

## Governing at arm's length: eroding or enhancing democracy?

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# Policy & Politics

## Governing at arm's length: eroding or enhancing democracy?

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<b>Abstract:</b>	This review article debates the democratic consequences of arm's length governance challenging the prevailing view that its use is necessarily counter-democratic and a poor substitute for direct control by elected politicians. The article explores the roots of the dominant 'democratic deficit' perspective on arm's length bodies in the agency problems generated by political delegation. But, also addresses the potential for democratic enhancement posed by the different theoretical lens of polycentrism. The article considers the conditions that are necessary to activate citizens to engage with arm's length governance. Our conclusion develops the normative implications for the design of public governance.
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## **Governing at arm's length: Eroding or enhancing democracy?**

### **Introduction**

This review article challenges the prevailing view that the use of quangos, non-majoritarian institutions, agencies and other forms of arm's length governance is necessarily counter-democratic and a poor substitute for direct control by elected politicians. We consider important theoretical and policy questions about the extent to which organising state functions in this way closes off policy sectors into private realms that exhibit a democratic deficit, or offers democratic enhancement by fostering new forms of public influence and deliberation. We argue that conventional state-centric models of representative politics still dominate the way in which arm's length governance is understood. Even the notions of 'quasi-governmental' organisations and 'arm's length' agencies presuppose that authority and legitimacy flow out from elected politicians, reciprocated by a singular line of accountability back to them. Yet from a theoretical perspective there are other ways of thinking about the place of such bodies in systems of democratic governance and individuals working in such organisations clearly see multiple forms of accountability arising from the networks of relationships in which they are embedded (Newman, 2004; Acar, et al, 2008; Jeffares and Skelcher, 2011).

We use the generic term 'arm's length bodies' (ALBs) to refer to a broad class of organisations that undertake a variety of public functions that otherwise could be located in a government department/ministry. These include policy development, resource allocation, service delivery, regulation, and adjudication (table 1). The main characteristic of these bodies is their relative autonomy from elected politicians in the way they exercise their functions. Conventionally, they are regarded as 'further out' from political control than ministries (Greve, et al, 1999; Pollitt, et al, 2001). However this class of organisations exhibits wide variety in their governance, as we illustrate in our article, leading Gill (2002) to characterise them as an 'organisational zoo'.

----- Table 1 about here -----

The dominant 'democratic deficit' perspective on ALBs derives from the agency problems generated by political delegation (Elgie, 2006; Vibert, 2007; Bertelli, 2012). The theory

proposes that as politicians delegate functions out to agencies, so information asymmetry increases and there is a consequent loss of transparency and reduction in accountability. This creates space for opportunistic, self-interested behaviour on the part of arm's length bodies, further accentuating the democratic deficit in comparison with functions that are retained under the direct control of elected politicians. From this perspective, the benchmark for assessing democratic quality is the politically-headed bureau within a system of representative democracy. Thus, democratic quality is eroded as governments respond to new public management incentives to delegate to third parties.

If we set agency theory to one side and look at ALBs from the viewpoint of pluralism and polycentrism, then the democratic implications are somewhat different. From a pluralist perspective, agencies provide a means of reducing the privatism of elite partisan bargaining by protecting the participation rights of actors who otherwise would be marginalised (Bellamy, 2010). Such actor involvement may reflect the way in which the body is formally constituted to incorporate representatives of affected publics, for example the integration councils established by Danish municipalities (Skelcher, et al, 2013), or its specific functional responsibility, such as the UK's Equalities and Human Rights Commission. Ostrom's (1990) work on polycentric political institutions complements this insight by recognising that self-organisation amongst smaller sets of publics may provide an effective way of resolving collective action problems, and thus facilitating a democratic ethos. Thus ALBs have the potential for democratic enhancement through mechanisms that Fung (2001) has termed 'accountable autonomy' – continuous, direct and empowered participation by citizens and others in arenas that enable deliberative decision-making.

