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Article in *Public Policy and Administration* · June 1995

DOI: 10.1177/095207679501000205

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Policy Disasters: Explaining the UK's Record

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The theme of this paper is that Britain now stands out amongst comparable European countries, and perhaps amongst liberal democracies as a whole, as a state unusually prone to make large-scale, avoidable policy mistakes. The most generally used label for this category of error is 'policy disasters', generally construed to mean significant and substantially costly failures of commission or omission by government. In her book *The March of Folly* the American historian Barbara Tuchmann added an important extra element to the concept of 'policy fiascos', namely that the mistakes made are eminently foreseeable – but decision-makers systematically choose to ignore an abundance of critical or warning voices in order to persevere with their chosen policy. Effectively Tuchmann's revision incorporates a strong dash of what Janis describes as 'groupthink'. Here an elite group of highly motivated decision-makers – insulated from challenge, disposing of great political and administrative power, and intellectually convinced of their own abilities, determination and direction – progressively cut themselves off from information tending to undermine group morale, pushing through decisions until the policy apparatus they have erected either comes to dominate its environment, or collapses in wreckage around their ears.

Identifying policy disasters is notoriously difficult. It can only be done with hindsight, and even then it is rare for consensus to be achieved. The planning guru Peter Hall included both the Bay Area Rapid Transit scheme and the Sydney Opera House in his book *Great Planning Disasters*, devoting a chapter to each on the grounds that they suffered from very substantial cost escalation and did not meet the projected policy aims under which they were initially approved. In his view, the Sydney Opera House was an acceptable concert hall but basically too small for staging operas. And BART was never self-funding as its proponents claimed it would be. Yet now Hall's judgements themselves seem simply bizarre. By investing in its Opera House the city of Sydney purchased an icon with global recognition which has favourably reshaped perceptions of the city as a cultural centre – a literally priceless gain whose cumulative economic benefits dwarf the initial cost over-runs and shortfalls. Similarly the BART

scheme has succeeded as well as could reasonably be expected for a mass transit system operating within an acutely unfavourable environment. Hall's errors are not simply perverse or a product of his evident anti-statist biases. They suggest that the identification of policy disasters is likely to be inherently contested, so I shall make no claims to have objectively established British examples but simply set out a list most of whose elements I hope will command wide but not universal agreement. The paper falls into two parts, the first arguing for British exceptionalism, the second itemizing the main descriptive points of concern about Britain's decision-making approach.¹

1. The Scale of Policy Disasters in Britain

Over the last two decades issues of government performance have come to be discussed in an increasingly schizophrenic way. The strong rhetorical emphasis of Conservative governments on cost-cutting, administrative efficiency and public expenditure control has combined with the enthusiastic endorsement of 'new public management' (NPM) strategies by ministers and the civil service, to create a public impression of lean government. Fat has supposedly been 'pared to the bone', and where bureaucratic padding has been displaced by an administrative 'permanent revolution', ushering in market-like disciplines of competition. At the same time there have been large-scale and repeated policy failures, and even more dubiously justified and apparently ineffacious administrative reorganizations, costing millions of pounds in taxpayers' money. These debits are somehow set on one side as not forming part of the overall 'efficiency' of the government system. Civil service spokespersons routinely suggest that government efficiency should be assessed net of any concerns about efficacy, getting things done, or making substantively correct policy decisions.

The extent to which Britain is an odd country in modern Europe in adopting this approach and in accepting policy disasters can be easily brought home by comparing our performance with a country like the Netherlands. Here the mainstream conception of public administration amongst practitioners and academics alike makes no dichotomous distinction between efficiency and policy effectiveness. And it is more or less unheard of for major policies to be introduced and then fail conspicuously, having to be withdrawn at great cost. On a recent summer school I pressed Dutch colleagues from all the leading centres of the discipline to come up with examples of native policy disasters. They thought very long and painfully before producing just two instances. The first involved an attempted privatization of the job of producing new identity cards incorporating a photograph: the firm selected eventually failed to meet the standards required and the job had to be reinternalized, costing the government around £15 million. The second example involved an attempt to implement the Schengen agreement on passport-less travel at Schipol airport. Passengers from Schengen countries were given magnetic cards allowing them to exit the airport via computerized slot machines without showing their passports. However, the scheme was not widely understood by passengers. Many people on flights from Schengen countries went through the conventional passport controls anyway, throwing away their magnetic

cards in corridors on the 'air' side of the barriers – thereby jeopardizing the whole security of the airport, since then anyone could pick up the cards and exit without surveillance. The scheme and its accompanying IT and equipment had to be abandoned, at a cost of several million pounds. Now these are clear-cut policy mistakes, of which the second at least looks foreseeable, and the first a very common form of problem. But they are not policy *disasters* for the simple reason that their scale is too modest. When I pressed my Dutch colleagues for something more costly or wrong-headed they confessed defeat.

