Title	Good Governance : A Conceptual Analysis
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Citation	国際公共政策研究. 2006, 11(1), p. 381-395
Version Type	VoR
URL	https://hdl.handle.net/11094/6026
rights	
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Good Governance: A Conceptual Analysis

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Abstract

Good governance is gradually being seen as panacea for developing countries and considered as a holistic approach for development in the development debate. The concept of good governance has been promoted, especially by the international development community i.e., World Bank, International Monetary Fund, and United Nations Development Programme. This study explains the emergence of the concept of good governance from an historical perspective, using the evolution of debates within the international development community and academia. It suggests that state intervention is necessary to resolve artificial crises in the market and break monopoly. Moreover, it finds that privatization does not necessarily bring efficiency in the public sector. Finally, the author offers his own thoughts about good governance, focusing on accountability as a core component of good governance.

Keywords: Good Governance, International Development Community, Monopoly, State Intervention, Accountability

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Introduction

In recent years 'good governance' has become an important concept. It is gradually being seen as panacea for developing countries and considered as a holistic approach for development in the development debate. The concept of good governance is popular with intellectuals, bureaucrats, members of civil society, and the International development community (i.e. World Bank (WB), International Monetary Fund (IMF), United Nations Development Programme (UNDP), Asian Development Bank (ADB) etc.). The interest of the International Development Community (IDC) in governance came to the forefront in the 1980s.[1] Suffice it to say, though governance is a much discussed issue in the current literature of development, it still lacks a clear definition, and therefore, is a constant source of confusion. This paper discusses the emergence of the concept of good governance by looking at it from historical perspective. In addition, it looks at good governance from the donors and academicians' point of view. Finally, this paper offers its own thoughts about good governance.

Emergence of Good Governance

The term, 'good governance', first made its appearance in development circles in a much quoted paragraph on the World Bank's 1989 report: *Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long-Term Perspective Study.*[2] Actually, the formal study of good governance has a much longer history. With the evolution of the state, the good governance concept has flourished. Jon Pierre and B. Guy Peters's explanation marked financial crisis of the state, the ideological shift towards the market, globalization, failure of the state, emergence of new public management, social change and increasing complexities, new sources of governance and legacy of traditional political authority as reasons for the emergence of the need for good governance.[3] The shift of paradigms from 'Traditional Public Administration' to 'New Public Management', 'Big Government' to 'Small Government', Top-down Planning' to 'Bottom-up Planning', 'The Economic Growth Model' to 'Human Needs Approach' and

1) Abul Maal A. Muhit, "Governance and International Development Community," in Hasnat Abdul Hye ed., *Governance: South Asian Perspective* (Dhaka: The University Press Limited, 2000), 465.

2) World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long-Term Perspective Study* (Washington, The World Bank, 1989).

3) Jon Pierre and B. Guy Peters, *Governance Politics and the State* (London: Macmillan Press Ltd., 2000), 52-67.

'Globalization' are notable components that have hastened the calls for good governance world-wide.

At the beginning, government's role was associated simply with maintenance of law and order and revenue collection. At the end of the nineteenth century, the government's role included social welfare and it was first seen in Bismarck's Germany. The New Deal in America to overcome the 'Great Depression' in the 1930s, the rapid industrialization of Soviet Union through central planning, the advent of the welfare state in Great Britain and in the Scandinavian countries soon afterwards, all pushed for a public sector-led growth strategy. In the postwar period, state activity expanded by taxation and redistribution of wealth through public policies. Social Democrats in many West European countries rejoiced at the advancement of the welfare state and redistribution of wealth and property. U.S., Britain, France, and Austria's notion of strong responsibility of government for the well-being of its each of citizens, from the cradle to the grave, started to become the norm. The paradigm of government's role that took shape after World War II in the developed countries was based on several cardinal principles, which included: (a) the provision of welfare benefits to the poor and unemployed; (b) a strong public sector for production and distribution of goods and services; (c) economic growth with stability, i.e., full employment with price stability.[4] In the case of the developing countries, according to scholar Hasnat Abdul Hye, "in the newly independent developing countries the expansion of the public sector took place not only all at once but was also all pervasive for the simple reason that at the time of their independence, there was a very small private sector, a moribund local government and no civil society within its name."[5]

