

SURJE ON **Public Policy**

A perspective on Public Policy Structures

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(Re)incentivizing **Elected Officials** and Policy Makers

[A prescription on how to create and better align incentive structures for Elected Officials and Policy Makers](#)

On the heels of federal elections in both Canada and the United States, and potentially the greatest economic downturn since the 1930s, one cannot help wonder if there are some other underlying conditions or situations contributing to the problems – record low voter turnouts, lack of trust in elected officials, poor policy decisions, and lack of vision and bold action on behalf of leaders.

This brief offers a short and pointed prescription on an underlying structural problem which is directly and indirectly contributing to the above issues: **A Broken Incentive Structure.**

by Sunny Bhasin

There are those who argue that government is best left to the sidelines when it comes to decisions related to the economy, business regulation, corporate assistance, and that the markets are infinite in their wisdom. Others believe that the government should and must play a larger role in society. While I will not be taking a specific position on this other than is in line with the prescription within this paper, the distinction needs to be made between the left and right of government vs. business vs. ideology. They are all different and one need not espouse to the same perspective on all things at all times. This is not an ideological debate, but rather how optimal incentives can be created to achieve the purpose and mandate of elected officials and policy makers.

The underlying premise of this paper is that there is no longer a functioning incentive structure within elected office or public administration that works to the benefit of the democratic system of government and the people. What we do have, is many structures and mechanisms that have created disincentives for these people: to not make mistakes that are too large, to not take bold actions which are clearly in the best interests of the country and the people, to **not do anything** which endangers the officials elected position.

Mandatory voting

There are two foundational principles that any definition of democracy includes. The first principle is that all members of the society have equal access to power and the second that all members enjoy universally recognized freedoms and liberties. These principals go hand in hand with the responsibility of being informed and knowledgeable enough to exercise this right—an educated populace is an essential prerequisite of democracy. In order to have a stable and functioning democracy, the electorate must be able to differentiate between right and wrong, between truth and lies, and it must be able to see through political lines. As importantly, the electorate needs to understand the political system.

Democracies must empower the people to not only have a say in the running of their nation, but to actually *hold* the power under a free electoral system. For the system to work effectively and optimally, therefore, it is incumbent on all citizens to vote. Lack of voter turnout due to apathy and lack of

interest render the system – and its results – suboptimal. This is made worse by the many first-past-the-post systems currently employed by Canada both nationally and provincially. If one believes that democracy and right to vote is indeed a right, then with that right comes responsibility. It is indeed the right of a person to cast a ballot. It must also become the responsibility of each and every citizen to vote. Hence, there are two options to ensure maximum—if not 100%—voter turnout. The first is to create an incentive for voting, like a nominal but measurable one-time tax deduction of \$500. This however, would have a negative fiscal effect on government treasuries. A better model is for the implementation of a fine for not voting, or some form of disenfranchisement whereby state-provided goods and services are denied for not voting. This better aligns the incentives of the government and the people, without hurting either party if all goes *according to plan*. The level of the fine should be, again, impactful but not debilitating, like a

hefty speeding ticket. The goal is of course behaviour change.

In order to implement this, there must be changes to the respective Election Acts in both Canada and the USA, in our example

Fixed term length without re-election

In order for public policy and government action to truly be bold and in the best interests of the populous, we must remove all other incentives from the picture. Democracy was not created to be either a bastion for or a stomping ground of, ideologues or people of limited—or no—success in other careers. The one and only purpose of elected office is to represent and speak on behalf of constituents. In its true sense, it is not a forum intended to represent no one's own views or ideologies. Somehow, over the past few decades, elected office has become exactly what it was to protect against: a few deciding for the many, a few dictating to the many, and a few doing whatever it takes to cling to the privileges and responsibility **given** to them by the many.

By removing the concept and option for re-election, the motives to run for elected office or public administration will become more *pure* and will allow for the person, platform, and vision to be front and center. Only people with a true desire to make change and positive impact for the greater good will run for elected positions. They will only receive one shot; they will only have a limited time to make as much (positive) change as possible.

One issue with this one term arrangement is it may deprive the country of an exceptional leader to lead undertakings of more than one term. An exceptional leader who enjoys the support of the people and is judged **by the electorate** as positive force for the country can continue to make an impact and exert his/her energies towards the betterment of the nation.

cases. There are currently 32 countries with compulsory voting, and 10 within the 30-member OECD itself. The nations on this list include Australia, Belgium, Singapore and Switzerland, to name a few.

Elected office is not the only place to achieve this. Moreover, I would argue that a key ingredient to optimal public policy and continual improvement is the elimination of the view that political life is a career or profession. It should be a temporary vehicle for helping a nation make progress whereby an individual is trusted and elected by the people.

Another issue is that it may bring about huge swings in policy upon change of government. This is mitigated by enhancing existing structures or creating new structures, to ensure continuity and also limit the position/role of executive powers. In effect, what I'm prescribing is a more clear separation of the ongoing functions of a central government (through elected officials and policy makers) versus the actions/policies implemented by a newly formed government. Continuity is also protected by the fact that only a portion of the elected officials are newly elected at any one time.

Of course, it is difficult to envision (current) elected officials as being proponents of this recommendation. Unfortunately, this is expected given some above criticisms of these people. Such a demand and dramatic change must come from the voters, giving rise to a new class of candidates vying for elected office—a new class of politician if you will. One way to encourage a change in current thinking would be for the creation of a series of transitory stages within the political life of an elected official. In such a way, a person

can smoothly transition from his/her elected post to another place within the government, whereby their knowledge and experience can be put to further use, while allowing for continual refreshment of the elected houses. Of course, the positions taken up by these

Compensation level and structure

We often hear complaints that the decisions and actions taken by elected officials are below expectations, or even disappointing to the population at large. Elected officials and policy makers consult with leaders within business and industry and academics before making certain decisions. What would it look like if the people in elected office and public administration *were* the experts? What if they were the best and brightest a society has to offer?

