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22-23



Front cover image: © Nigel Spiers | Dreamstime.com
Christchurch Aerial View of Eastern Suburbs: An aerial view of the eastern suburbs of Christchurch, New Zealand. Includes Linwood in the foreground and the Estuary, Bromley, South Brighton and Redcliffs in the background.

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Technocrats or populists: Who gained influence during the Global Financial Crisis?



In May, the Institute for Governance and Policy Studies at Victoria University of Wellington invited Professor Alasdair Roberts, Suffolk University Law School (Boston, Massachusetts), to discuss the power of technical experts in democracies around the world. Below are excerpts from his presentation.

“Many scholars of public administration characterise the three decades between 1978 and 2008 as a period when we reconsidered the best way to organise public services. In fact, the stakes were higher than that. The essential question was an old one: In a democratic system, should power be put in the hands of technocrats, or citizens and their elected representatives? There was certainly a powerful global movement for democratisation during that period. But there was an equally powerful, and ultimately more successful, movement for the shift of power into the hands of technocrats.

The pre-Global Financial Crisis years saw a decisive move toward technocratic governance. For example, regulatory power was put in the hands of independent agencies to provide reassurance to international investors, as was responsibility for the operation of critical ports and airports. Similarly, other elements of critical infrastructure were handed over to commercial operators. In many countries, revenue collection became the responsibility of independent bodies, often to reassure foreign creditors that their loans could be repaid. The proposition was that these governmental functions were too important to be left to democratically elected politicians.

The shift toward technocratic governance was most evident in the realm of economic policy. In many countries, finance minist-

ries increased their influence over fiscal policy, and in the ongoing battle between spenders (ministers in line departments) and guardians (finance ministers and budget agencies), the guardians now had the upper hand. And monetary policy was handed over to central bankers. Many countries granted formal independence to their central banks, and the profile and prestige of central bankers grew.

Then came the GFC. Initially, there were several reasons to think that this might signal an end of the movement toward technocratic governance. For example, there was a sharp decline in trade, lessening the pressure for port reform. There was also a decline in foreign investment, lessening the pressure for regulatory reform. Investor enthusiasm about privately financed infrastructure projects waned as well.

Even in the field of economic policy, technocratic power seemed to weaken. The old battle between guardians and spenders seemed to tilt in favour of spenders, as governments put less emphasis on fiscal discipline and more emphasis on stimulus. At the same time, the credibility of central bankers appeared to be undermined because of their failure (and the failure of the closely aligned community of scholarly economists) to foresee the crisis.

While there was a brief resurgence of popular protest in many countries during this time

(for example, the Occupy movement) there were a number of factors that limited public demonstrations. One major difficulty was the lack of an adequate institutional structure, such as unions, for building a protest movement. In addition, Occupy-style movements, built on leaderless, web-based networks, proved to have limits as vehicles for social mobilisation.

Meanwhile, during this time support for stimulative fiscal policies collapsed. The doctrine of austerity was resurgent, and finance ministries regained their influence over spending ministries. The collapse of support for stimulative fiscal policies was sometimes attributed to doubts about the likely effect of stimulus on economic activity, or fears about the adverse effect of increased public debt. But this was probably not the main concern of stimulus sceptics. The larger question was whether legislatures would have the backbone to reverse stimulus policies and pay down debt when the economy recovered. There was no way to bind legislators to do this, and good reason to suspect that they would not. So the second-best policy was one of strict controls on spending, even in the moment of crisis.

While legislators hesitated, central bankers acted boldly, with experimental policies such as quantitative easing. Central bankers conceded that they were not sure that quantitative easing would avoid a collapse

or spur recovery. Nor were they sure that the policy of quantitative easing could be ended neatly once the crisis was past. But they were not deterred by these uncertainties, because the price of inaction seemed unacceptably high. By 2013, central bankers had regained the prestige that they had enjoyed before the crisis.

Today as we look back over the past several years, it appears that the GFC did not alter the power structure that was established during the decades between 1978 and 2008. Technocrats are still in charge, and populists are still in a subordinate position. But this is not an entirely happy outcome. Certainly, we have avoided an even more devastating economic collapse, but citizens in many countries are still deeply dissatisfied with their circumstances. In the United States, for example, it has been more than a decade since a majority of the adult population believed the country was heading in the right direction.

The technocratic mode of governance may have managed its way through the economic crisis, but could still confront a crisis of legitimacy if it cannot address persistent public anxieties about growing economic insecurity and inequality.”

For a set of Professor Roberts' speaking notes from the presentation visit: <http://aroberts.us/2014/04/27/technocrats-or-populists-who-gained-influence-during-the-financial-crisis/>.