



Governing in an Age of Great Expectations



By Subramanian Rangan , INSEAD Professor of Strategy and Management and The Abu Dhabi Crown Prince Court Endowed Chair in Societal Progress

Government matters for societal progress and will always do so. In which ways and to what extent depends on the social contract.

There is little doubt that society is in a new age. The 20th century, characterised by the dramatic convergence of countries from colonialism toward development, has entered a new era where progress takes another shape entirely. The engine of development has been fuelled by the market-oriented practices of resource allocation, which has pulled many out of poverty. But the most powerful actor remains government, which is depended on to regulate such markets, provide infrastructure, security, healthcare and education. It has even come to stand as a powerful buffer between markets and society.

But such a buffer has had varying degrees of effectiveness. From increasing inequality, especially of the unmerited sort, to climate change, society seems to be racing to a cliff and governments have largely taken the blame for administering the environments that have let this happen and the responsibility for fixing it. This has led many to question how much government should be responsible for in the march to progress. Some applaud the extent of progress because of government. Others applaud the extent of progress despite government. To quote Dickens, it seems like “the best of times and worst of times”.

The challenges for governments are growing in their scale and their complexity. On top of a lack of inclusion and climate uncertainty, youth unemployment, epidemics and other global threats and insecurities mean governments must adapt convincingly to address them.

At least for the foreseeable future, the importance of government is likely to increase rather than decrease. But what should the role of government be in this new age?

Previous debates concerned the quantity of government. But during a recent symposium on Government and Progress at INSEAD’s Europe campus in Fontainebleau, France, academics, policymakers, business leaders and consultants focused the debate rightly on the quality of government.

Government transformed

Transforming the quality of government will require change in the composition, capabilities and culture of government. What is encouraging is that governments clearly have an appetite for change and for good reason. Greater transparency, decentralisation, the impact of modern technology and declining faith in politicians, all mean that governments are more exposed than ever before.

As we transition from development to progress, governments may have to redefine their objectives. If development was an economy-centric idea for the 20th century, then wellbeing and progress are people-centric ideas for the 21st century. For progress to take place, we should aim to close the gaps between what is and what ought to be. But whether that results in economic growth, as measured by GDP, is another matter. While we tend to focus on measurable outcomes, such as unemployment levels or educational attainment levels, perhaps it’s time to explore other indicators that can

better encompass human wellbeing, social relations and meaning. The Genuine Progress Indicator (GPI), which incorporates environmental and social factors, and the OECD's Wellbeing Index and Better Life Index have been put forward as suggested replacements to GDP.

What people want

At the symposium, participants debated whether government should therefore be an enabler or a provider or both to create the optimum environment for citizens to grow. Firstly, most agreed that government should serve as an enabler of economic growth, by making predictable rules and regulations. Second, contrary to the mainstream opinion that smaller is always better, government can serve as a provider if the social contract calls for it. The social contract also determines the extent to which the government provides health, education, and social benefits and whether government plays a direct role in enterprise.

Singapore is a strong example of an enabler, a typically “small” government that ensures efficient infrastructure and clean institutions, making it the top of the World Bank's ease of doing business ranking. In Abu Dhabi, the government is seen as a provider of services, whereas in Norway, state capitalism reigns due to the fact that Norwegians look to the state to manage its vast natural resources and therefore the companies that process them. There is no one recipe.

The dilemma for governments is to reconcile economic growth with wellbeing and sustainability, which will prove complex and challenging. The notion of wellbeing, for example, has many interrelated dimensions. Employment is an aspect of wellbeing but it relates to the state of the economy, which in turn relates to climate change and so on. The nature of increasingly multifaceted problems will need multifaceted solutions.

Government has typically taken three main roles; that of protecting people and property, providing infrastructure and patching inequities. All three areas are becoming bigger concerns as terrorism and climate change threaten safety and livelihoods, infrastructure is strained to cope with urbanisation and inequality threatens social harmony. For traditional government, the growing interdependence of issues, technology and people will require more coordinated and collaborative responses, whether it's regional groupings, or partnering with other nations or institutions to combat climate change or financial stability, the role of government is increasing.

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