Through the course of time, soon the idea of 'small government' came to light through the criticism of the failure of 'big government' in effectively delivering goods and services. By the 1970s, taxes in many countries had reached a level beyond which they could not be raised further; public opinion was against further tax increases. Japan in 1990s, and Britain and Scandinavian countries in 1980s, faced financial crisis. Economic growth had slowed down and became uncertain. The major source of crisis was the huge increase in public expenditures. Their respective economic crises had

4) World Bank 1997, cited in Hasnat Abdul Hye, "Good Governance: A Social Contract," in Hye ed., 15.
5) Hasnat Abdul Hye, "Good Governance: A Social Contact for the New Millennium," in Hye ed., 15.

forced the state to cut back public spending. To overcome the crisis, the Ronald Reagan administration in the U.S. and that of Prime Minister Margaret Thatcher in Britain rejected the traditional notion of a strong state role. As Jon Pierre and B. Guy Peters described, "For Reagan, the federal bureaucracy was an overregulated, and overregulation, body impairing and obstructing economic growth. Mrs. Thatcher shared Reagan's belief that economic prosperity was hampered by too much political control and regulation of markets. For both, unleashing the market was an overarching political goal."[6] Conservative government in Britain came increasingly to the view that political control and efficiency were incompatible.[7] Nevertheless, western countries faced many societal problems at that time also. Reagan, Mrs. Thatcher and Mulroney of Canada alleviated these problems by adopting privatization, drastic reduction in the civil service, the introduction of managerialism in the public sector etc.[8] Apart from these, previous notions of state has been challenged by globalization which emphasized on deregulation the economy in order to remove political obstacles to growth.

Though criticism of the State comes from the failure of government in delivering goods and services effectively, there are also the theoretical perspectives of neo-liberal and neo-classical economics schools behind it. The neo-classical school believed that government should not intervene in the market and the only way to encourage growth is to allow free trade and free markets. Adam Smith was likely the first to emphasize the reduced role of the State in the market by providing his theory of the 'Invisible Hand.' The Neo-liberalist school[9] upholds that the state is a part of the problem, not the solution. State-Owned enterprises (SOEs) are considered an inadmissible intervention of the state into the economy. Therefore, all SOEs should be privatized. This school also argues in favor of reducing the public sector to create a free market. Nevertheless, in 1983 the World Bank found that in a sample of twenty-seven developing countries net budgetary payments to SOEs averaged three percent of

6) Pierre and Peters, 55.

7) Dennis Swann, *The Retreat of the State: Deregulation and Privatization in the UK and US*, (London: Harvester, 1988), 200.

8) Jon Pierre, "Introduction: Understanding Governance," in Jon Pierre ed., *Debating Governance* (New York: Oxford University Press Inc., 2000), 1-2.

9) Michael Rosch, *What does neoliberalism means?* at http://fiss.zdv.uni-tuebingen.de/webroot/sp/barrios/themA2a.html, accessed 9 April 2005.

GDP.[10] Whilst the flow of aid and bank lending was expanding this burden was tolerable, but in the more recent tightened circumstances it has ceased to be so. The response has been to privatize-a move which has been encouraged by bodies such as the World Bank, the IMF, and aid donors such as the Reagan Administration.[11] Later, in most developing countries privatization was initiated under the influence of IMF and WB.[12] In most African countries, privatization of SOEs has been associated with WB and IMF sponsored structural adjustment programme.[13]

Institution building and institutional reform have also made significant contribution on the evolution of good governance. In the immediate post-war period, emphasis was given to set-up governmental structure and training personnel for public administration.[14] However, public institutions in many developing countries later became weak for various reasons which ultimately led to poor governance. In a 2000 publication, the WB states; "Poorly functioning public sector institutions and weak governments are major constraints to growth and equitable development in many developing countries."[15] It further added that long-term development is simply impossible without effective government institutions.[16] Hence, institutional reform became prominent in the second generation economic reform in the school of New Institutional Economics.[17]

