

# The 10 Principles of Sound Public Policy

Adapted from Centre for Civil Society (CCS)

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# Public Policy: What? Who? Whom?

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## **What** is Public Policy?

Public Policy is generally defined as a System of Laws, Regulatory Measures, Courses of Action, and Funding Priorities, concerning a given area of interest, enforced by any entity or representative of the Government, at all levels, whether Central, State, or Local.

## **Who** makes Public Policy?

It is clear from the above definition, that all tiers of Government are actively engaged in the formulation and enactment of Public Policy. At times, even the Judiciary, in its role of Judicial Activism, makes Public Policy.

## Whom does Public Policy affect?

Public Policy mainly affect individuals under the jurisdiction of the Government.

## Who **influences** Public Policy?

- Citizens.
- Lobby Groups.
- Special Interest Groups.
- Think Tanks.  
etc.

All Public Policy has the ultimate aim to fulfil certain Goals that the Government has in mind.

Even though in the Long-Run a Policy may benefit all groups in society, in the Short-Run there are always some groups that are impacted positively while others are impacted negatively.

Thus, it is important to conduct a Stakeholder Analysis:

- Identify all **Affected Parties**.
- Determine **Winners and Losers**.
- Follow the trail of **Benefits**.

After understanding the importance and power of Public Policy, we need a set of guidelines for evaluating Policies.

## How can we develop Sound Public Policy?

Before trying to create a new Policy to solve a pre-existing problem, it is essential to understand what Policies are already in place that may have caused the problem in the first place.

When a clear connection between a Policy and the Problem can be identified and demonstrated, then only should the Policy should be amended, removed, or replaced entirely.

Generally, Policy should try to uphold the ideals of a **Liberal Democratic Society**:

Individual Rights, Clear and Decentralized Ownership and Responsibility over Resources, the Rule of Law, Freedom of Choice, Freedom of Expression, Tolerance, Minimum Government and Maximum Governance, etc.

# Principle 1: Scope of Public Policy

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## *Principle 1:*

*A Sound Policy has the Government do only what individuals and associations cannot do for themselves.*

The Government should only assume those tasks which are needed to maximize General Welfare, but which are too difficult to achieve through the Market Mechanism and / or Voluntary Association.

Society doesn't need a Policy for everything.

# Bad Policy

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- Scooters India Limited.
- Indian Airlines, Hotels, BSNL, MTNL, etc.



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- Providing Public Goods such as Policing, Defence, Justice.
- Environmental Protection Laws.
- Consumer Protection Laws.





# Principle 2: Unintended Consequences

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## *Principle 2:*

*A Sound Policy would consider Long-Run Consequences over all groups of people, not just the Short-Run effects on one group.*

Policies are usually designed to help one particular group, but other groups end up being harmed because the effects on these unseen groups are not immediate and obvious. This is also known as the Law of Unintended Consequences.

When assessing Policy, it is essential to try to foresee the consequences to all groups, to whatever extent possible.

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## Trade Restrictions Pre-1991:

- Short-Run Benefits: Protection to established businesses and their employees.
- Long-Run Consequences: Higher Prices for Domestic Consumers; lack of incentive to innovate and reduce costs for Producers.

## Minimum Support Price:

- Short-Run Benefits: Protection to farmers from adverse shocks.
- Long-Run Consequences: Distortion of incentives, leading to overproduction of Rice and Wheat.

# Other Examples

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## MGNREGA:

- Short-Run Benefits: Guaranteed employment during non-sowing and non-harvest times.
- Long-Run Consequences:
  - Creation of Assets and Infrastructure in rural areas.
  - Crowding in of Labour into NREGA, rather than other productive opportunities elsewhere.

## Tokyo 2020 Olympics: Renovating the Stadiums.

- Short-Run Benefits: Saving money, reusing pre-existing infrastructure.
- Long-Run Consequences: Lower Carbon Footprint, Sustainability.

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# Principle 3: Free Society

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## *Principle 3:*

*A Sound Policy will enhance for all:*

- *Choice.*
- *Competition.*
- *Freedom.*

Society is all about cooperating for mutual benefit — being free to associate with whomever we wish, and being free to offer each other alternatives in the marketplace of ideas, goods, and services.

The freer consumers are to choose who serve them, and the freer producers are to compete with established providers, the better off society is.

# Examples

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## Bad Policy:

- **Strict Industrial Laws:** The Industrial Disputes Act, 1947, mandates that for manufacturing firms that hire more than 50 workers, termination of permanent workers requires Government approval. Firms have circumvented the problem by either hiring Contract Labourers, or by choosing to stay small, contributing to the problem of the Missing Middle in Indian Manufacturing.

## Good Policy:

- The 1991 LPG (Liberalization - Privatization - Globalization) Reforms, which have given people access to more options at better prices, lesser burdens for entrepreneurs who wish to start businesses, etc.

### Features of a Free Market Economy



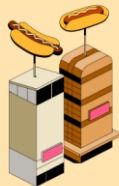
Innovation



Lower cost  
of goods



Ease of starting a  
business



Open  
competition

# Principle 4: Intentions and Outcomes

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## *Principle 4:*

*A Sound Policy focuses on Measurable Outcomes, not just inputs and good intentions.*

It is important to recognize the distinction between intentions and actual effects. Good intentions are not enough for sound policy.



