

The Strategic State

(SEGUNDA DE TRES PARTES)

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Abstract. *Canada, like many industrialized countries, is facing a crisis of the State. At a time when the new demands on the State are increasing, the old social technology appears to be inadequate. This calls for the definition of a new State. The paper identifies the guiding values and the design principles that are likely to underpin the social architecture of this new strategic State. It identifies also one features of the strategic state (meso-forums, network organizations, moral contracts) and the nature leadership (leader as animateur and use language of citizenship). It is argued that in the new strategic State economy, society and polity must share the organizational task and that the only viable agenda is a modest one promoting social learning and finding the path of minimum regret are the only hopes that leaders may reasonably entertain.*

IV. The present flawed social technology

By the standards set above the present social technology of the Canadian state does not manage the resilience and the learning of the Canadian system well. The state would even appear to have chosen the *wrong strategy*: heavy investment in physiological and morphological modifications, and a bulky and centralized state system geared to producing centralized technical answers to public management problems. This bulky apparatus has had very limited success in designing flexible controls and influences upon the private sector: it has generated little resilience and not much learning (Grimond, 1991).

The main critiques of the brand of the Keynesian state in good currency in Canada and in many other advanced socio-economies have been well documented. They may be subsumed under a few headings (Duncan, 1985): 1) *overgovernment and government overload*: the state is presented as "a kind of arthritic octopus, an inept leviathan" unable,

despite massive growth, to do much to meet the demands of the citizenry; as a result, it has triggered weakened citizen compliance, growing civic indifference and much disillusionment (King, 1975); 2) *a legitimization deficit*: the depoliticized public has by now ceased to believe that the state has any moral authority or technical ability to deal with the issues at hand; this would explain the disaffection and the withdrawal of support by the citizenry (Habermas, 1973); 3) *a fiscal crisis*: revealing the incapacity of the state to reconcile its dual obligation to attenuate social difficulties, and to foster the process of capital accumulation without generating fiscal deficits that are in the long run unbearable (O'Connor, 1973); 4) *social limits to growth*: the three crucial dimensions of our social organization (liberal capitalism, mass democracy, and a very unequal distribution of both material and symbolic resources) cannot coexist easily: democratic egalitarianism (in society) generates compulsive centralism (in the polity) to redistribute more and more resources with little success in reducing inequality, but growing shackles on the productive capacity of the economic system (Hirsch, 1976).

Modern democratic capitalist states face... a crisis, because they appear incapable of carrying out established and expected tasks, tasks which they have over the years accepted, because of the absence of necessary resources, *both financial and civic*, or because they cannot meet claims and expectations fostered by the economic and social systems themselves (Duncan, 1985: 274).

This overall crisis of the state has been analyzed historically as a two-stage process: 1) it evolved first as a crisis in the *economic realm*: coordination failures became more and more important in advanced market type economies, thereby creating a demand for intervention and regulation by the state; the economic crisis was therefore shifted to the state; 2) the *state crisis* developed as the legitimization deficit grew: the state was failing to mobi-



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lize the requisite commitment of citizens to be able to do the job; out of despair the state made an attempt to effect an "epistemological coup", to obtain a "blank cheque" from the citizenry. The argument was that since the management problems were so technically complex, the citizenry should pay its taxes and demand no accountability from the professional experts. This coup has failed, and "cognitive despotism" has not succeeded in suppressing the autonomous power of the community to grant or withhold legitimacy (Habermas, 1973; Wiley, 1977; Paquet, 1977). The polls have recorded this story line.

V. Why has such a situation developed?

The central reason would appear to be that the public institutional framework built in the post Second World War was presented to the citizenry as designed for *instrumental purposes*: to combat a depression, raise standards of living, provide public goods not otherwise produced, assist the needy, etc. As a result, citizens have come to define the state in terms of *claims* they could make on it: "claimant politics began to overshadow civic politics". By comparison, "the activities of the private sphere were seen as ends pursued for their own sake". It is hardly surprising that the instrumental goods of the public sphere were regarded as subordinate to the intrinsic goods of private life (Bellah *et al.*, 1991).

