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What Is a Policy Instrument? Tools, Mixes, and Implementation Styles

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INTRODUCTION: "FIRST-" AND "SECOND-GENERATION" THINKING ON POLICY INSTRUMENTS

Policy instruments are techniques of governance that, one way or another, involve the utilization of state authority or its conscious limitation. They fall not only within the domain of political science, but also, since they often affect the behaviour of individuals in society as they go about their daily tasks, within the realm of economics. Not surprisingly, therefore, the study of policy instruments has long been characterized by the existence of two virtually independent streams of literature. There is the study of policy instruments undertaken by economists and that undertaken by political scientists, and the two approaches differ substantially.[1]

Both sets of investigators, however, have often been guilty of oversimplifying instrument use and selection in their early works. "First-generation" economists studying the tools of government, for example, were concerned largely with the study of business-government relations and with the effects of state regulation and economic policy formation on business efficiency. Although internecine debates between neoclassical and welfare economists over the concept were sharp, first-generation instrument-choice economists concentrated their efforts on identifying the "market failures" that would "justify" government "intervention" in market exchange.[2]

First-generation political scientists rejected the deductive approach to instrument choice put forward by economists, preferring to develop their theories inductively from the empirical record of actual government decision-making processes. Welfare models were viewed as basing rationales for policy-instrument choice on the discussion of what governments ought to do rather than on empirical investigations into what they actually do. Political scientists, as a result, never simply assumed that policy makers chose governing instruments in order to fine-tune the economy but attributed a political rationale to instrument selection.[3] Although it was acknowledged that, in some circumstances, governments might well choose particular instruments based on their technical efficiency and theoretical appropriateness, it was argued this was likely to occur only in very specific circumstances, such as when economists controlled the decision-making process and had a relatively free hand in doing so – for example, in areas such as fiscal and monetary policy.[4]

First-generation studies of policy instruments conducted by political scientists thus tended to be motivated precisely by the desire to understand what economists simply assumed: the rationale for policy-instrument choice. Public-policy makers were not generally thought to be driven by questions of theoretical purity – especially when, as is the case with economic theory, the theory is contested – but rather by a more overt political calculus of electoral or ideological cost and benefit.[5]

Both these currents in early, first-generation work led to simplistic, cleaver-like recommendations for tool selection and promoted a Manichean view of instrument options. This was especially true for economists, as most neoclassical accounts consider many governing instruments to be inherently inefficient, distorting production and consumption decisions in the marketplace. As a result, many proponents of this view would restrict governments to the direct provision of pure public goods through government departments and agencies.[6] Although the recommendations of political scientists were less sure, they, too, tended to caution against the use of "too much" government authority and expressed a definite preference for the use of "less coercive" instruments.[7] Both these kinds of early instrument analyses had two problems. First, they tended to focus on single instrument choices and promoted a misleading view of the technical nature of instrument choices. Second, they tended to portray instrument choices in stark, "good vs evil" terms, embracing "good" pro-market choices and rejecting "evil" nonmarket ones.[8]

Not all early studies shared these characteristics, of course, and some presented more complex and nuanced models and analyses.[9] Building on the base of case studies and insights developed in these works,

"second-generation" students of instrument choice have attempted to address the issues of both the influence of policy context and the nature of instrument mixes in their work.[10] Promising new work on instruments has attempted to apply different models of economic thinking to the evaluation of instrument choices – such as transaction costs[11] – and to assess the question of the potential to develop optimal policy-instrument designs.[12] This work emphasizes the need to overcome one by-product of first-generation thinking about policy instruments and instrument choices: a disjuncture between the complexity of administrative practice and the simplicity of instrument analysis. That is, while students of instrument choices have focused on decisions to adopt individual instruments, administrative practice usually involves the use of multiple tools or "policy-instrument mixes." As a consequence, the nature of these mixes, or "governance strategies," has remained until recently understudied and less well understood than are choices to select specific types of instruments.[13]

Both theorists and practitioners need to move beyond simple, dichotomous zero-sum notions of instrument alternatives. Dichotomous sets of policy alternatives (like market vs state) and metaphors (like carrots vs sticks) lend themselves to blunt thinking about instruments and their modalities. Administrators and politicians need to expand the menu of government choice both to include substantive and procedural instruments and a wider range of options of each and to understand the important context-based nature of instrument choices. Scholars need more empirical analysis in order to test their models and provide better advice to governments about the process of tool selection and how to better match the tool to the job at hand. This chapter illustrates the origins of the deficiencies of simple models of instrument choice and suggests that, ultimately, both scholars and practitioners are interested in the same thing: designing and adopting optimal "mixes" of instruments in complex decision-making and implementation contexts. Toward this end, the chapter introduces and develops the idea of an "implementation style" as a stable, predictable preference for a particular policy mix.

