

Peter Murrell on “Harnessing the power of incentives” by Zinnes & Bolaky

The paper was deemed to be rather ambitious in scope. The discussant pointed out that doing an NIE of a complex bureaucracy and its decisions was itself an enormously complex task. The undertaking of any theoretical analysis will be subject to a rather high degree of contingency in the results. For instance on the basis of certain assumptions one can find that a non-profit group will produce a better output than a for-profit group but a slight alteration of the assumptions might lead to an opposite conclusion. So not only will the task be difficult but the results may also be hard to interpret.

The NIE in the discussant's view fails to lead to precise results in general situations but provides a mode of analysis to think about the specifics. The discussant agrees with the authors that little specific analysis exists on the types of situations that are being suggested for study, namely analyzing specific bureaucracies with specific types of goals in specific situations, on which one can then build a detailed analysis of a foreign aid bureaucracy.

Yet despite the absence of such an analysis there are many bureaucracies that run at tolerable levels of efficiency. How to explain this? According to the discussant, competition and the forces of natural selection provide a solution in the world of the market place. They can be powerful tools to produce long-run efficiency in the behavior of a bureaucracy among others. There is however a smaller degree of competition in the public sector relative to the private sector. The lack of competition in the public sector makes the type of analysis attempted by the paper important. In this context, experimental work becomes important too. The analysis of the paper might be viewed as providing a mechanism that substitutes for the natural selection processes of the market place. It provides the kind of feedback for the public sector that the market place would have produced had one been usable. This paper illustrates how an NIE analysis can provide a functional substitute for the competitive and evolutionary processes of the market place.



*Forum Series on the Role of Institutions in Promoting Growth*  
Directed by The IRIS Center  
Sponsored by USAID, EGAT/EM  
SEGIR/LIR PCE-I-00-97-00042-00, TO 07