Even though the governments were major funders, underwriters and regulators, and therefore the fundamental bedrock on which the economy and society prospered from the 40s to the 70s, Canadians have continued to occlude the importance of the state: "the dominant strains in our culture... (remained) a vigorous individualism, a suspicion of interest groups as self-serving and subversive of democracy, and a skepticism about pervasive social and economic planning by the state" (Fournier in Banting, 1986). This ideology of Lockean individualism has continued to prevail despite the fact that government activities had grown so much by 1980 that very little remained absolutely private in a meaningful sense.

In a more and more globalized context, the private sector made ever greater demands on public institutions, at a time when the capacity to supply services from the public sphere could not expand further. This was due to the fact that participation, trust, and creative interaction (on which



politics and the public sphere are built) had all but disappeared, as had the sense of community that underpinned civil society and the collective/private ways of meeting the needs of strangers.

In this world of rugged individualism where most citizens are strangely unaware that the government has been the prime mover in the postwar period of prosperity, *private enterprise at public expense has become the rule*. The lack of commitment of emotional, intellectual, and financial resources to refurbish the public infrastructure could only lead to demand overload, and the frustration generated by the policy failures of the 1970s set the stage for citizens to suggest that the best way to strengthen democracy and the economy was to weaken government.

Jacques Parizeau saw through this charade: "it is one thing to be convinced that the policies of yesterday have produced a number of unwanted results, that governments have become inefficient, wasteful and slow; it is quite another thing to accept that in a number of areas, government responsibility should be suppressed" (Parizeau, 1988).

In a world of ever growing interdependence on a world scale, *the need for collective decision making is growing*. The solution therefore is not less government or a weaker government, but *a different sort of government*. There is a need for *a new framework*, for a transformation in our democracy (Dahl, 1989), but this new framework for social and economic policies, capable of guiding nations in the years ahead, has not yet been articulated in Canada.

VI. Foundational values and design principles

Much of what David Marquand has said about Britain also applies to Canada and to some other advanced socio-economies: at the core of our difficulties is a *moral vacuum*. The notion of public purpose is alien to us. We need first and foremost a *philosophy of public intervention*, a *philosophy of the public realm* (Marquand, 1988).

First, one must recognize the need to fill that moral vacuum with a "national ethic" (Grimond, 1991), and proceed to fill it, before getting too far into the design of the new state. To proceed otherwise is to presume wrongly that we already know what the public institutions to be constructed are to be in aid of. Secondly, one must be able to sketch briefly the sort of design principles that are likely to underpin the social architecture of the new strategic and learning state. The leader must be in a position to identify and promote the institutional setting capable of ensuring the requisite amount of social learning in the Canadian system.

VII. Guiding values

One fundamental element in the definition of the new state is the recognition that, despite statements from social scientists, and the fact that it is not fashionable to say so, *the state is a moral agent* and not a morally neutral administrative instrument. Both on the left and on the right, there is a longing for civil society to organically provide the well-defined codes of moral obligations that underpin the realization of the good society. However, the "built-in restraint derived from morals, religion, custom, and education" that were considered by Adam Smith as a prerequisite before one could safely trust men to "their own self-interest without undue harm to the community" are no longer there (Hirsch, 1976).

The disappearance of this socio-cultural foundation has been noted and deplored, and much has been written about the need to rebuild it, but it has also become clear that it is futile to hope for some replacement for these values to come about by 'immaculate conception' in civil society. So many have called on the state and on political leaders to accept their responsibility as second-best moral agents (Mead, 1986; Wolfe, 1989). This does not mean that political leaders are called upon to impose values on a community; they are called upon to provide a *vision*, to pro-

pose a *sense of direction*, a commitment to ideals, together with the *public philosophy* to realize them.