DEFINING AND CLASSIFYING POLICY INSTRUMENTS

Most policy objectives can, in theory, be accomplished by a number of instruments; in other words, most instruments are to some degree "substitutable." Thus, in theory, a government seeking to promote health care for the population, for example, could leave it entirely to the family to provide health services, with the competence and

availability of family members determining who gets how much and at what cost. Or the government might go to the other extreme and provide health services through its own administrative agency, paid for directly out of its general tax revenues, leaving no room for the market or other private organizations. In between the two extremes lie a range of other instruments, including exhorting the population to keep healthy, subsidizing those who are poor, and regulating doctors and hospitals – which could, in theory, equally well address health-care issues.[14]

In most cases, however, in practice policy makers use a mix of instruments in seeking to achieve their desired ends. This raises the questions of (1) why specific mixes exist at present in different issue areas and (2) whether and to what extent the instruments that comprise a mix are counterproductive or complementary. Expressed in a manner more germane to this volume, the question is: What are the constraints and impediments blocking optimal instrument use in the design and implementation of governance strategies?

Many of the later chapters in this book address the issue of instrument mixes and broach subjects such as their design and whether criteria like optimality and suboptimality can be addressed in the types of combinations of instruments that larger governance strategies entail. This chapter has a more modest goal in addressing the nature of the "toolbox" from which both individual tools and instrument mixes are selected. It does so by examining many of the classification schemes put forward by scholars in the field, arriving at a primary designation of policy tools as either "substantive" (designed to alter the mix of goods and services provided and available in society) or "procedural" (primarily intended to alter policy processes rather than substance, per se). As a contribution toward the analysis of policy mixes, it also notes how procedural and substantive instruments tend to be used together and outlines the basic "implementation styles" that result from typical combinations of these instruments.

BASIC TAXONOMIES OF POLICY INSTRUMENTS

Early students of policy making tended to have very flexible notions of the multiple means by which governments can affect, or give effect to, policy.[15] In his path-breaking early works on public-policy making, for example, Harold Lasswell conceived the main instruments of politics as involving, among other things, the manipulation of symbols, signs, and icons. Lasswell noted the extent to which governments could affect each stage of the policy process through such manipulations and argued that a principal task of the policy sciences must be to understand the nuances of these actions and their effects.[16]

By the early 1980s, at the urging of Lester Salamon and others, attention began to be focused on more precisely categorizing policy instruments in order to better analyze the reasons for their use.[17] Careful examination of instruments and instrument choices, it was argued, would not only lead to considerable insight into the factors driving the policy process and the characterization of long-term patterns of public-policy making, but also allow practitioners more readily to draw lessons from the experiences of others with the use of particular techniques in specific circumstances.[18]

In the post-Salamon era, studies of instrument choice tended to look at instances of single-instrument selection and, on the basis of such cases, to discern the general reasons why governments would choose one category of instrument over another. These studies, heavily influenced by economists, tended to focus on what I have termed "substantive" instruments – that is, those (such as classical command-and-control regulation, public enterprises, and subsidies) that more or less directly affect the type, quantity, price, or other characteristics of goods and services being produced in society, either by the public or private sector.[19]

The emphasis upon the systematic study of policy instruments in the 1970s and 1980s quickly generated a large volume of academic literature that was immediately applied in the design of new, substantive policy initiatives in areas such as pollution prevention and professional regulation.[20] Studies in Canada and elsewhere generated useful taxonomies[21] and shed light on significant subjects, such as the reasons behind shifts in patterns of instrument choices associated with the waves of privatization and deregulation that characterized the period.[22]

Much less attention was paid by analysts of this period to the systematic analysis of their procedural counterparts, even though early students of the policy sciences had always been interested in policy processes and in the manner in which governments design and manipulate these processes to achieve their ends. In these early works, "policy instruments" had often been defined broadly in order to include a wider range of tools, or techniques, of governance than in the post-Salamon era. By 2000, however, this neglect had been noted, prompting the emergence of systematic treatments of procedural instruments,[23] such that knowledge of both types of instruments, their effects, and the reasons they are chosen is now very much up-to-date.

