will attempt to solve them. These explanations for choice as yet do not have such a capacity. We can get some inklings from this discussion, for example, that it is not totally irrational to utilize instruments that an organization or individual responsible for intervening in the policy area finds familiar, but there is no algorithm that links problems and instruments with any probability of predicting the most appropriate choice.

Evaluating instruments

Having now enumerated the array of tools available to governments, and discussed some of the politics of choice, we must ask the daunting question: what is a good tool? This question is daunting for several reasons, not least of which is that it requires specifying the situation in which the tool is used before any evaluation can reasonably be made. Further, there are a number of dimensions along which tools can be evaluated, and these are likely to provide contradictory assessments of the utility of the tool, in general and in specific situations. This multiplicity of criteria is a problem for the analysis of public policy in general (see [Chapter 7](#)) but is certainly apparent for the assessment of instruments.

In this section I will provide some assessment criteria for instruments coming from economic, political administrative and ethical foundations. To some extent these criteria can be used in a general manner – some instruments are likely to be more efficient than others – but that also have to be understood in context. For example, at times governments may want their interventions into the economy to be relatively invisible,

but at other times (crisis, for example) they may want the intervention to be very visible so that citizens will know that it is actively taking measures to address the problem.

These evaluations of instruments are closely related to the evaluations of policies in general that will be discussed in [Chapters 7, 8 and 9](#). To some extent the nature of the instruments involved in a policy will produce the overall effects of the program, although the content of an instrument – the type of tax or the type of regulation – must also be considered. Further, instruments that are preferred by citizens, for example, those that permit greater choice, may make even other unpalatable programs politically acceptable.

Political features of instruments

In the world of government perhaps the first set of criteria that must be considered about policy instruments is their political characteristics. In government politics generally is trumps so it is important to be able to select instruments that will provoke the least negative reaction from groups in society or from other actors in government. Those two political characteristics, however, may themselves not be the same, and those tools that the general public likes (or is most willing to accept) may not be especially favored by actors within the public sector (political and administrative).

Perhaps most fundamentally the congruence of an instrument changes with the general political and social values of the country.⁹ If an instrument does not have such congruence then it is less likely to be effective, and more likely to provoke resistance. For example, market-based instruments are relatively acceptable in the United States but may be less acceptable in European societies that have substantially less devotion to the private sector. Similarly, the United States would find more intrusive instruments involving direct public sector involvement less acceptable while they are normal for much of Europe and Latin America.

The visibility of an instrument often has an effect on its political acceptability. That is, some instruments are readily apparent to the public while others may be well hidden. The contrast between the value-added tax that does not appear as a separate item in the price and the

general sales tax in the United States or Canada that is added at the point of sale demonstrates different levels of visibility of a common instrument (a tax on expenditures). For conservatives higher visibility is generally positive, making the costs and effects of government more evident to citizens. On the other hand, liberals (and policymakers) might be more pleased with less visible instruments that might minimize public resistance.

Finally, the accountability of policy instruments is a crucial political criterion. As noted in the preceding chapter and in reference to some extent the discussion above, the use of non-governmental actors and more complex forms of service delivery makes accountability more difficult. Thus, while these instruments and forms of intervention may be less expensive, and in some ways more effective, the difficulties involved in holding the participants accountable for the use of public money and public authority make them potentially suspect politically (Considine, 2002).

Economic features of instruments

Policy instruments have economic characteristics that also must be considered when making decisions about how to design public policies. Perhaps the most obvious of these is the cost of the instrument. Some policy instruments, especially those that involve private actors or "prayers", may impose little costs on the public sector, and in some cases they may be effective in producing the desired outcomes. This then quickly leads on to a discussion of the efficiency of the instrument, with those producing greater ratios of benefits to costs being more desirable even if they involve more total resources (see [Chapter 8](#)).

Another important economic characteristic of instruments is the extent to which they tend to distort the market. In the best of all economic worlds instruments (and public sector programs more generally) would not disturb the efficient (sic) functioning of the market in allocating resources. This market distortion can be seen perhaps most easily in tax expenditures such as that given to housing in most political systems (O'Sullivan and Gibb, 2003). These programs tend to divert investment away from potentially more productive uses of the money into the consumption of better and bigger houses than might otherwise be possible. While citizens may like this effect of the policy instrument in

supporting home ownership, economists may not be as supportive of this instrument.

Administrative criteria of policy instruments

To be effective policy instruments must be administered, and different instruments are more or less capable of being administered effectively. While the economic costs of the instruments certainly affect their administration, there are other features of instruments that must also be considered. In administering instruments there must be economic efficiency but there are also other conditions that should be met. As in so many other aspects of public policy there are multiple criteria to be considered and there may well be contradictions and conflicts. For example, economic efficiency may be in conflict with desires to target particular segments of the population effectively.