By contrast, in Britain the sad truth seems to be that policy mistakes on a very grand scale are now accepted as inevitable, almost routine, a natural corollary of our system of governing. To make this case, I briefly itemize eight examples. The first five are closely associated with new public management (NPM) practices; the last three concern key parts of the core 'mission' of central government (Table 1).

Table 1: Policy disasters in British central government

<i>New public management areas</i>	<i>Core policy areas</i>
Poll tax 1984-93	Botched entry to and forced exit from ERM (1990-92)
Social security reforms 1985-88	
Child Support Agency 199-	Entry into recession 1987-89
Cumulative erosion of local government and growth of quasi-government agencies 1983-	Trident nuclear missile program 1982-
London Ambulance Service, IT policy 1992-95	

The poll tax is currently by far the best documented of recent British policy disasters. An excellent account by Butler, Adonis and Travers draws a compelling picture of the multi-stage process by which ministers and civil servants imposed a completely unimplementable policy on local government, ignoring a wealth of objective advice to the contrary². What is less commonly appreciated is the tremendous cost of implementing the tax for two years and then scrapping it. Using conservative figures the directly wasted costs were £1.5 billion – equivalent to burning the money in Hyde Park, in Tony Travers' immortal phrase. In addition, £20 billion was spent during the life of the tax in increasing rate support grant settlements to try and make the tax work, and a further £6 billion on increasing VAT to cut back locally borne expenditures during the abolition of the tax. 'Put another way, the basic rate of income tax could have been about 4p in the £ lower in 1994-5 than it actually was (or VAT some 4 per centage points lower) if the community charge had never been introduced and abandoned'³. Further hard to quantify costs will accrue for many years as urban local authorities painfully rebuild their badly damaged capacity to collect taxes.

Social security changes 1985-88, stemming from the 1985 social security review, introduced a policy regime in which people were encouraged to opt out of the state earnings related pension scheme (SERPS) and instead invest in personal pension plans runs by private insurance companies, with direct assistance from government. The original impetus for the scheme was an apparent mis-estimate of the future costs of SERPS. Its implementation in a climate of patently inadequate regulation of the insurance companies, and with strong political messages from ministers encouraging people to withdraw from the government scheme, was disastrous. Thousands of ordinary people lacked the information or expertise to adequately counter the weight of corporate advertizing and systematic mis-advice from the salespersons of even the most respectable companies. These hapless consumers were persuaded to inappropriately leave the state scheme and invest in pension plans which it is now recognized can never deliver equivalent benefits. The insurance industry has recently set aside several billions of pounds to compensate those losers who were most obviously given misleading advice. But many more marginal cases and less active customers are likely to struggle on with inappropriate plans and incur long-term costs.

The Child Support Agency was set up in 1993 to pursue divorced parents not contributing to the upkeep of their dependent children, with the aim of reducing social security costs and taking many single parents with children back out of dependence on state benefits. Inadequately resourced at the outset, operating with inflexible rules which could not take account of existing complex arrangements between divorced or separated parents, and with unrealistic targets for recouping expenditures, the agency almost immediately ran into problems. As with the poll tax, the legitimacy of its rules was effectively contested from the outset, and protests mounted from groups adversely affected by the CSA's demands, in this case, the second families of divorced people. CSA's running costs per case spiralled out of control as the voluntary compliance of citizens necessary for most effective policy implementation was withdrawn. Administration expenses reached levels many times greater than the 4 per cent of total receipts typically achieved by the Inland Revenue. The Agency is currently undergoing a slow reorganization.