CLASSIFYING SUBSTANTIVE INSTRUMENTS

In the case of substantive policy instruments – i.e., those instruments intended to directly affect the nature, types, quantities, and distribution

Table 2.1
A taxonomy of substantive policy instruments

	Principal governing resource used			
Objective	Nodality	Authority	Treasure	Organization
Alter social-actor behaviour	Advice Training	Regulation User charges Licences	Grants Loans Tax expenditures	Bureaucratic administration Public enterprises
Monitor social-actor behaviour	Reporting Registration	Census taking Consultants	Polling Police reporting	Record keeping Surveys

Source: Adapted from Christopher Hood, *The Tools of Government* (Chatham, NJ: Chatham House, 1986), 124–5.

of the goods and services provided in society – a great deal of conceptual progress has occurred over the past two decades.[24] Taxonomies, for example, have been provided by many authors, one of the most well-known having been developed by Christopher Hood.[25] In Hood's scheme, instruments are grouped together according to (1) whether they rely on the use of "nodality" (or information), authority, treasure, or the organizational resources of government for their effectiveness and (2) whether the instrument is designed to effect a change in a policy environment or to detect changes in it. A typical taxonomy of substantive policy instruments based on Hood's schema is presented in Table 2.1.

Classifying Procedural Instruments

Procedural policy instruments, as noted above, have been studied less systematically than substantive ones, although many studies of individual-tool use exist.[26] The works of Bressers and Klok,[27] Schneider and Ingram,[28] and others[29] have identified a large number of typical procedural policy instruments. These include education, training, institution creation, the selective provision of information, formal evaluations, hearings, and institutional reform.[30] Research into the tools and mechanisms used in intergovernmental regulatory design by Canadian analysts and others has also identified several other such instruments, including "treaties" and a variety of "political agreements" that can affect target-group recognition of government intentions and vice versa.[31] Other research, again much of it Canadian, into interest-group behaviour and activities has highlighted the existence of tools related to group creation and ma-

Table 2.2
A resource-based taxonomy of procedural policy instruments

	Principal governing resource used			
Objective	Nodality	Authority	Treasure	Organization
Promote social networks	Education Information provision Focus groups	Labelling Treaties and political agreements Advisory group creation	Interest-group creation Intervenor and research funding	Institutional reform Judicial review Conferences
Restrict social networks	Propaganda Information suppression	Banning groups and associations Denial of access	Eliminating funding	Administrative delay and obfuscation

Source: Adapted from Michael Howlett, "Managing the 'Hollow State': Procedural Policy Instruments and Modern Governance," *Canadian Public Administration* 43, no. 4 (2000): 412–31.

nipulation, including the role played by private or public sector patrons in aiding the formation and activities of such groups.[32] Still other specialized research into aspects of contemporary policy making has highlighted the use of techniques such as the provision of research funding for, and access to, investigative hearings and tribunals.[33]

Hood's taxonomy of substantive instruments can be modified to help make sense out of this disparate (and partial) inventory. That is, classifying procedural instruments in accordance with the type of "governing resource" on which they rely generates a useful preliminary taxonomy (see Table 2.2).[34] While most researchers have focused on the manner in which these instruments have been used to enhance participation and policy-relevant knowledge, it should be emphasized that procedural tools can also be used to negatively affect interest groups' and other actors' behaviour. For example, information-based procedural instruments facilitate both the provision of information and its suppression as well as the release of both misleading and accurate information. Deception, obfuscation, and other forms of administrative delay are, similarly, all forms of authority-based procedural instruments.[35] Hence drawing a distinction between "positive" and "negative" uses of governing resources in terms of whether they encourage or discourage actor participation in policy processes is a useful aspect of the preliminary classification of such instruments.

As was the case with substantive instruments, this taxonomy is useful in so far as it highlights the different basic resources used by

different types of instruments, thereby allowing a virtually unlimited number of instruments to be placed in a limited number of general categories.

### THE RATIONALE FOR INSTRUMENT USE: MARKET AND SUBSYSTEM MANIPULATION

Classifying the basic types of policy instruments and their permutations accomplished one of the main goals of students of policy instruments in the post-Salamon era. However, simply describing the nature of the instruments available to policy makers is only the first step toward providing better advice to those same policy makers about which instruments to choose in which circumstances. That is, the aim of the exercise was not only better description, but better prescription. To accomplish this, it was necessary to elevate the discussion from taxonomies to the analysis of the reasons for tool adoption, or what is usually referred to in the literature as "the rationale for instrument choice."

Toward this end, many analysts proposed various schemes that purported to establish the relationship existing between different instruments or categories of instruments and the successful attainment of government objectives.[36] Howlett and Ramesh, for example, developed a spectrum of substantive instruments based on Hood's taxonomy. They focused on the level of direct state involvement in the provision of goods and services as the chief criterion for distinguishing between categories of "effector" instruments.[37] This placed "voluntary" instruments requiring minimal state involvement at one end of a continuum, with state-based instruments (such as public enterprises) falling at the opposite end. Between the two poles lie a wide range of "mixed" instruments involving varying levels of state and private provision of goods and services (see Figure 2.1).