There are many different plausible public philosophies (some based on sheer individual hedonism, others on different degrees of commitment to cater to the needs of others both directly through philanthropy and indirectly through the agency of the state), and they should be confronted and compared in public arenas. The citizenry is entitled to ask that its political leaders declare what their public philosophy is: what are their ideals, their ethics. Such a public philosophy is both *constraining* (in the sense that it echoes some fundamental choices and therefore excludes many possibilities) and *enabling* (in the sense that it provides a foundation on which to build a coherent pattern of institutions and decisions in the public realm).

The choice of a public philosophy must be rooted in the basic values of civil society, and on the criterion of *enlightened understanding*. This calls not for the least constraining public philosophy, but for one recognizing that the optimal amount of coercion is not zero. Such a position would be the choice of citizens if they had "the fullest attainable understanding of the experience resulting from that choice and its most relevant alternatives" (Dahl, 1989). The challenge is to bring about that sort of "fullest understanding" in the population. It means that government can no longer operate in a top-down mode, but has a duty to institute a continuing dialogue with the citizenry.

This will require a language of common citizenship, deeply rooted in civil society: the citizens have goals, commitment and values that the state must take into account. But the citizens must also insist that they want an active role in the formation of these values, goals and commitments, and in the making of policies supposedly generated to respond to their presumed needs (Sen, 1987). Only through a rich forum and institutions that enhance citizens' communication competence is an *enlightened understanding* likely to prevail—both as a result of, and as the basis for, a reasonable armistice between the state and the citizenry.

The state, in the past, has played housekeeping roles and offsetting functions, but these functions required minimal input from the citizenry. The state must now in complex advanced capitalist socio-economies play new central roles that go much beyond these mechanical interventions. It

must become involved as a *broker*, as an *animateur* and as a *partner* in participatory planning, if the requisite amount of *organizational learning*, co-evolution and cooperation with economy and society is to materialize.

In order to be able to learn, the state must develop a new interactive regime with the citizenry to promote the emergence of a *participation-society* (where freedom and efficacy come from the fact that the individual has a recognized voice in the forum on matters of substance and procedures in the public realm, and more importantly an *obligation to participate* in the definition of such matters). The citizen should not be confined to living in a rights-society where the dignity of individuals resides exclusively in the fact that they have claims. (Taylor, 1985).

VIII. Design principles

The design principles for a social architecture in keeping with the guiding values mentioned above are clear.

First is the principle of *subsidiarity*, according to which "power should devolve on the lowest, most local level at which decisions can reasonably be made, with the function of the larger unit being to support and assist the local body in carrying out its tasks" (Bellah *et al.*, 1991: 135-6). This applies in the three realms, and the level of empowerment and decentralization may call for the individual or the family or a minute constituency in the market, the society or the polity to take charge. This empowerment would not translate, for instance, into paralyzing rules that prevent welfare recipients from supplementing their income, but rather into strategies to help them help themselves (Jencks and Edin, 1990).

The rationale for this principle is that the institutions closer to the citizen are those likely to be the closest approximation to organic institutions *i.e.*, to institutions that are likely to emerge "*undesigned*", to emerge from the sheer pressure of well-articulated needs, and likely to require minimal yearly redesigning. While subsidiarity reduces the vertical hierarchical power, it increases in a meaningful way the potential for participation.

This is not the death of central government, but the demise of big government as the morphological assurance of resilience. When the ground is in motion, the bulkier and the more centralized the government, the more it will flounder. The lean



new central strategic state must deal with norms, standards, general directions, and values. The process of ministering to the public and of delivering a service well-adapted to its needs must be devolved to the local level. Such a government would provide services within a framework agreed to nationally.

The second design principle is that of an *effective citizen-based evaluation feedback* to ensure that the services produced, financed, or regulated by the public realm meet with the required standards of efficiency, economy and effectiveness, and are consonant with the spirit of the agreed standards or norms. This is a central cybernetic loop feature in the refurbished state. It is essential if organizational learning is to proceed as quickly as possible (Crozier, 1987).

