

Panel 3: Governance in a World of Absolute Scarcity

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The application of economic analytical methods is rather limited in Dutch governance studies. A NIG-colloquium on "Governance and Economics" was established in 2007 bringing together a network of scholars employing such methods in the Netherlands Institute of Governance. Issues addressed at the colloquium include the question how economic theories contribute to an understanding of governance problems and, the other way around, how modes of governance affect economic outcomes in various settings.

In an economic relative scarcity model, it is often assumed that resources are available without really fundamental limitations. Regulations are necessary to let market forces do their work (such as in anti-monopoly policy). Redistribution of resources is accepted with reference to normative justifications, e.g. in order to compensate for unequal initial allocations of resources among parties. In general, however, governance institutions often are considered as disruptive elements, creating new imperfections while mitigating existing ones. In a world of absolute scarcity, the central issue is no longer efficiency maximization and growth, but instead the distribution of limitedly available resources among actors. The more we enter a world of absolute scarcity, the less neo-classical economics provides useful answers. Neo-institutional economics may more adequately interpret the economics of this type of world. It explicitly combines economical and regulative questions and addresses the economics of governance and the governance of the economy.

How can audit structures contribute to the control of public organizations and agencies? How can a common pool-like structure be managed best? And what factors determine differences in that respect? How do we prevent moral hazard by beneficiaries of collective arrangements? How do we cope with Baumol's disease in the realm of the ever-growing relative costs of (public) services? What governance arrangement serves best to optimize the interaction between various public and private organizations in different settings? How can the Dutch government unite the demands of the European Union to the specific demands the Dutch economy makes?

It is questions like these that were addressed at the Governance & Economics colloquium. The panel at the NIG working conference in November 2008 was open to Governance & Economics colloquium members, but also to other NIG-members. At the NIG working conference, we wished to share and discuss the first results of the colloquium.