The cumulative erosion of local government and the growth of the quasi-government agencies (QGAs) since 1983 is a product of multiple separate decisions by Whitehall to strip powers away from councils in the field of grants, local control of expenditures, local government taxation, and the allocation of functional responsibilities. The net effect, forecast by numerous commentators from the outset, has been to severely attenuate the competences and political vitality of the only other tier of elected government in Britain, and to enormously increase the unaccountable powers of single-function QGAs⁴. The consequences are especially clear in London, where the GLC was abolished without providing any replacement strategic governance capacity for the metropolis, inaugurating a decade of confusion in urban policy and adverse politicization among boroughs. Hard to cost in direct 'waste' terms, the twin trends have nonetheless had

enormous costs in terms of eroding the efficacy of urban policy, and strongly contributing to public disquiet over sleaze and the over-centralization of power in Whitehall⁵.

The London Ambulance Service's information technology policy provides a particularly well-known example of the costs of 'macho' management in an NPM mould. In the autumn of 1992 a new computer-assisted despatching system was introduced, following months of rising complaints about the timeliness of emergency services. The system had been pushed through by an almost-autonomous manager, selected to embody the NPM value of strong leadership, and left very weakly supervised by a nominally responsible regional health authority and the Department of Health. To push ahead the computerized system, the top manager had ignored staff warnings and trade union opposition, and over-ridden all dissent. The system chosen was untried and from a small company which had submitted the lowest bid in a tender competition. Lastly the new system was introduced without any period of 'dual running' with the previous manual system: the old system was scrapped the day the new one started. The Service's operations duly failed completely within hours of the transfer taking effect, and after days of confusion in which some patients undoubtedly died needlessly, the new system was scrapped and the old manual methods painfully reintroduced. The Chief Executive resigned, and the Service is still trying to rebuild its operations effectively three years later.

The botched entry to and exit from the European Exchange Rate Mechanism is the leading example of unambiguous economic policy failure of recent times. It might seem unfair to label it a policy disaster because macro-economic policy-making is a notoriously difficult area. But the 1990 decision on entry followed on from repeated considerations of the policy in 1979, 1981 (when Britain got 'within ten days of entry' according to a key decision-maker), 1985 (when entry would probably have been disastrous due to the over-valuation of sterling), and continuously from 1987 onwards, with two successive Chancellors and Foreign Secretaries unavailingly trying to overcome Margaret Thatcher's opposition. In the event, the decision to enter came about almost casually, for the wrong reasons, at the wrong time, without any consultation with European partners, and at the wrong parity rate for sterling. The best study, by Helen Thompson, records that

In October [1990], during the Labour party's successful party conference week, the Chancellor (Major) assembled some senior Treasury officials and Eddie George, the Deputy Governor of the Bank of England, to go and see Thatcher to obtain her agreement for final planning preparations for entry sometime before the end of the year. A senior official recalls:

We went to the Prime Minister for an informal discussion about this – she was going out to dinner somewhere; she had to get into a long dress so the whole thing was punctuated by this changing – with a view to joining later in the year. The [Conservative] party conference was coming up and none of us wanted to join close to the party conference. I'm totally allergic to doing things close to party conference, interest rate changes or anything.

It was a Thursday night when we went to see her. She said: "All right, do you think it will be all right?" "It will certainly be all right for next six to seven months." The Prime Minister said: "Could you bring down interest rates at the same time?" We said "Yes" because we wanted to bring down interest rates anyway. She then said: "Well, can you do it [join ERM] tomorrow?" "Well, that would be extremely difficult."

So we then adjourned to see when we could assemble the monetary committee [of ERM] and we said: "No, we can't do it tomorrow. But we can have it done by the weekend." And she said: "Goodness knows how we are joining at 2.95" [Deutschmarks, the prevailing sterling exchange rate].

Thatcher's concern was that the rate was below 3 deutschmarks to the pound, the level at which Nigel Lawson had unavailingly shadowed the deutschmark earlier. In fact external critics quickly pointed out that the rate was about 15 per cent too high to be sustainable.

And so indeed it proved within less than two years. In September 1992 at a Sunday conference the British Chancellor strenuously resisted an opportunity pressed on him by his European partners to revise the pound's valuation against the mark downwards. On Thursday that same week, the Bank of England committed a reputed £4 billion to purchasing sterling on the markets, in a bid to stave off a speculative wave, to no avail. Britain was ignominiously forced out of ERM, and the pound has continued to drift away from the core ERM countries' currencies ever since. The costs of the wrong rate decision in terms of additional recession and the losses incurred in the 1992 exit again run into hundreds of millions of pounds. And the long-run reputation of British currency policy-makers took another knock, solidifying the common European saying that: 'No one ever lost money by selling pounds'.