To sum up, the structures and dynamics of the state are always subject to change. The need for change is related to fulfilling the needs, hopes, and aspirations of the society. The good governance notion, defined in detail next, has emerged as a vital

10) M.M. Shirley, *Managing State-Owned Enterprises, World Bank Staff Working Papers, No. 577* (Washington, 1983), 13.
11) Swann, 11-12.
12) Robert Fraser ed. *Privatization: The UK Experience and International Trends* (Essex: Longman Group UK Limited, 1988), 160-180.
13) C. Adam, "Privatization and Structural Adjustment in Africa," in W. van der Geest ed., *Negotiating Structural Adjustment in Africa* (London: James Currey, 1994).
14) Muhit, in Hye ed., 467.
15) World Bank, *Reforming Public Institutions and Strengthening Governments: A World Bank Strategy*, (Washington: The World Bank, 2000), xi.
16) World Bank, *World Development Report1997: The State in a Changing World* (New York: Oxford University Press, 1997).
17) Moises Naim, "Latin America: The Second Stage of Reform," in Larry Diamond and Marc F. Plattner eds., *Economic Reform and Democracy* (Baltimore: The Johns Hopkins University Press,1995); Manuel Pastor and Carol Wise, 'The Politics of Second-Generation Reform', in *Journal of Democracy*, Vol.10, No.3 (1999), 34-48, cited in Carlos Santiso, "Towards Democratic Governance: The Contribution of the Multilateral Development Banks in Latin America," in Peter Burnell ed., *Democracy Assistance: International Co-operation for Democratization* (London: Frank Cass, 2000), 177-78.

concept in any discussion about the fulfillment of basic human needs and providing the necessities for prosperity.

Definitions of Good Governance

This section will discuss definitions of good governance in two categories, (1) the International Development Community, and (2) academia.

International Development Community Concept

World Bank (WB): For the World Bank (1992), governance is the exercise of political power to manage a nation's affairs and good governance involves: an efficient public service, an independent judicial system and legal framework to enforce contracts, the accountable administration of public funds, an independent public auditor, responsible to a representative legislature, respect for the law and human rights at all levels of government, a pluralistic institutional structure, and a free press.[18]

International Monetary Fund (IMF): The IMF's involvement with good governance is principally in two areas; 1) improving the management of public resources through reforms covering public sector institutions (e.g. the treasury, central bank, public enterprises, civil service, and the official statistics function), including administrative procedures (e.g. expenditure control, budget management, and revenue collection); 2) supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities (e.g., price systems, exchange and trade regimes, and banking systems and their related regulations).[19]

United Nations Development Programme (UNDP): The UNDP's definition is rather broad. Governance, it says, can be seen as the exercise of economic, political, and administrative authority to manage a country's affairs at all levels. Good governance is, among other things, participatory, transparent, and accountable. It is also effective and equitable, and it promotes the rule of law. Good governance ensures that political,

18) World Bank 1997, cited in R. A. W. Rhodes, *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham: Open University Press, 1997), 49.
19) International Monetary Fund, *Good Governance: The IMF's Role*, 1997, 3, at http://www.imf.org, accessed 2 May 2005.

social, and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources. Governance has three legs: economic, political, and administrative. Economic governance includes decision-making processes that affect a country's economic activities and its relationships with other economies. It clearly has major implications for equity, poverty, and quality of life. Political governance is the process of decision-making to formulate policy. Administrative governance is the system of policy implementation. Encompassing all three, good governance defines the processes and structures that guide political and socio-economic relationships.[20] Its definition includes the following characteristics of good governance: participation, rule of law, transparency, responsiveness, consensus orientation, equality, effectiveness and efficiency, accountability, and strategic vision.