This sort of evaluation ensures that the process of participation is significantly strengthened. It provides partially some content to the *silent relation* or *implicit contract* that prevails between the state and the citizenry. This sort of feedback cannot be presumed to materialize organically. Its objective would be to ensure that the state activities, standards and rules have legitimacy in the beneficiaries' eyes, and that they are compatible with everyday morality, rather than incentives to lie or misrepresent their situations. It would allow, in a way, the ordinary citizen to be heard better for "politics is not only the art of representing the needs of strangers; it is also the perilous business of speaking on behalf of needs which strangers have had no chance to articulate on

their own" (Ignatieff, 1985).

If government is to become a *learning organization*, ensuring a constant dialogue with the citizenry and improving the communicational competence of its citizens will require some organizational development and institution building: one cannot rely exclusively on organic feedback. New instrumentalities are necessary if a capacity to learn at the center (from the citizen and from the agency delivering the service), and a capacity for quick feedback and instantaneous action when government does not appear to do the right thing, are to materialize.

The role of the leader is crucial in this process: producing a language adequate for our times, a language of belonging and common citizenship, a language of problem definition that provides the citizen with a translation of his needs, usually expressed in unspecialized language, into categories that are both relevant and inspiring. This would be a language of human good that would serve as an arena "in which citizens can learn from each other and discover an 'en-lightened self-interest' in common" (Dionne, 1991).

IX. The post-modern State

These guiding values and design principles, and the language to articulate them, are not cast in stone. Any ideal can be dropped as learning proceeds: our desires and ideals "are not like our limbs: they are not a fixed part of us" (Schick, 1984). But the sensible principles developed in the last section would entail a somewhat *decoupled organizational form* of social architecture: since the centre focuses on norms and the periphery on delivery, there is the serious possibility of lack of coordination unless 1) a clear sense of public purpose materializes, 2) new partnerships, new skills (strategic management, consultancy and advice, evaluation, etc.) along with new moral contracts binding the partners are developed to weave this whole enterprise together.

There is no serious reason to believe that a central government would be unable to maintain effective control of the direction of the socio-economy, even if much of the operations were decentralized, as long as 1) it kept some key levers at the norms, standards and general policy direction levels, and 2) it ensured that quick action to modify the governance regime in good currency

could be effected when special circumstances call for such moves. This has been the logic behind the governance model in vogue in Sweden for the last few centuries. It is also the basic logic behind some of the refurbishment of the state in the United Kingdom in the 1980's (Fudge and Gustafsson, 1989).

One may venture a sketch of what is aimed at: a small number of central intelligence units, representing maybe 5% of the civil service complement (small units concerned with future-oriented and longer-term policy issues, *i.e.*, laws, regulations, appeals, etc.) quarterbacking all sorts of administrative agencies (representing the other 95% of the public service). These agencies would not be given a simplistic role of enforcement of exogenously-generated higher-order government norms, but would need to be granted the necessary powers to organize activities in a way consonant with the principle of subsidiarity. These agencies must be learning organizations, and therefore also *interactive*: they must be *negotiating arenas* in which there is 1) significant space for interaction between the agency and the citizens, 2) scope for defining and redefining activities, and for re-orienting them "under conditions of time and place", and 3) ample provision for dynamic monitoring from above and for continuing feedback from below.

The central challenge posed by this sort of *post-modern state* "with a weak centre acting as a kind of holding company" (Grimond, 1991) is obviously the need to maintain the capacity for social learning and for strategic intervention in the underlying network. This, in turn, cannot be effected either through the old hierarchical method of command, or through simple sermons. What has to be found is a way to build institutions likely to restore some *bonds of community* in a fragmented society and modularized polity, both permeated by possessive individualism. The required institutions must be neither built on command (like regiments) or on exchange (like bazaars), but on *communication and learning* (like a debating chamber) (Marquand, 1988).