Much the same can be done for procedural instruments. That is, as Dutch scholars such as Klijn, Kickert, Koppenjan, and especially, de Bruijn and ten Heuvelhof have argued, procedural policy instruments can be thought of as involving the manipulation not of economic exchange relationships, as is the case with substantive tools, but of the links and nodes of the network relationships existing among actors involved in policy making.[38] Construed in this way, procedural instruments can be seen to be used to manipulate the number or nature of actors arrayed in the policy subsystems that policy makers face, each category of instrument using a specific resource in order to manipulate an aspect of a policy subsystem or network.
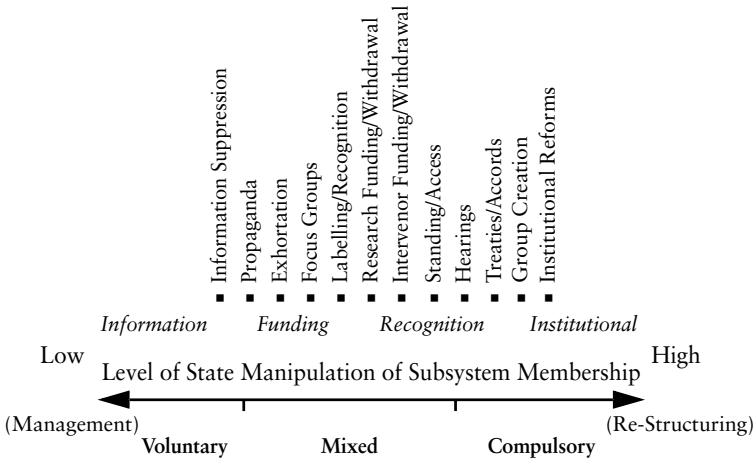
As de Bruijn and ten Heuvelhof have pointed out, a wide range of activities are possible in network manipulation, ranging from limited

Figure 2.1
A spectrum of substantive policy instruments

Level of State Provision of Goods and Services

Low ← | Voluntary | Mixed | Compulsory | → High
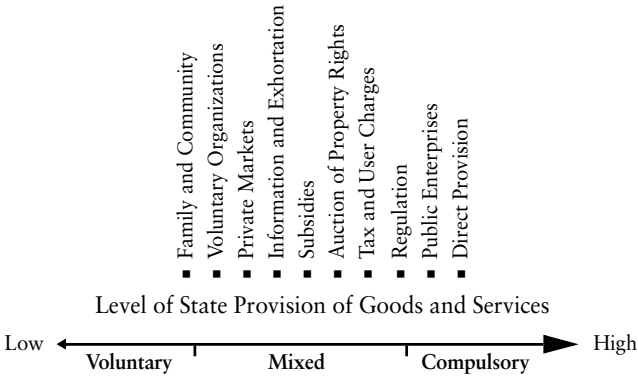
Source: M. Howlett and M. Ramesh, *Studying Public Policy: Policy Cycles and Policy Subsystems*
(Toronto: Oxford University Press, 1995).

Figure 2.2
A Spectrum of procedural policy instruments

Information   *Funding*   *Recognition*   *Institutional*

Low   Level of State Manipulation of Subsystem Membership   High

(Management) | Voluntary | Mixed | Compulsory | (Re-Structuring)

Source: Michael Howlett, "Managing the 'Hollow State': Procedural Policy Instruments and Modern
Governance," *Canadian Public Administration* 43, no. 4 (2000): 412-31.

"network management" to more fundamental "subsystem restructuring."[39] Incorporating this distinction allows the procedural policy instruments found in Table 2.2 to be arrayed in a single spectrum according to the level of state manipulation of subsystem membership and activities (see Figure 2.2).

In this spectrum, procedural policy instruments can be seen to range from limited information suppression or release designed to mildly affect subsystem behaviour through "voluntaristic" responses from targeted actors to group or institutional reforms designed to completely restructure existing subsystems by compulsory means.[40]

THE VARIABLES AFFECTING INSTRUMENT CHOICE: STATE CAPACITY AND TARGET COMPLEXITY

It is still only a start, however, to say that a variety of instrument choices exists that can alter patterns of goods-and-services delivery or policy interactions and that these choices differ in terms of the extent of state involvement in them. Rather, what is needed is the identification of a limited set of factors or variables that can be said to influence instrument choices in specific directions.