There are three reasons why it is important to debate the democracy eroding vs. democracy enhancing consequences of arm's length governance. First, the exercise of public authority through ALBs is a common and largely indispensable feature of contemporary governance (OECD, 2002; Verhoest, et al, 2010). National governments have caught what Pollitt et al (2001) term 'agency fever', and at the sub-national level various forms of collaborative, network and private governance play a significant role in determining and/or delivering public programmes (Sullivan and Skelcher, 2002). More recently, there has been a growth in trans-national institutions, especially in the economic and security fields - some created

by upward delegation from nation states and others through self-organisation by non-state actors (Hall and Biersteker, 2002; Mattli and Büthe, 2005; Vibert, 2007).

Secondly, the contemporary questioning of the relationship between state and citizen has been conducted in the context of a search for new institutional arrangements. In the UK and elsewhere, government's desire to divest its responsibilities has created an array of initiatives to empower, activate, and induce citizens, businesses, nonprofits and communities to play a fuller role in public governance (Cornwall, 2004; Clarke, 2005; Brannan, et al, 2006; Durose, et al, 2009). Citizens are no longer perceived as the passive recipient of public benefits but rather as an active part of a common solution to social problems, bringing 'experiential expertise' and 'local knowledge' (Taylor 2003; Yanow, 2004; Brannan, et al, 2006; Barnes, et al, 2008;). This approach has particular relevance in meeting the needs of a super-diverse society (Griffiths, et al, 2009) and in addressing so-called 'wicked' issues (Horne and Shirley, 2009: 25).

Finally, the study of ALBs is fragmented across academic fields, but with little intellectual or empirical cross-fertilisation. It has exercised scholars of the European Union (Majone, 1998; Gilardi, 2008;) and US federal agencies (Epstein and O'Halloran, 1999; Huber and Shipan, 2002), as well as urban political scientists (Sørensen, 2005; Swyngedouw, 2005; Klijn and Skelcher, 2007; Davies, 2011). There is considerable opportunity further to advance the field through greater intellectual connectivity. In the next section, we consider the problem of democratic deficit in more detail, followed by an examination of the democracy enhancing perspective. The article then explores the conditions that are necessary to activate citizens to engage with arm's length governance. Our conclusion develops the normative implications for the design of public governance.

### **Delegation, discretion and democratic deficits**

The dominant perspective views arm's length governance as a product of delegation: a political principal passes some of their authority to an administrative agent who has discretion in how this is exercised. There are a number of reasons why such delegation might be of benefit (van Thiel, 2004; Elgie, 2006). From the principal's perspective,

delegation through patronage appointment improves their political security because it locks-in support through ties of mutual obligation, sometimes reinforced by permitting agents to take advantage of rent-seeking opportunities offered by their office (Bearfield, 2009). Such personal patronage also enhances deliverability of the principal's policy goals by privileging political responsiveness over neutral competence in bureaucrat recruitment (Peters, 2009). However the power of patronage has been moderated in a number of countries by the introduction of an 'advise and consent' relationship with the legislature or creation of an independent appointments commission (Flinders, 2009; Pond, 2008). Finally, it offers the benefit of what Hamman, et al (2010) term 'moral wriggle room' (see also: Weimar, 2006) enabling the principal to engage in blame-shifting should problems arise in the execution of the function, particularly if the instrumental purpose of delegation is that the agent should take morally dubious actions that the principal is unwilling explicitly to sanction.

From a societal perspective, delegation to semi-autonomous agencies is beneficial as a mechanism to increase the credibility of political commitments in the face of time inconsistent preferences generated by short term electoral pressures (Elgie and McMenamin, 2005; Gilardi, 2008; Knott and Miller, 2005). Self-binding by delegating decisions is particularly relevant in policy sectors where the need for longer-run stability is important, as in the case of the increasing independence of central banks to manage interest rates. A credible commitment to good (as defined by the market) economic management thus requires a trustee to stand in for the politician so that other preferences do not deflect from this course, hence reducing the level of moral hazard.