X. Preceptorial politics, meso-forums and unwritten plan

Centrally important in this context is what Charles Lindblom has labeled "preceptorial politics": leaders become educators, animateurs, persons called upon to *reframe* our views of the public realm, to

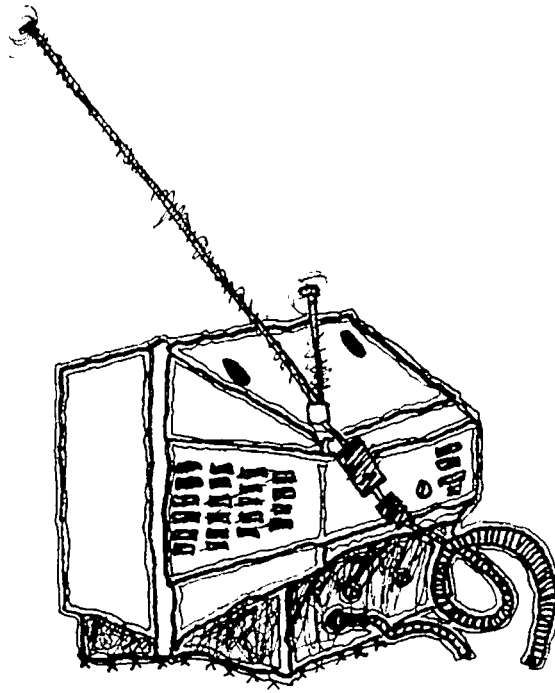
design the organization of mutual education, and to “set off the learning process” necessary to elicit, if possible, a latent consensus (Marquand, 1988). Such learning is unlikely to occur easily and well in a postmodern society through a forum organized exclusively through national institutions. The requisite institutions will have to be *middle-range* or *meso* institutions, networks designed to promote communication and cooperation on a scale of issues that mobilizes existing communities, and meso-forums (regional and sectional) likely to remobilize the commitment of the citizenry in organizations “à leur mesure”.

The strategic state must bet on a flexible exercise of control, and on extremely effective organizational learning through such meso-forums. Their triple role—as mediating structures, as setting patterns for the provision of services, and as educating individuals in their mutual and civil commitments—needs to be revitalized accordingly (Etzioni, 1983).

This fluid and seemingly scattered system of governance in the postmodern strategic state must however be anchored in a clear sense of direction. So there must be a *plan*. Most state leaders in advanced socio-economies outside of North America have such a plan, a direction for strategic intervention, and a public philosophy that will articulate and rationalize it; “they do not publish their plan because it would never gain consent. Yet it is not what one ought to call a conspiracy... The plan is not entirely conscious or systematic, and it cannot be as long as it is not written, published, debated, revised and so on. But it is now what you could call a secret” (Lowi, 1975).

The importance of this *unwritten plan* is that it underpins the state’s strategic action, and serves as a gyroscope in the definition of actions taken by the personnel of agencies and ministries. It serves as the basis for a *double-looped learning* process, as organizational learning must be (*i.e.*, not only finding better means of learning to do what we do better, but also, and more importantly, finding the right goals, learning whether the objectives we pursue are the right ones) (Argyris and Schon, 1974).

Such learning cannot be accomplished by elected officials alone. Elected officials and bureaucrats must work symbiotically, and elected officials must learn to devolve a greater amount of discretion to bureaucrats, not only in the delivery process, but in the feedback from the citizens.



Some officials have complained bitterly about the improper devolution of authority from elected officials to bureaucrats (Schaffer, 1988; Auditor General of Canada, 1991). Such complaints are ill-founded. The bureaucracy’s exercise of power is neither improper, nor illegitimate, nor inefficient. In fact, cumulative decision-making by bureaucrats, *working within and with a public philosophy appropriately defined*, enables the postmodern state to learn faster through decisions based on the particulars of the case, while maintaining basic standards. Clinging rigidly to the old “parliamentary control framework” of the Westminster model years is not necessarily enlightened: what is essential is the development of a *modified* framework, better adapted to the needs of a strategic state.

