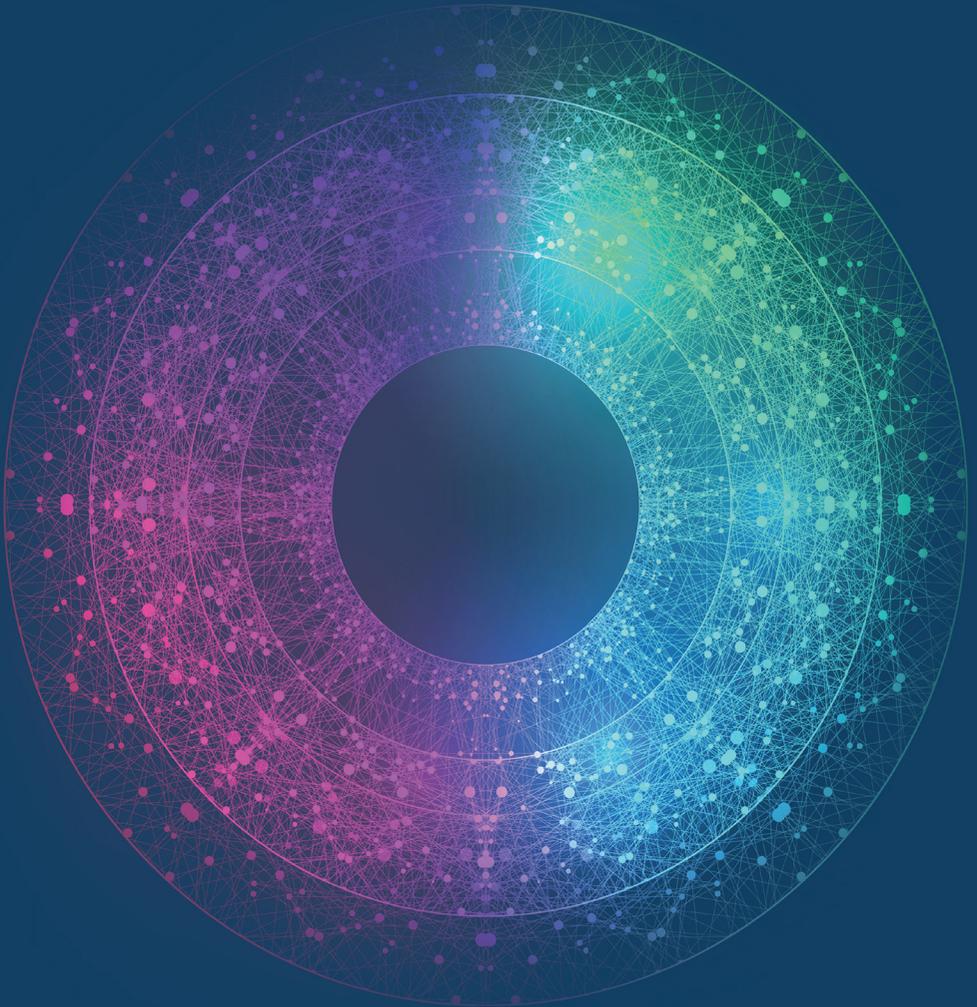


# QUANTUM GOVERNANCE

Rewiring the Foundation of Public Policy



FADI FARRA

IN COLLABORATION WITH CHRISTOPHER PISSARIDES

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Rewiring the Foundation of  
Public Policy

By

**Fadi Farra**  
*Whiteshield*

With

**Christopher Pissarides**  
*London School of Economics*



United Kingdom – North America – Japan  
India – Malaysia – China

Emerald Publishing Limited  
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2023

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**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-779-2 (Print)  
ISBN: 978-1-83753-778-5 (Online)  
ISBN: 978-1-83753-780-8 (Epub)



INVESTOR IN PEOPLE

*A ma famille*  
—Fadi Farra

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# CONTENTS

<i>About the Authors</i>	viii
<i>Foreword</i>	x
<i>David E. Bell</i>	
<i>Preface</i>	xiii
Introduction: Rewiring the Foundations of Public Policy	1
Chapter One: The Public Policy Gap	19
Chapter Two: The Quantum Principle of Public Policy	39
Chapter Three: The Energy of Policy Systems	85
Chapter Four: The Quantum Learning	141
Chapter Five: Quantum Governance in Practice	163
Conclusion	191
<i>Glossary</i>	201
<i>Endnotes</i>	207
<i>Index</i>	213

## ABOUT THE AUTHORS

The book has been published by Whiteshield, a global public policy and strategy firm originating in the Harvard and OECD communities that specialises in delivering innovation and tangible policy reforms to a portfolio of leaders from governments, international organisations and Fortune 500 companies.