The International Development Communities' concept of good governance thus encompasses the following characteristics: transparency and accountability, participation, public sector reform, private economy, rule of law, and civil society.

Good Governance as an Academic Concept

Among the academicians, Jon Pierre and B. Guy Peters are the two notable theorists in the field of good governance. They discussed the emergence of new governance, writing, "the new governance we suggest, does indeed represent something new and different compared to traditional systems of government at the same time as the basic rational or the raison d'etre of the state to promote and pursue the collective interest. The new governance, we retire, does not mean the end or decline of the state but the transformation and adaptation of the state to the society it is currently embedded in."[21]

Pierre's governance notion suggests dual meaning as he said, "on the one hand it refers to the empirical manifestations of state adoption to its external environment as it emerges in the late twentieth century. On the other hand, governance also denotes a conceptual or theoretical representation of co-ordination of social systems and, for the most part, the role of the state in that process."[22] This definition is closed

20) United Nations Development Programme, *Governance for Sustainable Human Development*, 1997, 3, at http://magnet.undp.org/policy/chapter1.htm, accessed 2 April 2005.
21) Pierre and Peters, 68.
22) Pierre in Pierre ed., 3.

to the system theory of organizations. Pierre emphasizes a more coordinated function of the state within its environment, especially private institutions.

From an economic development perspective, Paul Hirst defines good governance as "creating an effective political framework conducive to private economic action-stable regims, rule of law, efficient state administration adapted to the roles that governments can actually perform, and a strong civil society independent of the state."[23] This definition includes the private sector economy, rule of law, and efficient political and administrative systems.

Andrew Gamble's definition emphasizes on the effectiveness of the political system; governance denotes the steering capacities of a political system the ways in which governing is carried out. From an economic perspective, he further adds that the economy belongs to the private sphere and governance to the public and that economic governance is therefore concerned with the relationship between the economy and the state, otherwise stated, how the state governs the economy.[24]

Leftwich identifies three strands to good governance: systemic, political, and administrative. The systemic use of governance covers the distribution of both internal and external political and economic power. The political use of governance refers to 'a state enjoying both legitimacy and authority, derived from democratic mandate.' The administrative use refers to: an efficient, open, accountable and audited public service which has the bureaucratic competence to help design and implement appropriate policies and manage whatever public sector there is.[25] The definition assumes an institutional perspective. Democratic government and an efficient and accountable bureaucracy are indispensable components of good governance.

Gerry Stoker described governance using the five following propositions: 1) governance refers to a complex set of institutions and actors that are drawn from but also beyond government; 2) governance identifies the blurring of boundaries and responsibilities for tackling social and economic issues; 3) governance identifies the power dependence involved in the relationships between institutions involved in collective action; 4) governance is about autonomous self-governing networks of actors;

23) Paul Hirst, "Democracy and Governance," in Pierre ed., 14.
24) Andrew Gamble, "Economic Governance," in Pierre ed., 110.
25) A. Leftwich, "Governance, Democracy and Development in the Third World," *Third World Quarterly*, Vol. 14 (1993): 611

5) governance recognizes the capacity to get things done which does not rest on the power of government to command or use its authority. It sees government as able to use new tools and techniques to steer and guide.[26] Gerry Stoker's propositions apparently comprise two aspects; 1) shared responsibilities of government and government will share its tasks with private and voluntary sectors; 2) governance is an interactive process through which organizations exchange resources to achieve common goals.

Academicians and the IDC expressed their ideas about good governance from their own thoughts and perceptions. The political aspect has become the priority in the academicians' opinion. They have been largely concerned with developing a better understanding of different ways in which power and authority relations are structured, specifically state-society relations. On the other hand, IDC has tended to focus on economic and humanistic aspects. They focused on state-market relations, specifically on state structures designed to ensure accountability, policy effectiveness, rule of law and related safeguards. However, both groups' concepts include the following components of good governance; public sector reform, private initiatives, free market economy, civil society, rule of law etc.