In that context, FIRA and the voluntary compliance program of the Bureau of Competition Policy represent the new *kind* of institutions a strategic state requires. In both cases, the government has been satisfied with providing a problem setting, to frame the context of the situation and the boundaries of public attention, while allowing the bureaucrats to use a lot of their tacit knowledge and connoisseurship to deal with specific situations, and to arrive at decisions on the basis of a “reflective conversation with the situation” (Schon, 1983; Argyris *et al.*, 1985).

XI. New partnerships and moral contracts

Institutionalizing a greater discretion for bureaucrats will mean creating some sort of negotiating

tribunals, geared to "ex ante harmonization of public and private interests through the guiding conciliation of bureaucrats" (Paquet, 1978). If the governing principles embodied in the unwritten plan become a diffuse but omnipresent public philosophy, the learning process is likely to be accelerated and therefore these structures would quickly acquire legitimacy (Paquet, 1971).

The meso-networks so generated are the basis upon which one may hope to construct new bonds or moral contracts that ensure tighter ethical linkages between the citizenry and public servants, and more responsible professional linkages among the many echelons of the public management structure (Paquet, 1991-92).

Since policy-makers in the postmodern state face more and more ill-structured or *wicked* problems (where the goals are unclear, and the means-ends relationships are uncertain), elected officials and bureaucrats are ill-equipped to manage in the usual hierarchical strict goal-setting and control mode (Rittel and Webber, 1973). The best one can hope for is some *norm-holding*, and a process of policy-making based on intelligence and innovation: a dynamic monitoring by those closer to the issues, which feeds an innovative learning process. But this new form of public management, based on continuing feedback and constant problem reformulation as experiences accumulate, requires, over and beyond a guiding philosophy, new partnerships between the public and the private realms, between elected officials and bureaucrats, etc.

These new partnerships must, however, overcome the important problems of mutual distrust that exist for the moment. This family of problems is referred to as *prisoner's dilemma problems*.

A prisoner's dilemma is a dilemma of mutual distrust. It is best exemplified by a situation in which two persons are arrested for a crime they have jointly committed, but for which the Crown has no definite evidence. Both of them are urged separately to squeal on each other in return for a very light sentence. If neither of them squeals both may go free; if both squeal, both get harsh sentences, and given the mutual distrust, in the absence of a strict moral code about squealing, the likelihood of both squealing is high. When such a moral code is adhered to (as in the case of the Mafia code of *omerta* which promises extraordinarily nasty retribution to anyone who squeals)

such problems disappear (Leibenstein, 1987). The way out of prisoners' dilemmas is the hammering out of conventions or moral contracts.

A prisoner's dilemma problem exists between employers and employees: unless there is a moral code in the relationship between management and workers, both will be tempted to shirk, *i.e.* to work less or to pay less than they should. As a result, a vicious circle is set into motion: the less productive the work, the less pay, and the less pay, the less productive the work. The result is generalized unproductivity. The same type of problem exists between the citizenry and the State, between government and business, in the federal/provincial arena, and between elected officials and bureaucrats. Mutual distrust leads one partner to shortchange the other, with the result that the other follows suit, and all the benefits of cooperation vanish. All this can be resolved through conventions or negotiated moral contracts among partners. But these contracts must obviously be inspired and molded by the general guiding philosophy contained in the "unwritten plan", and by the modicum of trust injected by the leader.

The new strategic state will be forced to manage much more than heretofore through the values and norms embodied in such moral contracts: these negotiated norms are much less rigid and less likely to foster adversarial relations than if the work is done through formal regulations and rules. "The general idea is that if it is possible to agree on the broad principles that particular sets of regulations strive to achieve, it should be possible to produce a flexible set of arrangements that satisfy the interested parties without hamstringing operations" (Morgan, 1988: 163).

XII. Leadership in a Postmodern State

This approach is open to many criticisms. Some may argue that this is not a program for a political party, but at best an approach, a way of thinking about realities somewhat differently, and that as such it is not very useful for a political leader. Others may suggest that such an approach is in any case most unrealistic, inasmuch as it presumes that trust and the bonds of community can be recreated. Finally, some may say that in any case it considerably belittles the stature of political leadership. We would disagree on all counts. ♦