The entry into recession in 1987-88 is an equally notorious economic policy failure. By maintaining reflationary pressures after the 1987 general election, particularly by the tax cuts made in the 1988 budget and the tax incentives creating intense demands and huge price rises in housing markets, the Chancellor and the Treasury gave a completely avoidable stimulus to inflation at the point in 1989 where economic growth turned down anyway. Their actions, heavily criticized at the time, and completely foreseeable within any elementary economic theory, ensured that both interest rates and taxes were much higher in Britain throughout the slump than would otherwise have been necessary.

The Trident missile program is currently the most controversial item on my list – and one not yet generally perceived as a major policy disaster. The case for including it is simple – the weapons system in question is redundant because of the end of the Cold War, and foreseeable so virtually from the outset of decision-making. Trident was always an over-kill as a replacement for Polaris, dramatically increasing the number of UK warheads, and over-scaled against the possible need for a British independent deterrent even had the Soviet Union not been visibly collapsing by the middle 1980s, as it clearly was. The attraction of Trident for the British military establishment was the ability to massage the finances and present it as cost-effective, achieved by spreading out cost

incidence over a very long planning and implementation period, buttressed by contracts with the United States and ferocious penalty clauses for cancellation. First approval was in 1982, but the peak years for spending were not until 1990-94, by which time Russia was almost a liberal democracy and its aging missiles were no longer directed at any UK targets. This strong programme insulation, also served to force the Labour party into withdrawing proposals to scrap the missiles, since heavy costs had been incurred early on by entering into contract commitments. Initially estimated at over £15 billion (in current prices), the program was increased by a further £1.1 billion by huge cost over-runs on completing the Clyde Trident base, and by the need to add a 'tactical weapon system' (cruise missiles with the capability to deliver conventional warheads accurately) once it was clear that Trident' strategic nuclear missiles would never be useful even as a deterrent⁶. However, in response to evident criticisms MOD belatedly cut £3.8 billion from programme costs by reducing the number of missiles and warheads and transferring work to the USA. Nonetheless, critics still put the real overall cost of the programme at closer to £30 billion (once running and maintenance costs are included), a lot to pay for a deterrent that was already clearly unnecessary by 1989, and is now quite pointless. Even the farce of sending Trident submarines to sea for long underwater cruises when they have no observable enemies will increasingly seem unsupportable, but the UK has four submarines (with unit costs of over £1 billion each) to ensure that it is continuously played out.

By any standards the list above is an impressive one in terms of the costs involved, and the spread of departments and policy areas affected. There are many other possible candidates worth just briefly listing. Broadening attention to 'sins of omission' might include the mid 1980s decision not to commit £2 billion of public funding for the Channel Tunnel rail link, now likely to be expensively rescinded after a gap of a decade; the delays over committing funds for transport links (especially a tube line) to Docklands, and the unco-ordinated planning and commitment of funds to the area itself. Including large-scale administrative irrationalities would bring in the enormously expensive introduction of quasi-markets in the NHS, which has produced little verified evidence of greater efficiencies but unambiguously increased spending on management, accounting and bureaucracy; the Social Fund, a strange case of a welfare 'benefit' where almost more money is spent on administration than is paid out to beneficiaries; the creation of the Student Loan Company, likely to be swamped in future by bad debt problems which could easily have been avoided by alternative 'graduate tax' proposals; or the millions of pounds lost in repeated mistakes over non-market privatizations, asset disposals and contracting out exercises, through departments under-valuing assets and their weakness in post-tender negotiations. Including cases where policy has simply failed would encompass a raft of unimplementable or misdrafted legislation – such as the early, radically overloaded versions of the National Curriculum and its accompanying tests, twice revised downwards with sizeable costs in writing off texts, materials and training; or the Home Office law introducing fines for less serious

offences on a means-related tariff, withdrawn after a few months operation because of public outcry. Each such legislative debacle of course adds a few million pounds to the substantial annual toll of policy-induced waste which is now accepted as routine in British politics.

2. The Origins of Policy Disasters

What factors account for this recurring problem of major policy failures? A great deal of systematic research would be needed to even attempt an answer in a 'professional social inquiry' mould – and even then the answer produced would be unlikely to be authoritative in covering such a large and difficult canvas, and would almost inevitably depend upon our assessing it within a super-structure of 'ordinary knowledge'. Hence my response here is at best an essay covering some main factors. Nonetheless, there is a great deal of ordinary knowledge already available on this topic, and while it is not scientifically established or certified, it may nonetheless help stimulate thought about key practical concerns. Five main factors seem to be involved in generating policy disasters: scale aggregation, overly speedy legislation and policy-making, political hyperactivism, the 'arrogance' of Whitehall, and ineffective core executive checks and balances.