In a perfect world, there would be little trouble choosing the appropriate tool for the governmental task at hand. That is, if all the costs and benefits of a tool were context-free and known, and the goals of a policy clear and unambiguous, a decision on which instrument to use in a given circumstance would be a simple maximizing one, and mistakes would not be made. However, in real-world situations, as information difficulties arise in determining instrument effects and as the clarity and precision of goals diminishes, it becomes more and more likely that policy means and ends will be mismatched and that policy failures will occur.

Moreover, it has become more and more apparent to many observers that the kind of precision required for such maximizing instrument choices will never be achieved, not just because of poorly defined, ambiguous, decision-making circumstances and information asymmetries, but more fundamentally because the utility of the instruments themselves, and hence the calculation of their attractiveness, is heavily context-dependent. That is, although instruments may be, in some technical or theoretical sense, "substitutable" in so far as any one instrument could achieve any end – albeit at differing levels of cost – in practice they differ in a number of ways, making the choice of instrument a complex matter.

Salomon and Lund, for example, suggested that different instruments involve varying degrees of effectiveness, efficiency, equity, legitimacy, and partisan support that affect their appropriateness for a particular

situation.[41] Thus some instruments are more effective in carrying out a policy in some contexts than others. Efficiency, for example, in terms of low levels of financial and personnel costs, may be an important consideration in climates of budgetary restraint but is a less significant aspect in free-spending times. Legitimacy is another critical aspect of instrument use that varies with context.[42] The ability of an instrument to attract the support of the population in general and, particularly, of those directly involved in policy making in the issue area or subsystem involved must also be taken into account. A relatively heavy-handed approach to regulation of the financial dealings of industry, for example, may be anathema in normal times in many sectors, but in the wake of bank failures and corporate scandals, it may find sudden popularity among both the public and the policy elite.

Abstract notions of efficiency and effectiveness may also become less important criteria in some contexts, such as wartime, when government departments or public enterprises may be preferred tool choices simply because they remain under direct government control[43] or because administrators may be more familiar with their use and risks.[44] Moreover, cultural norms and institutional or political arrangements may accord greater legitimacy to some instruments than others. Thus it is possible that in liberal democracies, citizens and policy makers desiring high levels of individual autonomy and responsibility may prefer instruments that are less coercive than other equally or perhaps more effective or efficient alternatives that do not promote these qualities. Such societies can be expected, for example, to prefer voluntary and mixed instruments to compulsory instruments on philosophical or ideological grounds.[45] Moreover, instruments have varying distributional effects, so policy makers in such societies may need to select instruments that are, or at least appear to be, equitable. Tax incentives, for example, are inherently inequitable because they offer no benefit to those (the poor) without taxable income. Their use, therefore, will vary to the extent that (1) societies are bifurcated along socio-economic, or class, lines and (2) individuals are aware of their advantageous and pernicious consequences.

In addition to these "external" contexts, there are "internal" constraints on instrument choices that must be considered. While instrument choice is clearly not a simple technical exercise and must take into account aspects of the social, political, and economic contexts of instrument selection, it is also the case that the internal configuration of instrument mixes alters the calculus of instrument choice in significant ways. Some instruments may work well with others – as is the case with "self-regulation" set within a regulatory compliance framework[46] – while other combinations may not, such as, notably, independently developed subsidies and regulation.[47]

Both these "internal" and "external" contexts of instrument behaviour and selection must be taken into account in efforts to theorize optimality in the design of those policy mixes that comprise government's "governance strategies."[48] Unfortunately, however, this complexity is often not recognized, and instrument choices are still often viewed through an ideological or conceptual lens that reduces choices to a "one size fits all" motif or, more commonly, to a struggle between "good and evil" in which an existing range of instrument uses is condemned and the merits of some alternative single instrument are trumpeted as the embodiment of all that is good in the world. The unfortunate consequence of such simplistic approaches, if adopted, is usually that the instrument – be it state-driven public enterprises in the case of socialist and developing countries in the first two-thirds of the twentieth century or the virtues of privatization, deregulation, and markets in the last third – is wielded less like the scalpel of a careful surgeon working on the body politic than like the butcher's cleaver, with little respect for the tissue of the patient falling under the knife.

UNDERSTANDING INSTRUMENT MIXES: IMPLEMENTATION STYLES AS GOVERNANCE STRATEGIES

The foregoing comprises what is well known about instruments. As was pointed out above, most governments do not use single instruments to address problems but usually adopt a variety of tools to accomplish their ends. While these mixes can become quite complex – either by design or by accident of history – it is worth noting that although seemingly faced with a large choice of possible instruments in creating their strategies, governments often repeatedly choose from a much more limited set of options. That is, there is a distinct tendency for governments to develop an "implementation style" in various sectors and to stick with this style for quite some time.