We find that the greatest minds graduating from universities, colleges or specialty programs go into industry rather than be involved in government and public policy. Why is this? Part of it is no doubt because of interest and aptitude. But does compensation, or lack of it, contribute in any way? Would the valedictorian from a MBA program run for elected office to help make positive, impactful, and lasting change if the opportunity cost is 50% or more in compensation? Would the top doctor currently operating a hospital run for elected office if the opportunity cost is hundreds of thousands of dollars in annual compensation? The answer to both, sadly, is **no**. Now, I'm not proposing that raising compensation is the answer to all the issues. What I am proposing is that to attract the best and brightest from all walks of life (academia, industry, etc.), we must have a system that reduces or eliminates the incentive difference as much as possible.

formerly elected officials cannot be permanent, as the system requires a relatively frequent (4-6 years) at all levels. It does, however, pave the way for a smoother transition out of elected office, into other careers either within government or industry.

There are functioning models around the world where some of the most respected elected leaders draw **zero compensation**. While this ties in well with the fixed term model above, it has some flaws which make it less optimal than raising compensation to the highest levels available as compared to other opportunities. First, a model with zero compensation is prohibitive for all but already-successful business leaders or independently wealthy individuals. Second, it is less optimal when considering the necessary alignment of incentives – zero compensation turns elected office into a volunteer position, which can create unwanted trade-offs and competition for the person's time/resources. Hence, I propose a compensation structure which puts the salaries of elected officials amongst the highest available to any persons within society. This will put it on a more level playing field for the attracting the most worthy—the best and brightest within society.

This is the model being employed in Singapore, where ministerial salaries are based on a benchmark derived from private sector pay. While the concept of corporatist pay may not be unsettling, it should be combined with corporate-style key performance indicators such as GDP growth, reduction in poverty levels, reduction in gap between rich and poor, and other indicators of a society's well-being.

Individual member voting

The final item on this prescription list deals with one of the most fundamentally flawed mechanisms within many democracies. If the elected representatives are elected by the people and are for the people, then where does block voting fit in? Again, a systemic shift has occurred over the past few decades, which has led to voters voting for a party rather than an elected official. Perhaps this is a natural by-product of a parliamentary democracy. If so, then it should be altered to better suit current wants and requirements.

What good is it to have a general election—regardless of turnout—when that turns into 3-4 block votes? Is this in line with democratic principals? I would argue that it is not.

Consider the following: democracy works only because the people are *collectively* better

An improvement on the status quo

The above prescription is an undisputed – and mathematically provable – improvement on the status quo, for a number of reasons. First: the collective knowledge, sentiment, and judgment of the constituents (which also contains all the abilities of the representative official of persons vying for the position) will be by definition more inclusive and superior to that of any subset from within the same population. This is not only intuitively correct, but also demonstrated through 5+ decades of empirical data. What has been missing until now is a robust mechanism to extract and execute on this. So, given the above prescription and all the underlying principals that make it work, the population cannot be wrong, or at a very minimum, it **cannot** be more wrong than the judgment of any sub-population from within it. Second: in the event of a conflict between the will/decision of the population (through

equipped and more qualified to select their leaders, than any selected subset of that population. If this were not the case, why wouldn't we allow the myriad of political pundits and analysts to choose for us, who will represent us? By the same token, members of any house of representative must be allowed to vote as individuals, so that their collective knowledge and wisdom are brought into play, and the needs and wishes of constituencies are fulfilled.

In effect, the responsibility and onus proposed on the electorate (above) must also be placed on elected officials, so that the elected houses themselves become shining examples of democracy in action. That is the only way to return a sense of empowerment to constituents, and to hopefully end voter apathy.

their elected representatives) and the *law*, the conflict will automatically be muted because of the prerequisite of being informed and educated about the issues, and mandatory voting on these issues and decisions. Hence, illegal or unconstitutional acts cannot take place as the awareness any such conflicts will be a part of the decision. If the population wishes to alter or consciously go against their own laws, then so be it, and the appropriate actions to make it so would then take place. Third: there are already a number of mechanisms in place within virtually all democracies which offer remedies and provisions for the electorate to remove or replace, either directly through elections or indirectly through confidence votes and referendums. The above prescription actually decreases the lag between any possible straying of policy from that mandated by the population, as the

involvement of and interaction with the population is far greater than any system commonly being employed. Fourth: because the prescription removes the possibility of re-election, all policies and initiatives which go beyond a single term will become mandated under the auspices of the government (which supercedes any party within it, and is composed of *all* parties within it) itself, and appropriate departments and institutions that are staffed by largely non-elected officials. The phenomenon of elected officials acting out of a need to leave a legacy will, as stated above by multiple mechanisms, only be possible when in complete agreement with the will of the population, as all mandates will originate from them.

The above prescription is a significant departure from the modus operandi of most democracies, at least the manner in which they currently function. This is intentional and by design. The premise of this paper is

that the way in which most – if not all – democracies and policy making function today are broken, and moving in a direction which is contrary to the founding principals of this form of government and public policy-making. While the change may be unwelcome and vigorously fought by the people currently within these elected positions and policy-making roles, the appeal must be made to the population, and why they must demand such changes and improvements to ensure the problems that have crippled and hindered the advancement of nations in so many areas come to an end.

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