Good Governance: Some Related Questions

Needless to say, the long history of governance is associated with the interaction between State and Society. At one time, the State was vital in providing and ensuring social needs. Later, due to its failure to supply services and minimize financial and societal crises, a debate over the changing role of the state emerged. Privatization and a free market economy are the two important components of good governance. This section discusses the theoretical perspectives of a free market economy and privatization based on empirical evidence and raises some questions about their universal applicability.

Free Market Economy

In theoretical economics a free market is a model of an idealized economy, wherein exchanges are "free" from coercion and control. Alternatively, a free market is simply

26) Garry Stoker, "Governance as Theory: Five Propositions," *International Social Science Journal*, Vol. 155 (March 1998): 18.

a market, either in a single commodity or a whole economy, where prices are not set by government but are the result of supply and demand. In the confines of political economics the "free market" is simply the conceptual opposite of a command economy, where all goods and services are produced, priced, and distributed under government control. This paper has raised two questions in this respect;

Free Market Economy: How to Deal with Artificial Crises?

In the free market, utility firms may make essential services unavailable or unaffordable to a large section of the population.[27] The Bangladeshi market is a prime example where businessmen seek to reap profits by creating an artificial supply crisis in products, thereby causing the price to rise and victimizing the common people. According to a recent report, prices of all kinds of vegetables have been increased by Taka (Bangladesh currency) 5 to 40 per Kilogram within two days.[28] Poor people are adversely affected by the upward trend of daily commodities. According to another news report, Bangladeshi market has been held captive by of 7 or 8 importers. They are mainly responsible for increasing the prices of daily commodities.[29] The finance minister lamented that it is almost impossible to exert control over the market in a free market economy.[30] Many developing countries face this problem. How can we deal with artificial crises in a free market economy?

Free Market Economy: How to Break Monopolies?

Privatized firms may use various anti-competitive strategies and tactics to establish a de facto monopoly market.[31] For example, in Bangladesh's cellular phone sector, private companies did well due to fact that rates were set high, compared to those in neighboring India. As the companies cooperated with one another and there was no public sector, they were able to artificially maintain the monopoly despite the desire of the common people to break it. If the government does not interfere in a monopoly situation, how can it be broken? Here, Aharoni's statement is significant as he said,

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27) D. Hall, *The 'B' word: New Internationalist*, cited in Steve R. Letza, Clive Smallman and Xiuping Sun, "Reframing privatization: Deconstructing the Myth of Efficiency," *Policy Sciences* 37 (June 2004): 169.
28) *Ajkerkagoj* (Dhaka), 27 October, 2005.
29) *Prothom Alo* (Dhaka), 9 May, 2006.
30) *Jugantor* (Dhaka), 12 May, 2006.
31) H.T. Miller and J.R. Simmons, "The Irony of Privatization," *Administration and Society*, Vol. 30 (1998): 513-533.

"public enterprises may be a pragmatic response to economic problems, such as the need to eliminate, reduce or control a monopoly or to ensure an adequate supply of essential goods and services at reasonable prices when excessive financial and technical risks deter private-sector investment or in case where the private sector is not able to deliver what the government feels is required in the public interest."[32]

Privatization: Is it a Vital Tool of Efficiency and Economy?

Privatization is a global phenomenon. Developing nations are now faced with strict choices from the WB and IMF, who demand structural adjustment through privatization and a shrinking of the role of the State before they will authorize new development loans.[33] However, there are various reasons, theories, and arguments that call for privatization.[34] Vickers and Wright mentioned ideological, economic, and political reasons for privatization.[35] Savas mentioned four forces, namely pragmatic, ideological, commercial, and populist behind privatization.[36] Regarding pragmatic forces, prudent privatization leads to a more cost-effective public service. Ideological reason for privatization is that a government's decision is political, and thus is inherently less trustworthy than those of the free-market economy. A commercial reason is that State-owned enterprises are assets that can be put to better use by the private sector. Considering all the theories and reasons, now the idea that has been established that state-owned corporations are less efficient, competent, and profitable than their private sector counterparts.