(a) Scale aggregation

The UK is a medium-sized state in international terms. But in terms of domestic policy it is unusual in being a unitary country without the regional-level tier of government found in all federal countries (such as the USA, Canada, Australia and Germany) and increasingly important since the mid 1970s in France, Spain and Italy. Amongst industrialized liberal democracies probably only in Japan is the scope of domestic policy implementation larger than in the UK. Similarly British government has traditionally had a strong 'statist' character, with direct central provision of social security and health care⁸. There are few of the mixed public/private implementation systems common in western Europe in fields like social security, health care, and housing, arrangements which tend to break up the scale of those countries' policy systems and enforce extensive consultation about policy reforms⁹.

The implications of large scale are evident in the poll tax debacle, which reflected the ability of British governments if they wish to recast on a country-wide basis all other policy systems. Trident shows a further aspect of scale-aggregation, this time through the single, irreversible choice of an almost completely inflexible weapons system, rather than looking for a modular, more adaptable or more easily 'chunkable' solution. Scale aggregation has powerfully influenced contractization as well, notably in the 1994 decision to privatize the Inland Revenue's massive computer systems as a ten year £1 billion contract with the US firm Electronic Data Systems, who also won a five year £250 million contract to run Department of Transport computers. With contract values of this size and length the potential for small mistakes in contract specification or monitoring to produce huge losses of taxpayers' money or sweeping problems in service delivery is obviously considerable¹⁰. Large-scale contracting also

inherently reduces the scope of current competition – since only a very few firms can even tender for such giant projects. For future contracting it compounds the ‘information impactedness’ advantages which will accrue to the initial winning company when contract renewal looms.

(b) The ‘fastest law in the west’ syndrome

The former New Zealand deputy premier Geoffrey Palmer coined this graphic phrase to encapsulate his country’s problems with a small uni-cameral legislature, easily controlled by a Cabinet of eight or nine people backed by the votes of a Parliamentary majority, and steeped in the ‘Westminster’ tradition of speedy, overtly partisan legislation. But New Zealand is tiny in population or GDP terms compared with the UK, and its political system has already been considerably changed by the introduction of proportional representation following the 1993 referendum. So the best current claim for ‘fastest [and most sweeping] law in the west’ is undoubtedly Britain’s – notwithstanding the occasional important exceptions where intra-party discipline collapses, such as the protracted passage of the Maastricht treaty legislation in the 1992-3 session.

It is a truism that a British government with a secure Parliamentary majority can pass virtually any law it chooses; that standing committee scrutiny is highly inept and ineffective and that committee composition can be manipulated so as to prevent critics being effective (as on the poll tax, where the Conservative whips enlarged the size of the standing committee so as to prevent any combination of Labour plus Tory critics from commanding a majority);¹¹ that the legislative process is always severely time-constrained, leaving no time to debate many issues; and that the government of the day can normally guillotine debate, in the process voting through unscrutinized or undebated clauses. As in other areas, the Thatcher government pushed back the frontiers in curtailing debates, reflecting the PM’s personal disdain for the Commons, where she was the least active premier for 120 years¹². The enfeebled nature of the House of Lords also means that on Tory legislation there is mostly little further check, despite occasional significant changes voted by peers.

The British legislative process is completely free of many of the restrictive or slowing conventions found in European legislatures with coalitional governments. No cross-party agreement is expected, still less the careful assembling of a pre-legislative consensus by government departments or parliamentary committees which characterizes law-making in Japan or Scandinavia. Although by convention governments are expected to consult before proposing legislation, they are thereafter entirely free to ignore the results of the consultation, or to choose to take notice of only those responses which suit their purposes or come from political allies. There is no legal or Parliamentary basis for challenging a government which presses on with legislation in the teeth of public objections or professional criticisms.