The capacity to target sectors of the population is a crucial administrative criterion of policy instruments (see Ingram and Schneider, 1990; Schneider, 2013). A good policy instrument will deliver the service to those members of the society who are meant to receive it but not to those who do not. This is a difficult standard to meet for any instrument. On the one hand, instruments may deliver the program to those who were not the intended targets, or they may miss individuals or organizations that were intended to receive the benefits or punishments. Conservatives, for example, oppose social programs that may deliver the benefits to individuals who are really not eligible. On the other hand, an instrument that does not identify and vaccinate all potential victims of a dread disease must be considered ineffective even if it costs little per individual vaccinated. Thus, targeting is an administrative criterion but like almost everything else in public policy analysis there is also a political dimension that must be considered.

The enforceability of an instrument, and therefore its effectiveness, is also relevant for its administration. For example, many states in the United States now require citizens to pay the same sales taxes on goods bought on the internet as they would if the products were purchased at a store within the state. The problem is that the states have no reasonable means of monitoring those purchases and as yet have not been able to get national legislation to force on-line merchants to collect the tax for them. Therefore this tax is rarely paid, and may

make the state government appear ineffective.

The lack of enforcement of poorly designed or conceptualized pieces of legislation not only has short-term policy consequences but may have longer-term consequences for citizens' respect for government. If governments persist in passing laws that cannot be enforced then it exacerbates the image held by many citizens that it is ineffective and rather inept. That image will, in turn, make the enforcement of even more reasonable laws more difficult. There is increasing evidence that governments are now legitimated as much through their effectiveness as through procedural mechanisms such as voting (Gilley, 2009) so government should be cautious about undermining the perception (and the reality) of its enforcement capacity.

Time plays an important role in the assessment of instruments and their administration. All political leaders would like to create benefits immediately, and deter costs as long as possible. That ideal world is probably not accessible, but policymakers do need to consider time not only for its potential political benefits and costs. Programs that produce their intended benefits quickly are more likely to be welcomed than those that may produce even greater benefits further in the future.⁶ And it is not just politicians who prefer benefits in the short run. Citizens also prefer immediate benefits and have a very high discount rate for benefits produced in the future (Frederick et al., 2002).

While some of the administrative impact of time may be political and/or psychological, there may be more tangible factors to consider as well. The world, and perhaps especially the world of policymaking, is uncertain and changing. Therefore the social and political conditions on which a program is premised may disappear quickly, whether through economic crisis, changes in government or through technological change. While immediate benefits are too much to be hoped for, designing programs for a very long-term payoff may be both politically and administratively risky.⁷

Finally, as already discussed, the familiarity of an implementing organization or individuals with an instrument must be considered when designing programs. An instrument that is familiar to the implementers, even if those implementers are ordinary citizens, is more likely to be successful than more creative forms of intervention. Over time the

implementer will learn about how to manage a new instrument and the virtues of familiarity will be restored, but the transaction costs are potentially substantial.

Ethical criteria

Finally, instruments affect other values in society than just the utilitarian values captured in the economic assessment. Most of our discussion of policies and policy instruments calculates the costs and benefits and then compares those two totals. But the tools also raise normative and ethical questions that need to be included in an overall assessment of the tools. While there are a number of criteria of this sort, the following provides some insights into the possible impacts of tool selection.

The most important of the values affected by the selection of tools is the extent to which the autonomy of individuals is preserved. We can assume that all else being equal policies, and the tools used to implement them, should maintain the autonomy of individuals. In democratic societies we assume that individual citizens should be able to make as many decisions as possible about their own lives. For example, pensions for the elderly are paid in cash and the recipients can do anything they want with that money. Most pension recipients will use that money for food, heating and all the other necessities of life, although there is nothing to prevent them spending it on alcohol, gambling and tobacco. The state could force pensioners to live in supervised housing and eat three healthy meals each day, but instead lets adults make their own decisions.

The administrative criterion of targeting mentioned already should be related directly to an ethical requirement of equity. That is, in an ethical framework for policymaking individuals who are similarly situated in regards to the targets of the program, for example, who are equally in poverty, should be treated equally by public programs. But an instrument that depends heavily on the individual initiative of the potential recipients for receiving benefits is likely to miss individuals who are illiterate, lack transportation or who are simply shy. Depending upon the individual to apply for the benefit may be conceptualized as a reasonable rationing method administratively but it does violate a sense of equitable treatment of citizens.

The role of administration in producing equity can also be considered from the perspective of the discretion being exercised by the public servants (and non-governmental actors) in the implementation of a program. Programs that provide their civil servants – especially street-level bureaucrats – with a great deal of discretion are less likely to produce the equitable outcomes that are desired on ethical (and legal) grounds. The reforms of the public sector under the rubric of New Public Management have emphasized granting civil servants greater autonomy and discretion, so that the possibilities of these outcomes are increased.