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## Lockdown 2020:

- Good Intention: To control the spread of COVID-19.
- Bad Outcome: Mass migration of migrant labourers back to their homes.

## Demonetization:

- Good Intention: To curb the problem of Black Money.
- Bad Outcome: Chaos, loss of wages for daily wage labourers, economic slowdown, etc.



# Principle 5: Friedman's Law of Spending

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## *Principle 5:*

*A Sound Policy aligns incentives by moving up the hierarchy of Friedman's Law of Spending:*

- *Spending your money on yourself.*
- *Spending your money on someone else.*
- *Spending someone else's money on yourself.*
- *Spending someone else's money on someone else.*

Most Government programmes fall in the fourth category. There is little incentive to economize or use resources for maximum benefit. Good Policies will try to move up the hierarchy to improve efficiency.

		On Whom Money is Spent	
		Yourself	Someone Else
Whose Money is Spent	Yours	Economize and seek highest value	Economize, but don't seek highest value
	Someone Else's	Don't economize, but seek highest value	Don't economize and don't seek highest value

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- **Vouchers for School:** Instead of subsidizing fees at a particular school, the Government can give out Vouchers (that cover tuition costs), to parents, who can then use them to pay for any school of their choice.
- **Food Coupons:** Instead of subsidizing a particular food group, the Government can give out Food Coupons to eligible beneficiaries, who can then use them to pay for food items of their choice.
- **Universal Basic Income:** Instead of providing a range and variety of Subsidies for different goods and services, a Cash Transfer to eligible beneficiaries, will allow them to use the money in the manner they see best, also eliminating the many administrative costs involved with a Subsidy.

# Principle 6: Decentralization

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## *Principle 6:*

*A Sound Policy would enable Governance (like decisions about taxes and expenditures) closest to the people.*

When Governments handle resources, it is generally best that they be managed at the local level, where individuals have more information and influence to keep officials accountable.

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## Bad Policy:

- Centralization of the Vaccination Procurement by the Government of India, leading to delays in shipping, slow coverage, poor reach, etc.

## Good Policy:

- The 73rd and 74th Constitutional Amendments which gave Constitutional status to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), has decentralized functions, functionaries, and finances to the third tier of the government.



# Principle 7: Accountability and Responsibility

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*Principle 7:*

*A Sound Policy would impose the same standards, norms and punishments for non-performance on the Government as are imposed on Non-State Providers.*

Public Policy must have the same norms and punishments for Private as well as Government Service Providers.

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## Bad Policy:

- The Consumer Protection Act of 1986 technically applies to all providers of Goods and Services, Private, and Government, but rather cleverly excludes goods and services provided 'free of charge'.

## Good Policy:

- The Meghalaya Right to Public Services Act, 2020 is a pioneering effort in assuring minimum standards of service. It imposes clear penalties on public officials for poor or non-performance of their duties.





# Principle 8: Individual vs. Majority

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*Principle 8:*

*A Sound Policy will not sacrifice the rights of an individual for the interest of many.*

This Principle basically ensures that society is based on consensus and voluntary agreement, rather than on force.

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- Land Acquisition leaves the land owner uprooted from their only source of livelihood, for the benefit of an industry or large infrastructure project.
- Construction of Hydroelectric Projects, causes large scale displacement of indigenous populations, and other human-related consequences.



# Principle 9: Libertarianism

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## *Principle 9: Libertarianism*

*A Sound Policy is based on the premise that people are responsible, resilient, and self-governing, given the right set of incentives and framework of law.*

When making Policy, we often fall into the notion that we are in a better position to make practical and moral decisions for other people (Paternalism).

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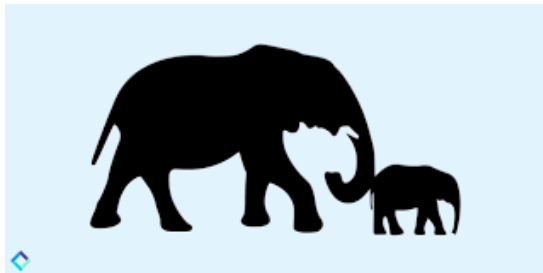
Accountability

Institution

Liberalism

Support

- Universal Basic Income: Cash transfers give people the power to be the best judge of what to do with their money, as opposed to a Subsidy or an In-Kind transfer, which limits people's choices.
- Nudging makes it both possible and legitimate for institutions to affect behaviour while also respecting freedom of choice, as well as the implementation of an idea.



# Principle 10: Sunset Clause

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*Principle 10:*

*A Sound Policy should often have an expiry date (Sunset Clause).*

Once a Policy is on the books, it becomes very hard to change. Sunset Clauses make it easier for Policies to elapse that have outlived their usefulness.

A Sunset Clause does not mean that the Policy must end after a certain period of time, but that the Policy must be reviewed and re-approved after a pre-determined period in order to stay on the books.

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- Section 377:  
Although the amendment was introduced late, the Supreme Court of India, in the Navtej Singh Johar vs. Union of India Case (2018), recognized the fact that the law was outdated, deemed it unconstitutional, and decriminalized consensual same-sex relations. Had there been a Sunset Clause however, the law would have been reviewed a long time ago.