Governments are not required to certificate or even estimate the transaction and transition costs of policy changes they propose, nor to offer any cost/benefit analysis of new legislation or major policy changes. Budgetary estimates provide

a wholly inadequate way of Parliament monitoring costs for many government programs. For example, only in the last decade, at the insistence of the Public Accounts Committee, has the Ministry of Defence given any regular, annual information to Parliament on the progress of procurement contracts. There is no equivalent Parliamentary rule to that in the Netherlands, which requires central departments to demonstrate that the IT systems required to implement new legislation are already available and costed. No recasting of legislation to maintain Parliamentary support normally takes place in Commons committees or on the floor, still less overt vote-trading or log-rolling. Overall, a government with a Commons majority can be confident of steam-rolling up to 97 per cent of its original bill clauses and government amendments through the Commons without change¹³.

And once legislation has been proposed or passed, it is highly unlikely to form the focus of any systematic inquiry by the legislature. The National Audit Office is constrained from investigating 'policy' decisions – such as the introduction of the poll tax, or the alleged need for Trident. And Parliamentary select committees, active only since 1979 in any systematic way, have no teeth and rely on unanimity for their reports to be influential, virtually guaranteeing that they will not investigate any issue surrounding a controversial policy decision or legislation. The explicit policy of the Environment committee chair throughout the poll tax fiasco¹⁴, this stance ensured that the tax was never investigated by any select committee.

(c) Political hyperactivism

This concept was invented by the conservative political philosopher Ken Minogue, primarily as a stick with which to beat the Labour government of the late 1970s¹⁵. But it fits far more closely the behaviour of the Thatcher and Major governments, with their self-conscious pursuit of radicalism and obsession with administratively reorganizing all parts of the welfare state apparatus. Hyperactivism occurs when politicians individually and collectively gain 'points' with the media and party colleagues from making new initiatives almost for their own sake. They see much less political mileage in efficiently implementing existing policy lines, and none at all in critically evaluating their party's previous policy initiatives.

Hence junior ministers build a career by promoting sweeping change to their superiors, as Waldegrave and Baker did with the poll tax. Secretaries of state move up the Cabinet pecking order by launching major new directions, as Fowler did with Social Security. And contenders for the major party leaderships enunciate distinct political 'visions', in government usually linked to policy changes under their remit. In virtually all cases, the implementation phase of initiatives will accrue to different ministers, themselves anxious to put their own personal imprint on policy. Successor ministers tend to be keen to demonstrate political virility by achieving even faster action, and hence they eliminate previously included safeguards – as Ridley did with the poll tax by abolishing plans to phase it in while 'dual-running' with the rates, and instead going for a 'big bang' implementation.

The divorce between initiation and implementation, combined with the premium on speedy and large-scale change, militate against any experimentation or trial implementation periods. The rotation of ministerial jobs plus late changes by new ministers builds in deniability for the original change-agents if mistakes occur: their sound plan was never put into practice as they conceived it. Hyperactivism also implies that Cabinets as a whole will respond to perceived failure by launching a barrage of new initiatives, as the Conservatives did in the autumn of 1986, restoring their fortunes with the Tory media, but also embarking on some of the most under-researched and ill-advised administrative crusades of modern times.

A key intellectual corollary of political hyperactivism has been the development of a cult of 'best practice research' in management theory – in which all pretence of scientific evaluation is jettisoned in favour of solutions based on generalizing anecdotes of successful practices or on mainly theoretical arguments, such as the supposed advantages of the poll tax in improving local 'accountability'¹⁶. The writing-off of intellectual capital involved is an essential element of the new public management policy boom, just as it is of any other policy boom, a large-scale counterpart of the group-think phenomenon. A complimentary trend is the shift by ministers away from using their senior civil servants for policy advice, and towards reliance instead on politically aligned think tanks and outside experts, plus younger civil servants or advisors anxious to make their marks and secure promotion. Policy working groups constituted on these lines have strong career-maximizing incentives to push ahead with radical initiatives, as with the original poll tax progenitors in the DOE¹⁷.

(d) The 'arrogance' of Whitehall

The essential administrative counterpart of political hyperactivism, and a key reinforcement for fast-track legislation and large-scale decision-making, is the established bureaucratic culture in Britain. The previous generalist civil service vested control with staff who in many cases simply lacked the appropriate professional expertise to be able to appreciate risks and costs. In substitution for technical expertise they placed a premium on political responsiveness and policy activism as the rationales for their central role, and the internationally unusual set-up in the UK. Since the 1980s the de-emphasis on policy work and cult of managerialism has focused senior officials' attention on administrative reorganization, and pushed policy advice work down the hierarchy.