Summary

I have now presented four alternative dimensions along which to evaluate policy instruments. These criteria range from the seemingly hard-headed economic analysis of costs and benefits to much softer and less quantifiable criteria such as normative and ethical standards. Each of these sets of criteria is important and has relevance for the success of public programs, but there are internal differences within each of them. For example, some economic criteria may conflict with each other, so that total costs may have to be considered along with the relative costs and benefits of the instrument.

As well as the conflicts within the four broad categories of criteria, there may more likely be conflicts across those categories. As already noted, the utilitarian nature of economic criteria are likely to conflict with other criteria based more on equity. The difficulty in all these criteria, and the conflicts among them, is that there is no clear way in which to rank and to weight these criteria in designing programs. When faced with choices among instruments the decision-maker must exercise judgment about the relative virtues of the instruments. The criteria will therefore be applied differently in different situations and by different organizations. This judgment is perhaps inevitable and having this list of criteria may help by at least making the choices more apparent to those decision-makers.

The Swiss army knife of government

Roderick Macdonald (2005) has provided one of the most interesting examinations of the tools literature in policy studies, likening the tools available to government to a Swiss army knife, containing an often

dizzying array of possibilities. Those possibilities themselves, however, present a problem of choice for governments. Indeed, simply knowing that all these possibilities exist raises the question of what to do with them, and in what circumstances. And even with the several dozen tools on the largest of the knives (or the largest tool chests of any government organization) the right tool may not be there.

Macdonald's full paper provides a number of insights into the nature and selection of policy tools, but several points of the analysis stand out and can serve as a useful summary for this chapter. The first point is there is rarely if ever a single best response (tool choice) for a situation. That selection is cultural and situational and the effects of tool choice may only be understood as the program is being implemented. Therefore, we should perhaps consider that tools that can have multiple uses (the hook disgorging) as opposed to a single use (the corkscrew) are potentially more valuable.

A second point worth remembering in tool selection is that policymakers are not writing on a tabula rasa but rather are intervening after any number of other previous attempts to solve a problem (see Hogwood and Peters, 1983). This persistence of responses means in part that there are preconceptions about what tools are useful and how they should be administered that may be difficult to overcome. Just as the makers of the Swiss army knife have assumptions about which tools we need and how we will use them, so too do organizations in government fall back on their comfortable routines when they select and implement policy instruments.

Third, there is a danger that the availability of multiple tools overwhelms judgment. The more sophisticated the tools of government become, the less room there may be for public servants and other implementers of the programs to adapt and adjust the programs as conditions change or unforeseen circumstances arise. In short, overly detailed instrument choice may in the long run produce rigid and ineffective implementation, whereas a simpler tool (the knife blade?) may have generated just as much positive output with less cost. But how do we know what the limitations of the knife blade may be, even if it is our favorite instrument?

I do not want to belabor the point about the Swiss army knife but the analogy to government instruments is interesting and does help to

illustrate some of the dimensions of choice that are involved in designing public policy. Instrument choice appears as easy as reaching into a knapsack, pulling out the knife and then choosing the obvious instrument for the task. But the obvious instrument may not really be the best, even if we were able to define "best" in any unambiguous manner. Further, the particular set of instruments that are most available may not be the best, or even adequate, to achieve the tasks.

Summary

Instruments are crucial for implementing public policies. They sometimes tend to be considered as things unto themselves, but they are primarily means of delivering public programs. Therefore, the successful program designer must consider carefully the match between the goals of the program and the availability of instruments. The best tool may involve treasure, but in the midst of a government financial crisis the only real alternative may be information. So then how do we make information work in that context?

And not only is the temporal context important, so too is the cultural and social context. Understanding the norms and values of the society into which a program is being implemented is important not only for the success of the particular policy but also the general political success of the political system. Using coercive instruments in societies that value autonomy and individual choice may ultimately generate compliance, but at some cost. The skillful designer must always remember that he or she is functioning in a political environment that will influence success and failure.

NOTES

- 1 For Europe see Héritier and Rhodes (2012) for a similar analysis of contemporary policy instruments.
- 2 The logic of reframing (see [Chapter 4](#)) attempts to address these divergent views and produce effective responses.
- 3 Of course, institutions also have an interest in their preservation and in minimizing disruption to their established routines. These may not be as visible as the interests of social groups, but they are interests nonetheless.
- 4 Supplemental Nutrition Assistance Program – the program that used to be called Food Stamps.
- 5 On congruence theory see Eckstein (1980).
- 6 The logic of discounting in cost-benefit analysis places this criterion in a more economic context. See [Chapter 8](#).

- 7 The perception of time in policy may also be a cultural factor, with some societies having a longer-term perspective and being more willing to undergo short-term deprivations for that future gain.