

A note on the intent and purposes of the Institute's Governance and Strategy Study Group

Origins

Three observations that underpin the establishment of the group:

1. Public policy is confronted by an economic system (an eco-system) in which 'everything is connected to everything else', albeit that the strengths of particular inter-connectivities vary. It's horrendously complicated.
2. This fact that is typically ignored, or at least is given significantly too little weight, in existing policy development processes. Keynes's criterion for good policy practice – that the particular (policy area) must be considered in terms of the general (the system as a whole) – is not satisfied. The result of ignoring the interconnectivities is complexity in, complexity (of policy responses) out. "Never underestimate the capacity of government to make a bad situation worse" was one of my old teaching tropes!
3. Government is part of the system-as-a-whole, not, as it is often conceived, a *deus ex machina* or, alternatively as a handyman available to come along and 'fix' particular problems. And Leviathan is not well motivated to think of itself ways other than these latter two, which may explain observation (2).

Challenges

The observations pose very substantial challenges and, as discussed in the first meeting of the group, identifying challenges that are to be 'taken on' (and in what sequential order) is a large part of strategic policy development, which simultaneously entails a list of 'things not to attempt to do' (which is rarely an easy thing for politicians to contemplate, eager as they tend to be, in their search for incremental votes, via what might be called 'retail politics, in order to please an array of partisan pressure groups – see both Richard Rumelt and on that point).

The current structure of economic governance contains no dedicated sub-system devoted to self-examination, so one view of the study group is to see it as a demonstration project in how such a functionality might be served in the event that Leviathan ever could be induced to see its own, major defects by force of

adverse circumstances – it being unlikely to come to such a change in gestalt by way of reason alone (see observation 3 and David Hume).

On an optimistic note, such a shift in gestalt may be more feasible now than it has been for several decades. There is a clear sense among a large part of the public that the system as a whole is heading in a wrong direction, and this sentiment is currently to be found widely across Europe and North America. It will be worth keeping an eye on the progress of the proposed Department of Government Efficiency in the US. It is obviously experiment in nature, and the outcomes of experiments are necessarily uncertain in nature *ex ante*. It could go one of several ways – one of which could be the discovery that a tech-bros approach is not well suited to the governance of an eco-system – but it is at least an indication that the US system has identified a major challenge and indicated a willingness to take it on.

There are also some green shoots to be spotted in the UK, which might prove in the longer term to be more appropriate for the general governance and policy issues in which we are interested. Whilst a minister, the new leader of the Opposition made a call for a comprehensive review of decision making in government, which is very close to the view, articulated in the final session of our September conference and the study group's second meeting, that restructuring this system is, in a sense, the number one priority in a sequential strategy development, for the simple reason that it connects in a very direct and immediate way to 'everything else'. A similar point was made by Simon Hughes in another conference session, focused more specifically on housing and planning, to the effect that there was currently no space in government for the hard, and in its own way specialised, activity of policy development. So it is again a matter of keeping track of an emergent cognitions ('gestalts').

Responses to the challenge

At the first meeting of the group we looked, in a very broad way, at the framework for conceptualising strategy developed by Richard Rumelt, before taking a specific look at how, in a few months in 1989/1990, Polish economists effectively turned round a whole, badly failing economy, via a coherent set of reforms, introduced simultaneously. Now, in the face of a failing, but not comprehensively failed, eco-system with still strongly entrenched opposition to reform, I think we now have to look more closely at its various sub-systems in more focused ways in order to better understand the functioning of the whole.

A number of these suggest themselves fairly immediately, and match rather well with the concerns of large sections of the public, as revealed by the attitudinal

polling. The next study group meeting in early December will focus on climate change and energy policy/strategy, which has rather direct connections to most everything else. Others sub-systems might include immigration strategy policy (why o why have successive governments declined to give serious consideration to more economic approaches to what is, in effect, a rather familiar economic issue: excess demand for residency rights in the UK?); regulatory constraints on productivity growth (there is a solid base of Institute work on this over a twenty-year period, including pre-2008, the year the wheels came off in the macro numbers); health and social care (touched on, but only very lightly, in our second meeting – the monopolistic structure, the over-reliance on tax funding, etc.); the tax system (like regulation more generally, massively over complex); infrastructure construction (the slow and costly ways in which everything gets built); and so on.

All these sub-systems inter-connect through some fairly obvious, major channels and at this point I return to Keynes, who wrote that not only must the master economist consider the particular (in the immediate context a major sub-system) in terms of the general (the whole socio-economic system), but also that the particular and the general must be encompassed in one sweep of thought. That sounds terribly difficult to do, but it is in fact how the singular human brain, after a very long period of trial, error and natural selection, has evolved to see the world (not quite simultaneously, but in a duration measured in micro-seconds). If a single mind can do it, a small set of human minds, with diverse life-experiences should be able to do it too, obviously over a longer period to allow for the inter-connecting conversations, but way, way shorter than that implied the 80 hour week commitment that Elon Musk is asking from potential recruits for his new venture!

As a basic discipline, what I would suggest is that, in considering any particular sub-system of policy/strategy, we should start and end with a few minutes contemplating the general, i.e. the sub-system's more direct channels of connectivity with the other, major sub-systems that we put on the forward-looking agenda. Simple as that, the aim being complexity in, simplicity out, the latter achieved by putting the overall 'system design' issues at the beginning and end of every agenda.

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