And it is interesting to note in this regard that an implementation style is usually composed of a combination, or mix, of substantive and procedural instruments, at minimum two. Hence, for example, the well-known implementation style found in many US policy sectors, dubbed "adversarial legalism" by Robert Kagan,[49] is composed of a preferred substantive instrument (regulation) and a characteristic procedural one (judicial review) based on widespread, easily accessible legal procedures.[50]

This observation allows us to recast the question of the "rationale of instrument choice" as "why are particular mixes, or styles, adopted by governments?" In answering this question, it is instructive to look at the

Table 2.3
A model of substantive-instrument choice

Level of state capacity	Level of policy-subsystem complexity	
	High	Low
High	Market or subsidy instruments	Direct-provision instruments
Low	Regulatory or information instruments	Voluntary, community, or family-based instruments

Source: Adapted from M. Howlett and M. Ramesh, *Studying Public Policy: Policy Cycles and Policy Subsystems* (Toronto: Oxford University Press, 1995).

factors identified by first-generation scholars with respect to substantive- and procedural-instrument use. In the case of substantive instruments, most students of instrument choices have focused on two interlinked sets of independent variables: (1) the organizational ability, or capacity, of states to affect societal actors and (2) policy subsystem complexity, or the number and types of actors that governments must affect in designing and implementing their programs and policies.[51] That is, the type of instruments chosen depends on the intersection of state capacity and the complexity of the networks of social actors that states wish to influence. Howlett and Ramesh, for example, show how these two variables, and their expected relationship to each other, can be used to generate a simple model containing a set of hypotheses regarding substantive instrument choices (see Table 2.3).

This model shows, for example, how subsidy or market instruments should be used – indeed, can be used effectively – only when a high level of state capacity and a complex policy subsystem exist, as is the case, for instance, with most competitive economic situations faced by modern states. By comparison, if a state faces a complex network, or subsystem, but has only limited capacity, it will tend to utilize regulatory or information-based instruments. Direct provision and public enterprises are likely to be used only when a state has high capacity but faces a relatively simple social or policy environment characterized by few actors and a small number of significant interorganizational relationships. Finally, when state capacity is low and the policy environment is not very complex, reliance on voluntary instruments can be effective, as was the case historically in many areas of social and health policy.[52]

This kind of model does not delve into the fine gradations of instrument use within each general category nor into the specific contexts of

individual decisions that can result in errors being made in instrument choices. However, the model suggests that although substantive instrument choices are complex, general patterns of such choices can nevertheless be discerned and explained on the basis of the presence or absence of a small number of factors or variables.

While more empirical research is required to help test and construct such a theory with respect to the less well-studied procedural instruments, the existing evidence does suggest that a government's desire to alter a policy process is intimately tied to the extent to which existing processes and procedures are considered credible, or *legitimate*, by policy actors.[53] As is well known, democratic states require the attainment of a minimum level of societal consensus supporting their actions. When a serious loss of legitimacy or trust occurs, the subject of political conflict often shifts from the actual substantive content of government actions toward a critique of the processes by which these actions are determined.[54] This can occur either at the macro (or system-wide) level or at the meso (or sectoral) level, but in either case, governments resort to the use of procedural instruments as a means of altering network configurations in order to construct or regain legitimacy.

In addition, a second key variable of procedural instruments, as with substantive instruments, is the nature of the network or subsystem being manipulated.[55] For example, as May and his colleagues have noted in the case of intergovernmental program design, governments have attempted to build cooperation and commitment among the multiple actors involved in areas such as environmental regulation in Australia and the United States, in addition to prescribing penalties or utilizing incentives, primarily because of the risk to future activities that conflict could bring.[56] And, as Bridget Hutter has noted in the case of European Union program design, the precision and accuracy of targeting appears to have been more significant than, for example, cost or administrative simplicity to policy makers in designing governance.[57]

This discussion suggests two key variables that can capture important aspects of choosing procedural policy instruments: (1) the extent of existing sectoral delegitimation, which directly affects the extent of subsystem manipulation appropriate for the task of relegitimation; and (2) the extent of systemic delegitimation, which affects the capacity of governments to use existing networks to continue policy deliberations.[58] On this basis, a model of procedural-instrument choice can be set out, analogous to that previously developed for substantive instruments (see Table 2.4).