Privatization and Efficiency: An Assessment from Empirical Evidence

The IDC, especially the World Bank, seems to always in favor of privatization. Empirical evidence shows both positive and negative relations between privatization and efficiency.

32) Y. Aharoni, *The Evolution and Management of State-Owned Enterprises* (Cambridge MA: Ballinger Publishing Company, 1986), 4.
33) Economist, *The Painful Privatization of South Africa*, 9 September, 1999, *India's Sluggish Privatisation: Unproductive*, 6 September, 2001.
34) Due to space considerations, theoretical arguments for privatization have not been discussed here.
35) John Vickers and Vincent Wright, "The Politics of Industrial Privatization in Western Europe," in John Vickers and Vincent Wright eds., *The Politics of Privatization in Western Europe* (London: Frank Cass, 1989), 5-7.
36) E.S. Savas, *Privatization: The Key to Better Government* (New Jersey: Chatham House publishing Inc., 1987), 5.

Among 100-plus studies on privatization, most of them conclude that privatization improves performance and increase returns to new owners and shareholders with more robust findings in *high-and middle income countries* as compared to in low-income countries.[37] Megginson and others' study in eighteen countries on sixty-one companies and thirty-two industries, which were fully or partly privatized between 1961 and 1991, found that-"after being privatized, firms increase sales, become more profitable, increase their capital investment spending, improve their operating efficiency, and increase their work forces."[38] Savas' book shows the high performance of private firms in solid-waste management, street services, transportation, air traffic control, water supply and treatment, electric power, postal service, etc. in USA.[39] For example, public buses in New York had an operating cost per vehicle mile 32 percent greater than that of the private buses, and a 12 percent greater cost per passenger. Five studies in the United States, Australia, and England examined the average costs per vehicle mile of comparable public and private urban bus service show that public costs were 54 to 100 percent greater than private costs.[40]

Conversely, a study in Britain shows that during 1967-1990, output per employee in the public sector rose by 1.4% on an average annual rate of change basis and 2.8% on a year-to-year percentage basis. These rates are far above the net productivity growth record of the private sector in the same period.[41] Most of the public sector in West Germany has been relatively successful.[42] U.S. electric and water utilities tend to suggest no significant differences in overall cost efficiencies between public and private utilities.[43] Atkinson and Halvorsen's study of 123 privately owned and 30 publicly owned steam-electric generation utilities reached a conclusion, "The results indicate that

37) Sunita Kikeri and John Nellis, "An Assessment of Privatization," *The World Bank Research Observer*, Vol. 19 No. 1 (2004): 92.

38) William L Megginson, Robert C. Nash, and Matthias Van Randenborgh, "The Financial and Operating Performance of Newly Privatized Firms: An International Empirical Analysis," *The Journal of Finance*, Vol. 49 issue 2 (1994):403.

39) Savas, 124-54.

40) Savas, 137.

41) C. Goodsell, *The Case for Bureaucracy: A Public Administration Polemic* (New York: Chatham House, 1994). Cited in Steve R. Letza, Clive Smallman and Xiuping Sun, 166-67.

42) Vickers and Wright, 12-13.

43) Richard J. Zeckhauser, and Murray Horn, " The Control and Performance of State-Owned Enterprises," in Paul W. MacAvoy, W.T. Stanbury, George Yarrow and Richard J. Zeckhauser eds., *Privatization and State-Owned Enterprises: Lessons from the United States, Great Britain and Canada* (Boston: Kluwer Academic Publishers, 1989), 52.

publicly-owned and privately-owned electric utilities in the United States are equally cost inefficient."[44]

Not all of the privatization cases have gone well, however. Observations on privatized firms in Britain, i.e., British telecom and gas and water companies, and others show that there have been systematic crises since they were privatized. In the privatized water and sewerage companies of England and Wales, while substantial reductions in labor usage have occurred, estimates of labor and total productivity growth show no improvement relative to the pre-privatization period. In the Case of British Columbia, Canada, the new privately-owned company did not fare well. It made some poor acquisitions and soon incurred large losses.[45] The author's observation about Bangladesh is that many industries were closed after privatization.