However, there is evidence that the practical rationale for central bank independence and other forms of delegation are driven as much by isomorphic pressures in a globalised environment as by commitment credibility (McNamara, 2002; van Thiel, 2004). Put bluntly, the imperatives of new public management promote the withdrawal of politicians from detailed involvement in policy domains. Burnham (2001: 128) argues that since the early 1990s de-politicisation has been a governing strategy in UK economic policy - 'a process of placing at one remove the political character of decision-making' - a line of argument developed by Davies (2011) in relation to urban governance, although from a different

theoretical perspective. The extent and nature of de-politicisation, however, is a matter of debate (e.g. Kettell, 2008) and empirical analysis shows political ideology is also a determinant of delegation to arm's length bodies (Bertelli, 2006).

Whatever the motivation for delegation to quasi-independent bodies, its effect is to reframe certain classes of decision as being technical in nature and thus best determined by experts rather than being matters of contestation between values in the political process. Consequently it affects the construction of the boundary between public and private realms, and thus the degree to which particular matters are regarded as legitimately available for public debate and influence. This issue is at the heart of the democratic deficit that arm's length governance is claimed to exhibit.

Methodologically, democratic deficit is a measure of the extent to which the structures and procedures of quasi-independent bodies conform to the standards expected of representative government (Mathur and Skelcher, 2007). Such analysis, when applied to arm's length governance, will inevitably produce a gap, as scholars of EU and global institutions have pointed out (Bellamy, 2010; Majone, 1998, 2010; Pogge, 1997). They make the point that an analogy with national governmental practices is flawed due to the special conditions informing the design of non-majoritarian institutions. Moravcsik (2004) proposes an alternative realist methodology: that if particular forms of arm's length governance are broadly accepted as legitimate by citizens, then similar institutional arrangements at trans-national level should be given the benefit of the doubt. Menon and Weatherill (2008) go further, arguing that the two primary appointed institutions of the EU – the European Commission and the European Court of Justice – promote the legitimacy of the Union by ensuring that member states embed legally enforceable obligations in respect of the interests of actors who are marginalized in national political systems.

If this is the case, then we need to change our conceptualisation of arm's length governance as a 'state of agents' (Heinrich, et al, 2010) that principals find hard to control. Some US scholars, for example, refer to independent regulatory agencies as the 'fourth branch' of government, sitting alongside legislature, executive and judiciary (Yackee, 2006). Majone (1998) proposes that it is heuristically useful to think of EU institutions in that way, and by extension this could be applied to arm's length bodies more generally. If they are a fourth

branch, then their legitimacy and accountability need to be considered in this light rather than as a poor relation to politically headed government bureaux. As Klijn and Skelcher (2007) have argued in relation to governance networks, such extra-governmental institutions offer routes through which particular constituencies can gain access to political resources and thus enhance the degree of pluralism in a society or policy sector. These issues are particularly pertinent given the continuing development and increasing impact of globalised forms of non-state governance (Bernstein and Cashore, 2007; Cashore, 2003; O'Rourke, 2003).

### **Polycentrism, self-organisation and democracy enhancement**

Building a theory of democracy enhancing arm's length governance takes us away from the state-centric, principal-agent framework and towards the polycentric and pluralist model of self-organising jurisdictions (McGinnis and Ostrom, 2012; Ostrom, 1989; Ostrom, 1990; Ostrom, et al, 1961) (see Table 2). From this perspective, diversity in governing arrangements arises from the bottom up, an acknowledgement that bounded rationality limits the power of centralised governance to satisfy the diverse needs of a society (Ostrom, 1999). In fact, the best known exponent of a polycentric perspective argued explicitly that such an understanding offered the best way to approach the design of specifically democratic governing arrangements (Ostrom, 1989). Thus polycentric theory asks how diverse and complex governing arrangements can be used to deepen and extend democracy, in contrast to agency theory which focuses on how to mitigate the democratically deleterious effects of sovereign delegation.

----- Table 2 about here -----

The polycentric perspective is grounded in a U.S. political tradition that takes local self-determination rather than the central state – Leviathan or Gargantua – as its starting point for designing and legitimating arrangements for collective action. The core principle of



polycentric institutional design is to maximise both individuals' and groups' self-determination in deciding on the nature and scope of collective action. This ambition is accomplished by systematically constituting 'many centers of decision making, which are formally independent of each other' and may either 'function independently, or instead constitute an interdependent system' (Ostrom, et al, 1961: 831; Frey, 2003). Since democratic preferences are diverse, the efficient scale for production of a particular good may or may not coincide with that desired by the members of a given jurisdiction. For example, a large metropolitan government might achieve economies of scale in producing capital-intensive public goods, but at the expense of violating the preferences of some of its constituents and communities regarding whether and how much of those goods to provide. As Ostrom, et al (1961: 837) explain: 'the problem of gargantua... is to recognise the variety of smaller sets of publics that may exist within its boundaries'.