In this model, one would expect governments faced with both sectoral and transsectoral systemic-legitimation problems to utilize "compulsory" procedural instruments such as government reorganization in or-

Table 2.4
A model of procedural-instrument choice

Level of sectoral delegitimation	Level of systemic delegitimation	
	High	Low
High	Institutional manipulation	Funding manipulation
Low	Recognition manipulation	Information manipulation

Source: Michael Howlett, "Managing the 'Hollow State': Procedural Policy Instruments and Modern Governance," *Canadian Public Administration* 43, no. 4 (2000): 412–31.

der to restructure policy networks, essentially reconstructing legitimacy and trust anew.[59] Governments facing low levels of both sectoral and systemic delegitimation would be expected to favour the use of more modest "voluntary" instruments, such as information manipulation through the release or withholding of documents, since only minor network manipulation is required to legitimate existing policy processes.[60] In between would be found cases where sectoral distrust and discontent are high but systemic delegitimation low, meaning that government funds can be used to relegitimate policy processes through, for example, the infusion of cash to create or selectively support specific interest groups.[61] Finally, where systemic delegitimation is high but sectoral delegitimacy is low, governments can recognize new actors or reorganize old ones through authoritative means, such as the establishment of specialized quasi-independent advisory committees and inquiries that serve to distance sectoral policy processes from overall systemic-legitimation concerns.[62].

THE CONCEPT OF AN IMPLEMENTATION STYLE

As discussed above, second-generation instrument-choice analyses take their place in a larger literature about the transition from a more hands-on, interventionist style of government to "governing at a distance," the notion of "governance," and the widely employed metaphor of governments achieving public purposes by "steering" complex networks of public and private actors rather than directing an expensive and possibly ineffective bureaucracy.[63] Moving from a focus on single instruments, second-generation analysis looks instead at complementarities and conflicts within instrument mixes and adopts a much more flexible and less ideological approach to instrument use. For second-generation scholars,

a key question is not so much "why do policy makers utilize a certain instrument?" – as it was for their first-generation counterparts – but "why is a particular combination of procedural and substantive instruments utilized in a specific sector?"

Second-generation scholars have emphasized the need to design appropriate instrument mixes and have come to focus on a small number of key precepts that embody the "scalpel" approach to instrument use:

1 The importance of designing policies that employ a mix of policy instruments carefully chosen to create positive interactions with each other and to respond to particular, context-dependent features of the policy sector
2 The importance of considering the full range of policy instruments when designing the mix rather than assuming that a choice must be made between regulation and markets[64]
3 In the context of continuing pressures on governments to do more with less, the importance of suggesting the increased use of incentive-based instruments, various forms of self-regulation by industry, and policies that can employ commercial and noncommercial third parties to achieve compliance, such as suppliers, customers, and a growing cast of auditors and certifiers
4 The importance of the search for new network-appropriate procedural policy instruments to meet the challenges of governance, of particular importance being "next-generation" policy instruments, such as information instruments, and various techniques of network management, such as the use of advisory committees and public consultations.[65]

The analysis of both substantive- and procedural-instrument choices presented above suggests that the choice of both types of policy instruments is shaped by the preferences of state decision makers and the nature of the constraints within which they operate.[66] For example, states must have a high level of administrative capacity in order to utilize authority, treasure, and organization-based instruments in situations where they wish to affect significant numbers of recalcitrant policy targets. When a state has few of these resources, it tends to utilize instruments like incentives or propaganda or to rely on existing voluntary, community, or family-based instruments.[67] Similarly, a key feature identified by students of procedural-instrument choice is the government's capacity to manipulate policy-subsystem membership and activities.[68] Implemented to retain the political trust or legitimacy required for substantive policy instruments to be effective, procedural policy-instrument choices are

Table 2.5
A model of basic implementation styles

Severity of state constraints (resources and legitimacy)	Nature of the policy target (exchange and policy actors)	
	Large	*Small*
High	Institutionalized voluntarism:	Regulatory corporatism:
	exhortation-based manipulation of market actors and institutionalization of policy networks	regulation of market actors and financial manipulation of interest-articulation systems
	(e.g., "next-generation," "steering" models of state behaviour in health care; promotion of "compliance" cultures)	(e.g., "corporatist"-style economic-planning models in industrial policy making)
Low	Directed subsidization:	Public provision with oversight:
	extensive use of financial instruments to influence market actors, coupled with the use of authority to preferentially recognize network actors	use of governmental-organization (personnel and structural) resources to provide goods and services, combined with manipulation of network actors through information release and distribution
	(e.g., models promoting industrial development in new high-tech sectors: biotechnology, aquaculture, internet, etc.)	(e.g., wartime production, rationing, and mobilization models)