But the 'new' civil service retains the same cultural attitudes as the old. The work is still done by intellectually self-confident, immensely talented personnel without a proper background in the fields they are administering. They operate brilliantly out of files and folders, but lack relevant higher or professional education for the most part, disparaging relevant doctorates or masters courses as a 'waste of time'. They pick up what skills they do have while 'learning on the job', and in many cases are dismissive of outside organizations and centres of expertise. Current civil servants most resemble journalists in their capacity to

quickly get 'up to speed' on key issues, dream up attractive intellectual arguments, and quickly 'present a case' – but also in their inability to interest themselves in large volumes of data, cope with competing theoretical perspectives, understand complications, or work through the interactions of intricate social and technical systems. The 'agencification' process has only accentuated these strengths and defects in core departments, as those staff with in-depth managerial skills or professional commitments are increasingly separated off into enclaves, and the core personnel are no longer tied by strong organizational linkages to colleagues in their department group.

The shrinkage of the central state machine produced by ceaseless reorganizations and efficiency 'savings' has also produced sadly reduced core competencies to accomplish key tasks or supervise contractors. In some contexts the marginalization or withdrawal of senior civil servants from policy advice has meant that the 'collective memory' of the department is written off (as with the poll tax). But of course in other areas, such as Trident, bureaucratic inertia and conformity to historical patterns are key sources of an inability to choose robust and flexible decisions, or to recognize key changes in the external environment. Even in the 'strongest' departments, however, project work is increasingly assigned to consultants – for example, 1064 consultants were used to accomplish the redesign of the Trident submarine base, where (in true 'fastest law' style) construction work had begun prior to the design having been finished. Consultant costs of £306 million contributed a large part of the £800 million cost over-run. Where contractors are brought in for major functions, contract management is usually underfunded viz a viz the scale of possible problems – as in the Inland Revenue deal with EDS, where technology development expertise rests almost entirely with the company.

The dominant bureaucratic motivations of the present era are well captured by the bureau-shaping model, which predicts a constant pressure by senior civil servants to push ahead with changes such as agencification, market testing and contractorization even when the results are inappropriate, that is, they reduce the social welfare¹⁸. Bureaucrats (like ministers) want to maximize the interest of their work tasks, concentrate on policy level work or regulation of others, maximize their incomes (via 'performance pay') and power, and create deniability for mistakes. Where a whole chain of officials (at different levels or in different roles) gains the opportunity to practice bureau-shaping, then the theory predicts the creation of a series of 'boutique bureaucracies', in which successive tiers of controllers impose increasing overheads on implementing budgets, while carefully tailoring their organizational roles to create minimum exposure for overall policy responsibility. A good example here might be the DOE Rough Sleeper's Initiative for rehousing the street homeless, which costs around £120,000 per person actually provided with temporary accommodation – more than enough to build each one a decent permanent flat. Another example, is the growth of 'bureau-to-bureau regulation'¹⁹, where the disaggregation of unitary organizations accomplished by NPM approaches, and the apparent devolution of management responsibilities, is supplemented (or counteracted) by

the restoration of what Dunsire terms 'collibration', in the form of multiple, often competing audit and regulation systems²⁰.

However, the closest association between Whitehall's culture and political hyperactivism has been their joint response to the displacement of policy responsibilities away from the national level to the European Union and to international policy-standardization forums. The civil service, no less than ministers, has generally performed poorly in the coalitional politics required at EU level, and most officials find mastering the weight of detail involved unattractive. So senior officials have gone along with an implicit pact with Conservative politicians to recentralize domestic policy influence under their own control, to give both sets of actors a continuing role under their direct control which fits their motivations. This joint concern has fuelled the attack on local government and the growing pre-occupation of Whitehall with welfare state administrative reforms, partly in response to long-run decline in the central state's former 'high politics' areas – foreign affairs, defence and strategic economic policy. As these issues have slipped beyond Whitehall and ministers alike, so under the guise of a new managerialism both have become fascinated by former 'low politics' areas of which they know little, where their policy competence is small, and which they would have disdained to become involved with two decades ago. In many ways, Whitehall has *become* a glorified local government – leaving little room for councillors and local democracy as well.