One way to accomplish that is by having households vote with their feet to choose among alternative, jurisdiction-based bundles of public goods (Tiebout, 1956). Another way, as we explore here, is to use an administrative solution by establishing an appropriate configuration of centres of decision making. Using the analytical distinction between provision and production makes it possible to design institutional arrangements that combine dispersed provision with large-scale production, or to have small-scale production serve a large population. At the same time, the existence of public governing institutions at larger scales is necessary in order to avoid (or compensate for) inter-jurisdictional spill-overs and to make appropriate redistribution possible. A polycentric design for institutional arrangements thus offers the possibility of simultaneously accomplishing both democracy and efficiency in public administration, by beginning with democracy and then finding ways efficiently to produce what democratic communities desire to provide for their members (Ostrom, 1989).

The application of the polycentric principle to arm's length governance can best be illustrated through a consideration of what in the US is termed 'private government':

Private governments . . . are those limited-purpose associations or organisations, usually voluntary in membership, which exist both alongside and subordinate to public governments. Private associations are considered governments when they

exhibit, to a significant extent, certain fundamental political characteristics..... [they] exercise power over both members and non-members, often in vital areas of individual and social concern. They make and apply rules affecting and limiting the behaviour of members [often with] well-developed systems of legislation, adjudication, and execution (Lakoff and Rich, 1973: 1).

Examples from the US include business improvement districts (BIDs) and residential community associations (RCAs) – which are typically called homeowners associations (HOAs). A recent example from England is the state sanctioning of free schools created and governed by self-organising groups of parents that operate in parallel to but with autonomy from the public education system. BIDs provide a useful way of examining this form of governance because of their widespread application outside the US. In essence, a BID involves establishing a jurisdiction within which property owners and/or occupants pay a compulsory special assessment to finance the provision of services additional to those of the enclosing general-purpose local government (Justice and Goldsmith, 2008). The choice of services and allocation of cost shares is usually either actively determined by or at least acquiesced to by the assessment-paying constituents. HOAs operate on a similar basis, providing collective goods such as refuse collection, security and environmental services for a defined residential development (McCabe, 2011).

Helsley and Strange (1998) observe that private governments provide services additional to those that their members continue to pay for and receive from public governments, their costs being imposed only on members. In this respect, private governments become a logical part of the larger polycentric context in which the provision and production of public goods and services is undertaken by general public governments and specialist, member oriented private government. Private governments become a matter of more-than-private concern when their decisions and actions have broader – one might say ‘public’ – implications. The now globally diffused BID, for example, typically provides some level of public space-management service as well as retail- and visitor-oriented services that might not be generally considered within the appropriate scope of private governments (Helsley and Strange, 1998; Hoyt, 2006; Mallett, 1993).

The democracy-enhancing potential of systematically applying a polycentric approach to the design of a system of public and private governments arises because it enables the specific needs of individuals and groups within a self-identifying community to be met while at the same time enabling that community to see itself in relation to others and to the wider polity. Thus in theory, private governments offer both self-interested and other-regarding entities, joining efficiency and democracy in the near term while laying the foundations for future democratic participation and leadership. In the case of BIDs, Baer and Marando (2001) suggest that they can foster desired democratic outcomes such as choice, efficiency and equity in collective-goods provision and financing because they allow local constituencies to agree to provide themselves with additional collective goods without having to leave their existing location or extract subsidies from other members of the larger jurisdiction. A corollary democracy enhancing benefit of private government is that they serve as training grounds for political engagement and leadership, as Ostrom (1993) argues in the case of the small US school districts prior to mid-20<sup>th</sup> century consolidation.