Experiences from the public sector in Queensland, Australia suggest that it is possible to achieve outcomes relating to efficiency, client focus, transparency, and accountability without resorting to privatization. Several cases demonstrate that improvements in public service provisions result from innovative or imaginative restructuring and not from privatization.[46] A recent study by Simeon Djankov and Gerhard Pohl of the World Bank has found that, in Slovakia, firms with changes in top management performed better than firms which retained old managers.[47] Another World Bank study of 192 Moldovan enterprises shows significant returns as a result of manager training. Surveys show that managers attach top priority to training in marketing and sales, with accounting training and visits to enterprises abroad also being cited as useful.[48]

Good Governance: The Author's View

No one can deny that the public becomes increasingly impatient with the government

44) Scott E. Atkinson and Robert Halvorsen, "The Relative Efficiency of Public and Private firms in a Regulated Environment: The Case of US Electric Utilities," *Journal of Public Economics*, Vol. 29 (April 1986):293.

45) John Twigg, "Tough Wondering Howe," in W.T. Stanbury, "Privatization in Canada: Ideology, Symbolism or Substance?" in Paul W. MacAvoy, W.T. Stanbury, George Yarrow and Richard J. Zeckhauser eds., 283.

46) K.L. Dewenter and P.H. Malatesta, "State-owned and privately owned firms: An empirical of profitability, leverage and labour intensity," *American Economic Review*, Vol 91 (2001).

47) Syed Akthar Mahmood, *Privatization in Bangladesh: Some Critical Questions, at* http://www.eb2000.org/short_note_8.htm, accessed 7 May 2006.

48) *Ibid.*

for any kind of artificial crisis in the market and price hike in daily essentials. Poor supply of collective service like gas, electricity, water, and security will make a government unpopular in the long run and for which governments bear the ultimate responsibility. It is presumed that government intervention will surely preserve consumer's interests against stockpiling and artificial crisis of commodities created by dishonest businessmen. It is possible to argue on the basis of the above data that privatized firms are not necessarily efficient and public sectors are not inherently inefficient. The author believes that public-private competition, performance-based accountability and managerialism, above all bringing change in operations in an organization must be given priority rather than simply going the route of privatization. Managers and workers should be aware that losses will not be covered by government subsidies. They have to make an effort to identify the causes of falling profits and take remedial measures. To build up an efficient and consumer oriented public sector, consumers can be empowered by introducing a Citizen's Charter, along the lines of John Major's initiative in the U.K.[49]

Keynesian economics supported state intervention to solve market problems. Later free market economy became the dominant theory of ensuring market efficiency. Empirical evidence showed that in developed countries, markets became efficient but in many developing countries market failure was noticeable, necessitating government intervention. In some cases, such as Bangladesh, government intervention failed to discipline market due to the problem of corruption both inside the government and among businessmen. The author would argue that keeping constant other factor of market i.e. demand and supply, honesty can be a vital element to solving market problems. If a businessman is honest he will not create monopoly problem and push the nation to an artificial crisis etc. At both the State and individual level, honesty can be upgraded through internal (moral) and external accountability. The prime goal of good governance should be to ensure that people will get quick and good service. Here also arises the question of accountability. When every one comes under accountability or public scrutiny, hopefully people will not suffer from delayed or otherwise

49) The Citizen's Charter was initiated by the then British Prime Minister John Major in July 1991, with a view to raising the standard of public services by making them more responsive to the wishes and needs of users. For details see World Bank, *Bangladesh Government That Works: Reforming the Public Sector* (Dhaka: The University Press Limited, 1996), 63.

unprofessional services.

For all practical purposes, good governance needs to be more focused on building a society where everyone must come under the rule of law, where benefits of the public programmes reach their target recipients, where accountability will govern the state, society, and market.