The book has been developed under the leadership of Fadi Farra, Founder and Managing Partner, Whiteshield, Former Lecturer at the Harvard Kennedy School of Government, and Former Head of Unit, OECD. Fadi Farra has more than twenty years of experience in strategy consulting and policy advisory globally, including industrial and innovation policies, microeconomics, private sector development and competitiveness policies. He is the author of numerous publications related to innovation, competitiveness and industrial policy, and a regular commentator in leading world media. As founder of Whiteshield, Fadi Farra received distinguished awards for his outstanding achievements in the field of consulting. In 2019, he was honoured with the Global Leaders in Consulting Award with Excellence in Innovation. Additionally, Consulting Magazine recognised him as one of the Top 25 Consultants in 2021 for his outstanding contributions to the public sector. Fadi's expertise is widely acknowledged, as evidenced by his chairmanship of the Global Agenda Council on the Future of Manufacturing Council at the World Economic Forum. He is also a frequent commentator in global media.

Sir Christopher A. Pissarides FBA is a British-Cypriot economist. He is the School Professor of Economics & Political Science and Regius Professor of Economics at the London School of Economics, and Professor of European Studies at the University of Cyprus. His research focuses on topics of macroeconomics, notably labour, economic growth, and economic policy. In 2010, he was awarded the Nobel Prize in Economics, jointly with Peter A. Diamond and Dale Mortensen, "for their analysis of markets with theory of search frictions". He is also a Special Advisor and Director at Whiteshield. He served as the chairman of the National Economy Council of the Republic

of Cyprus during the country's financial crisis in 2012 and resigned to focus on his academic work at the end of 2014.

The larger contributing team includes several Whiteshield employees including Amira Bensebaa, Principal; and Elena Balter, Senior Economist. Amira holds a M.Sc. in public and private management from SciencesPo and HEC, Paris, France and was instrumental in drafting various sections of the book and coordinating the consolidation process. Elena's outstanding skills in econometric and statistical analysis were substantial to the modeling and quantitative analysis that support the research and inform many of the book's recommendations.

# FOREWORD

David E. Bell

I am a marketing professor. A lot has changed in my field in recent years. Now marketers try to influence your buying behaviour by sending you **personalised** ads through social media. The ‘personalisation’ is automated because it is possible to track how you responded to previous ads, when you bought, when you didn’t and so on. Advertisers know exactly how effective their campaigns are. They also know that people are highly influenced, not so much by the marketers themselves, but by people they trust. In the old days, these **influencers** were friends or neighbours. Now they are more likely to be people who have developed a following online and who can influence their followers on what to buy. Advertisers now try to co-opt these **Key Opinion Leaders** by courting their opinion or, more simply, paying them a fee. In China, there are highly watched online ‘talk shows’ where the guests are celebrity KOLs.

There are so many other changes in our lives brought about by digitalisation that it’s hard to keep up. Cryptocurrencies like Bitcoin soon could hold more value than all of the world’s gold. This in a handful of years, and all due to digitisation.

Politics is also not what it was. ‘Smoke-filled rooms’ are long gone. The public used to find out, if they did at all, about who voted for what, long after the fact. Now, every politician’s votes, statements and blunders are known at once. The amazing political ascent of Donald Trump may have been due to his constant tweeting: talking directly, constantly, to his supporters, an example few seem to be copying.

There is a common lesson in these transformations. It is that we should no longer think of people in terms of demographics, like the middle class, the left or the baby boomers, but as individuals, because we now can, and we should.

Public policy has not got that message. Governments still make investments, launch programmes and urge the citizenry as if people came in blocs, often just one bloc. This book is a call to action to rethink how we do public policy. The authors call it **Quantum Governance** to highlight the central role of the individual.