Of course, the democracy enhancing potential of self-organised private governments operating at arm's length to constitutionally legitimated public governments is not without its critics. BIDs not only contribute to deepening democratic deficits by substituting private for public government, but also are internally undemocratic in a variety of ways. For example, some are managed by externally appointed or self-perpetuating boards and allocate votes among members other than through a one-person-one-vote arrangement (Blackwell, 2005; Council of the City of New York, 1995, 1997; Justice, 2003). This may have consequences for their ability to comply with normative requirements of democratic public governments to ensure fairness and equity, conceivably impairing the wider civic infrastructure of local democracy (Justice and Skelcher, 2009). In the future, the creation of private governments is likely to continue rather than to vanish. Facing this reality, a polycentric perspective at least offers a way forward by directing our attention to the democratic implications of specific designs and redesigns of individual institutional forms (Ysa, 2007) and configurations of institutions (Ostrom, 1980, 1990). Such a view frames institutional design as an affirmative form of societal problem solving rather than as an exercise in institutional isomorphism. However, the democratic enhancing potential of

arm's length governance is dependent not just on institutional design but also on the mobilisation of citizens to engage in democratic encounters beyond the ballot box.

### **Activating citizens in arm's length governance**

The democracy enhancing potential of polycentrism relies on citizens subscribing to the philosophy of civic republicanism (Frey, 1997). Governments around the world are articulating the ambition to shift the default in decision-making towards citizens (e.g. NESTA, et al, 2012), and some of the potentialities and problems are illustrated in analyses of 'democratic innovations' (Smith, 2005), including participation (Barnes, et al, 2007), collaborative planning (Healey, 1997), democratic network governance (Sørensen and Torfing, 2007), deliberation (Dryzek, 2000; Fung, 2004), and co-production through sustained long-term relationships between organised groups of citizens and professionalised service providers (Bovaird, 2007; Joshi and Moore, 2003).

Yet there is a persistent view that such activities involve the 'usual suspects' and are marginal or unrepresentative of a wider apathetic but 'real' citizenry (Bochel, et al, 2008; Durose, et al, 2009). Indeed, the UK-based Hansard Society Audit of Political Engagement found a 'disgruntled, disillusioned and disengaged public turning away from politics' (2012: 17) with the most recent assessment suggesting 'a growth in the public's indifference to politics' (2013: 1). But, whilst there is a decreasing interest in traditional forms of political participation, the same Audit found 'an underlying potential for participation that, for whatever reason, is not being realised' (Hansard Society, 2013: 71; see also Diers, 2004). Notably, some 39% of respondents fell into the category of 'latent' or 'standby' participants, who are not currently actively engaged but might be persuaded to become so in the future (op cit, 73; Agger 2012).

The institutional design of arm's length governance is crucial in motivating and mobilising citizens (John, 2009). But much of the literature on participation assumes an 'invited' approach where the terms and parameters are set by the state (Cornwall, 2004). The formalised nature of such 'invited' spaces often undermines the participative intent because they do not reflect how ordinary people want to engage. As Richardson highlights, 'small-

scale, informal activities are the most attractive to the majority' (2011: 5; see also Lowndes, et al, 2006). Thus: 'given the competing demands on people's time and evident concern about issue complexity and the efficacy of involvement, we can only expect and hope for episodic forms of participation when the circumstances warrant it' (Hansard Society, 2013, 71). Whilst state-centric approaches to participation feel like significant steps forward for government, they often do not represent a significant divestment of power, control or authority to citizens and indeed may present barriers to creating polycentric institutions (Richardson and Durose, 2013). As Arnstein highlights in her seminal work, 'there is a critical difference between going through the empty ritual of participation and having the real power needed to affect the outcome of the process' (1969, 216). Indeed, there have been repeated criticisms about the extent and direction of divestment, whether elected representatives can 'let go' (Carr-West, Lucas and Thraves, 2011; Durose and Richardson, 2009) and whether in doing so this represents democratic enhancement and empowerment of citizens or their co-option (McCulloch, 1997) and marginalisation (Beebeejaun and Grimshaw, 2011), or the further privatisation of the public sphere (Fuller and Geddes, 2008; Davies, 2012).