Source: Adapted from M. Howlett and M. Ramesh, *Studying Public Policy: Policy Cycles and Policy Subsystems* (Toronto: Oxford University Press, 1995).

also affected by the size of the policy target. For example, whether a government faces sectoral delegitimation or widespread systemic delegitimation affects the choices made between, say, creating a sectoral advisory committee or using funding to enhance the overall interest-articulation system found in society.[69]

Putting these two types of instruments and variables together leads to the model of ideal typical implementation styles found in Table 2.5. In this model, context is crucial and instrument preferences are linked to relatively long-term aspects of the policy-making context. Since the

factors that affect styles – such as state capacities and the nature of societal targets – are relatively long-lasting, this helps to explain why implementation styles can be expected to change infrequently and to become a quasi-permanent feature of the policy landscape.

An emphasis on long-standing patterns of instrument choices does not mean, of course, that choices are inevitable or immutable or that substantial shifts in implementation styles do not occur. Such shifts can happen as the nature of the constraints that governments face changes or if governments decide to broaden or narrow their focus on specific policy targets. Assessing how likely it is for existing implementation styles to change, therefore, is an important question for policy designers and students of instrument choices.

Certainly, shifts in fundamental implementation styles have occurred in many governments over the past century due to the influences of activities like colonization and decolonization, war, and other events that have wrought changes to the organizational capacities of states and their societies. Even in governments less affected by such dramatic events, such as those in North America, implementation styles have moved from, for example, a preference for directed subsidization in the nineteenth century to the regulatory corporatism associated with the progressive movement in the 1920s and 1930s.[70]

It is also certainly the case in Europe and North America, and elsewhere, that contemporary governance currently takes place within a very different context from that of past decades. Government capacity in terms of human and organizational resources remains high by historical standards, but the autonomy of governments – that is, their ability independently to affect change – has been eroded by such factors as the growth of powerful international actors and systems of exchange.[71] Moreover, at the domestic level, modern societies have developed increasingly complex networks of interorganizational actors whose coordination and management are increasingly problematic.[72]

In responding to, and attempting to lead, these changes, governments in Europe and North America have encountered difficulties in using existing implementation styles to achieve their preferred policy outcomes.[73] In order to retain effective service delivery and legitimate their actions as the size of the targets they wish to influence has increased, administrators have experimented with a variety of new substantive instruments, such as advertising, auctions, private-public partnerships, and elaborate tax-incentive schemes, as well as with many new procedural techniques, such as stakeholder participation, and various other forms of "collaborative government."[74] In these

circumstances many governments have turned away from earlier styles, such as "regulatory corporatism" and "public provision with oversight," and toward either "institutionalized voluntarism" or "directed subsidization" depending on the configuration of resources and legitimacy they have encountered in specific sectors.[75]

CONCLUSION:
THE NEED FOR NUANCE AND PRECISION IN POLICY-INSTRUMENT ANALYSIS AND PRACTICE

The study of policy instruments over the past twenty years has generated many insights into instrument use, insights that have helped academics to better understand policy processes and have enabled practitioners in Canada and elsewhere to design better policies.[76] However, in the process of developing the taxonomies and models of instrument choice, many investigators at first focused almost exclusively on the specific set of substantive instruments that governments use to alter the distribution of goods and services in society. Because of this intense focus on "substantive" tools, sight was lost of the need, identified by earlier students of public-policy tools, to take both the substance and process of policy making into account when conducting instrument analyses and designing governance strategies.

This shortcoming has become a major problem in attempting to find solutions, methods, and tools to deal with contemporary policy issues and has led to the development of "second-generation" instrument theorists determined to understand the complexity of multiple instrument mixes.[77] As a result of their work, at the present time, the basic contours of both procedural and substantive policy instruments are well known, as are the basic rationales for their use and the factors that have led to their selection. Understanding the use of "bundles," or "portfolios," of instruments rather than of single tools is a crucial step in designing effective governance strategies,[78] and the concept of an "implementation style" developed by second-generation thinkers is a useful one in beginning to assess these questions.

Innovative and effective policy design requires that the parameters of instrument choice be well understood, both to reduce the risk of policy failure and to enhance the probability of policy success.[79] There is a need to expand the menu of instrument choices and to appreciate the nuances and complexities of quasi-permanent implementation styles and the effects they have on instrument choices. This is especially the case given that new governance arrangements are needed in many sectors now that

increased governmental and societal use of capacity-enhancing informa-
tion technologies, coupled with the increasing sophistication of networks
of citizens and clients, has allowed for greater experimentation with non-
traditional means of policy implementation.[80]