Their proposal is not just a think piece. They have carried out a systematic analysis dissecting public policy effectiveness across most countries of the world. They have identified a number of fixable issues:

1. Governments tend to launch programmes without enough regard for the **absorptive capacity** of the people. If you have your thirteen-year-old listen to online college lectures, it won't do any good because the child doesn't yet have the capacity to take it in. People come in all shapes and sizes, with respect to how they process information, their capabilities and their needs. Public spending that exceeds the absorptive capacity of the nation is a waste of money. Some countries may need to invest in building, or at least measuring, absorptive capacity.
2. Public policies interact with one another, yet they are often supervised, funded and monitored as if they are independent. These days we can figure out how they interact and plan accordingly. The authors present a 'periodic table' illustrating how policies may be seen as interrelated.
3. Companies are increasingly turning to the concept of a Balanced Scorecard to assess their condition and to measure progress. By analogy, countries need to consider how they measure their nations' balance sheet: how well off are they? Age-old measures like GDP and Balance of Payments don't capture the cumulative welfare of individuals, their potential or their quality of life. These measures were invented when data was hard to come by and never did a good job handling the intangibles of value creation.

The authors propose a new equation for understanding the effectiveness of public policies in which government actions and capabilities should be in balance with the **absorptive capacity** of the people. In marketing, we have a concept of the customer journey: a person begins the journey never having heard of a product, then they become familiar with it, then they develop an opinion, then they decide whether to buy or not. These journeys are highly idiosyncratic and highly dependent on **influencers** and **cultural norms**. In the

public policy arena, one speech from the White House cannot possibly transform the thinking of many.

On the other side of the equation, governments should introduce good policies, more accurately a **good mix of policies** and implement the policies **efficiently**. However, more than that, they need to have the capability to **persuade** and lead. In today's partisan world, half of a country's people may not find the leadership credible.

There is much more detail to be found in theory and in the book. I think you would agree that in this digital age where breathtaking change is happening in almost every facet of our lives, the way in which governments manage our quality of life is ready for a makeover.

*David E. Bell*

Professor at Harvard Business School

## PREFACE

*Where do we stand as a global community in terms of development?* Some might argue that before COVID-19, things were looking up, economies were fully recovering from the 2008 Financial Crisis, exponential technological progress was holding the promise of accelerated growth, and according to the most optimistic analysis, there was the promise of better jobs and a net creation of new ones. Low- and middle-income countries were achieving noticeable progress in poverty reduction, and the win-win scenario of green economies combining a lower environmental footprint and higher innovation and growth was depicted as a reachable and attractive future.

If we look closer at key facts, the myth of the great acceleration might be just that: a myth. Economists have been grappling with the productivity paradox where the technological miracle is not fulfilling its economic promises, productivity growth being at its lowest historical levels. Displays of social unrest have been accelerating all around the world with the emergence of several large-scale movements, be it the Arab Spring, Occupy Wall Streets, climate strikes, or the Black Lives Matter movement. Combined with the rise of populism, this denotes the erosion of social cohesion and strong opposition to the status quo and our traditional societal paradigms. Finally, the United Nations cannot repeat this enough; the world is overwhelmingly not on track to achieve Sustainable Development Goals. COVID-19 is set to make things worse with implications far beyond the short-term impact we are seeing. What started as a health crisis has since evolved into a deep, economic, social and political one. A crisis threatening to reverse thirty years of achievements in poverty reduction, double the number of people facing starvation, set us back in the transition towards greener economies as short-term priorities prevail and worsen our monetary infrastructure as central banks around the world engage in perpetual money printing to try and contain the socio-economic damages.

However, there is a silver lining linked to our human tendency to revisit fundamental questions in a crisis context. Indeed, the crisis offers a window of opportunity, a small time-bubble during which people are collectively drawn to understanding what went wrong, asking what it was that brought us here, and considering changing our business-as-usual practices, frameworks and paradigms. We invite the readers to engage in this long-overdue process to avoid wasting this opportunity. By bringing attention to fundamental questions, we set out to identify the constants of development, the key drivers of changes across the space–time continuum of our societies.

This journey led us to the conclusion that we need a new policy framework. One that does not rely on linear mechanistic thinking, and one that is not constrained by a reductionist approach to the world, segregating realities into artificial dichotomies and abstract silos: the economy, the private sector, the civil society, education policy and innovation. One that is aligned with real-world complexity and one that takes the individual as the main unit of analysis and action. For far too long, we relied on a misleading vision of human beings, portraying them as simple atomistic agents. We need to bring back the individuals in their full complexity to the change formula. For any social organisation is nothing else but a network of interacting individuals and no public policy can deliver impact or progress in development goals without an impact on individuals' lives. People are the key conversion factor. Their ability to absorb public policies and convert them into tangible achievements is the only real driver of change and should be at the heart of our development reflections.

**It is time to centre our actions around the  
quantum unit of the social world: the citizen.**

*Fadi Farra,*

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