Democracy enhancement through polycentrism requires a shift from 'invited' spaces to 'popular' spaces (Cornwall, 1994) organised and led by citizens and with a focus on collaborative action and problem-solving (Stone, 1989). The drive for localism has repeatedly imagined the neighbourhood as a sphere for such self-organising (Smith, et al, 2007). Such DIY community action is widely evident in the UK (Richardson, 2008) and elsewhere, but creative approaches to cultural change and well-resourced support are necessary to counter political resistance and incentivise people to get involved (Ostrom, 1993; Smith, 2005; Durose, et al, 2013).

A growing body of work has drawn attention to the role played by intermediaries in mobilising communities to organise around new forms of arm's length governance (Newman, 2012). Historically, this work has been associated with community organisers (Alinsky, 1989a, b; Jamoul and Wills, 2008; Warren, 2009; Bunyan, 2010) and community development workers (Craig, 1989; Banks and Orton, 2007). But as front-line work in the public sector is increasingly focused on engaging with communities, greater emphasis has

been placed on the facilitative role of practitioners in local government and other public bodies, for example, as 'civic entrepreneurs' (Durose, 2009, 2011; van Hulst, et al, 2011, 2012). With the impact of public budget reductions in some countries particularly affecting those on the peripheries of the public sector (Taylor, 2011), it is important to also recognise the 'everyday maker' (Bang and Sørensen, 1999; Li and Marsh, 2008): citizens who are able to build 'vital coalitions' to get things done and keep things going in and around the neighbourhood (Hendricks and Tops, 2005). Hendriks and Tops (2005, 486-487) identify a series of critical conditions required for such practice to be successful: pressure from below, which is 'organised and articulated... by individuals who show initiative and who know how to mobilise and retain the commitment of people and organisations'; interpersonal co-productive relationships; administrative backing and will to act in coalition for social change; and 'room for manoeuvre' so that people can operate outside existing norms of practice and 'spot and seize chances'.

Such citizen-led spaces for local organising and decision-making are a potential opportunity for democratic enhancement: autonomous from government, yet accountable (Fung, 2001). Rather than being dominated by the democratic mandate of elected representatives, such self-organising is premised on creating 'public value' (Moore, 1995; Blaug, Horner and Lehi, 2006) through a relational accountability based on norms of social obligation (Hupe and Hill, 2007) which recognises that public institutions 'need to win consent, persuade, explain, share responsibility' with citizens (Goss, 2001: 163). As Warren notes, 'revitalising democracy requires effective connections between well-organised communities and our political system... new forms of mediating institutions are needed that can hold public institutions...accountable to communities' (2001, cited in Diers, 2004, 11).

### **Normative implications of arm's length governance**

Our analysis illustrates how the classic model of state delegation to quasi-autonomous public agencies is part of a wider debate about the democratic qualities of arm's length governance (Salamon, 1981). Changing theoretical lenses from delegation to polycentrism requires us to rethink the uni-dimensional framework that has conventionally been applied

in analysing these institutions. Private government, with the possibility of self-organising communities being authorised by the state to undertake public functions, introduces the notion of functionally-organised collective activity through some form of membership organisation, echoing the economic theory of clubs within the public policy arena (Casella and Frey, 1992). The mobilisation of citizens through the creation of structures within which they exercise authority engages with ideas of direct and deliberative democracy. These issues intersect with current theoretical, normative and empirical debates about the changing forms of democracy in the twenty-first century state, and its associated trans-national and inter-jurisdictional arenas.

The diverse of types of arm's length governance present a set of theoretical and empirical challenges, demanding interdisciplinary approaches in order to identify, understand and explain the consequences for the political and managerial systems through which public policy is generated and realised. Changing forms of identity, communication, and value create new pressures on multi-purpose systems of representative democracy and public bureaucracy.

The development of a plurality of special purpose forms of government has wider implications for the organisation of the state (Skelcher, 2005). Such bodies are categorised by Hooghe and Marks (2002) as Type 2, in contrast to the Type 1 multi-purpose, spatially exclusive, and hierarchically ordered forms of government that currently tend to predominate. It is clear that Type 2 jurisdictions can be of many forms. In the European literature, Frey (2003) explores these ideas in his conception of 'functional, overlapping and competing jurisdictions' (FOCJs). In systems of FOCJs, the individual has (to a degree) choice as to which governmental units they wish to belong and thus exercise their political rights. Yet in the absence of the larger constitutional and normative framework provided by representative democracy, a polycentric system has the potential to exacerbate and reinforce inequalities of status, wealth, income, and political power. It may also encourage social as well as spatial withdrawal from the diversity of experience and interaction that constitutes one normative ideal of democracy.

The democratic potential of arm's length organisations is facilitated by the observation that the completeness of their design varies (Fung, 2003). Some have formal governance

templates that specify exactly how the body is to operate. This is particularly the case for agencies exercising regulatory or other adjudicative functions, where fair play needs to be demonstrated. Other bodies, such as forms of citizen-centred, network and polycentric governance, are in a state of emergence from an initial incomplete design. There are two virtues of incomplete design. The first is that it has the potential to blur the distinction between 'designers' and 'users', leading to 'a community of co-designers who inscribe their own contexts into the emergent design, thereby extending it on an ongoing basis in diverse and non-obvious ways' (Garud, et al, 2008: 364). As we demonstrate above, this can bring citizens, businesses and other stakeholders into a process of designing for collective decision-making. Secondly, incomplete design is potentially generative of innovation and improvisation as actors mediate the relationship between extant structures and the external environment (Tsoukas and Chia, 2002; Weick, 2001). It avoids the institutional stickiness of complete design (Pierson, 2002) and offers a better prospect of responding to changing policy problems and ideas and practices of democracy (Olsen, 1997).

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**Table 1: Functions of arm's length bodies in international perspective**

<b>Function</b>	<b>Examples</b>	<b>Role</b>	<b>Governance</b>
Policy development	European Union Agency for Fundamental Rights	Expert advice to EU institutions/ member states	<i>Agency</i> of the EU; board of independent experts appointed by Member States, European Commission and Council of Europe.
Resource allocation	Higher Education Funding Council for England	Distributing public money for higher education	<i>Non-Departmental Public Body</i> created by statute; board appointed by the minister; chair is subject to a pre-appointment hearing by Select Committee.
Service delivery	Transport Scotland	Development/delivery of national transport projects and policies.	<i>Executive Agency</i> of the Scottish Government; the Chief Executive is the Accountable Officer responsible to the Scottish Parliament for performance.
Regulation	Federal Communications Commission (USA)	Standard-setting and enforcement.	<i>Federal regulatory commission</i> , created by the Communications Act of 1934; directed by five commissioners appointed by the president and confirmed by the Senate for five-year terms.
Adjudication	Administrative Appeals Tribunal (Australia)	Independent review of administrative decisions.	<i>Tribunal</i> or legally qualified or related experts, appointed by the Governor-General.

**Table 2: Two theoretical approaches to arm's length governance**

<b>Overall orientation</b>	<b>State-centric</b>	<b>Citizen-centric</b>
<b>Theoretical basis</b>	Delegation; agency theory	Polycentrism; pluralism
<b>Principles</b>	Self-binding by politicians to enhance credible commitment against time inconsistent preferences	Citizen/private actor self-organisation to meet specific needs and regulate behaviour of members
<b>Illustrative key authors</b>	Horn; Huber and Shipan	Elinor/Vincent Ostrom; Frey; Fung
<b>Examples</b>	Independent regulatory agencies; independent central banks; executive agencies	Business improvement districts; non-state global regulators of professional/business standards; free/charter schools
<b>Democratic benefits</b>	Impartiality in rule application; secures long-term, societally beneficial policies; protects participation rights of marginalised actors	Rule-making undertaken by affected parties; facilitates reorientation from self-interest to other-regarding viewpoint; democratic training ground
<b>Democratic weaknesses</b>	Problems of information asymmetry, opportunism and guile on part of the agent; lacks compliance with	Relies on active citizens/private actors to minimise autocracy; problems of reconciling plurality of

	governance standards applying to representative democratic institutions	special purpose governments with overall societal governance; externalities may lead to inter-jurisdictional conflict
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