(e) Ineffective internal core executive checks and balances

Britain's uncoded constitution and strongly partisan government, together with the absence of any genuinely independent or worthwhile legislative scrutiny, have made internal core executive arrangements the focus of acute normative anxieties for many years. The debate about prime ministerial power versus Cabinet collegiality expresses in an over-simplified and now partly anachronistic form the varying emphases of those who demand core executive cohesion above all else, versus those who look for internal checks and balances at the heart of the core executive to stave off groupthink and associated policy disasters²¹. To appreciate how easy it is for the UK system to prove ineffective in securing a balanced or rounded consideration of policy issues I use a very simple public choice dimensional analysis to contrast the 'normal' process for policy change, taking as my example the annual departmental budget submission, with the kind of configuration associated with policy disasters, taking the poll tax as my example.

Conventionally the process by which a department's budget is settled can be illustrated as in Figure 1, where the left-right spectrum is used to represent the level of change in the budget. The status quo level of spending inherited from last year is shown on the left (with points to the left of that indicating budget increases). As we move to the right along the dimension so the department's budget falls. The various actors involved in determining the department's budget are positioned along the axis, as shown. Following most conventional accounts, I assume that the department itself has a preferred position as close as possible to

the status quo at D, perhaps allowing a small decrease due to efficiency savings, introduction of IT, or whatever. In some ways the department's role is that of agenda-setter – in the sense that if nobody else involved adopts a different position then what the department wants to see happen will become policy. A key resource for the department is its ability to define detailed and practicable administrative proposals for how to spend its preferred ideal budget, information which is costly to collect and not available to other actors.

However, in the public expenditure process the department does not stand alone as a source of administrative expertise and detailed information (as it might do in some other policy questions). The Treasury is also involved as a kind of alternative agenda setter, although its information base will be more restricted than the department's. Again following conventional accounts, I have shown its ideal position at T as the most rightward of all – demanding the largest cutbacks in spending. Apparently then a very wide zone of debate and decision will exist running from D to T.

Figure 1: A dimensional view of 'normal' budgetary decision-making

Status Quo	Department	Minister	Cabinet	Cabinet Committee	PM	Treasury
SQ	D	M	C	X	P	T
●	●	●	●	●	●	●

However, once we begin to consider the positions of political actors this scope of dispute will be restricted, assuming the positions shown in Figure 1. In the first place the department cannot simply advocate their ideal position; they must first convince their minister to put forward their case. The minister in this sense is a gatekeeper, who by controlling the door to Cabinet-committee discussions can bring her or his own preferences to bear. Again following conventional accounts I have assumed in the Figure that the minister is fairly favourable to a budget close to the status quo, but sees more scope for reductions than does the department itself. Knowing the minister's position is at M, and that there are no other political actors closer to their own position D in Figure 1, the department civil servants have little choice but to propose M as their own initial bid²².

On the other side of the spectrum, however, the Treasury may have a similar problem of anticipating reactions. Assume that an unresolved dispute between the minister (and department) and the Treasury will be settled in most instances by a Cabinet committee (now the EDX committee, and previously in various manifestations known as the 'star chamber'). The Chancellor sits on (indeed now chairs) this committee, but is only one voice, so I show the median committee member's ideal point at X, somewhere in the middle of the gulf between department and Treasury. The Treasury has to choose whether to advocate its preferred point T or to adopt a less extreme position. As Figure 1 is drawn they will not in fact advocate T, because the minister's preferred position M is closer to the median committee member at X than is T. Faced with a choice between

only M or T, the cabinet committee will just choose M and the Treasury will lose. (By contrast, if T should turn out to be closer to X than M the Treasury would stick to its guns).

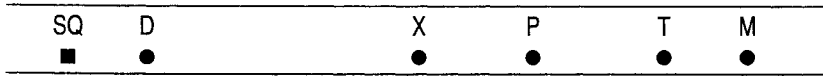
In searching for a second-best position the Treasury may hope that the Prime Minister (and the Number 10 staffs) can be persuaded to intervene in the dispute, in which case it may be possible to over-ride the cabinet committee's decision. Again following the conventional accounts which suggest that the PM will generally favour expenditure control more than the average Cabinet member, I place his or her optimum at P. Anticipating the defeat of T, the Treasury may adopt P as its bargaining position instead. Since P is closer to X than M it will win out on a straight committee choice, and the committee may be additionally inclined to accept it by knowing that it is the premier's ideal point, and hence a possible over-ride position if they choose another outcome.

The minister and department now have a tricky problem to think through if the Treasury adopts P, since M is now unlikely to be workable. Suppose that four conditions apply: that the minister or department happen to know the median Cabinet member's position is at C (and it may in fact be rather unusual for them to know this accurately); that C is more favourable for the minister/department than are either X or P; that C is closer to X than is P; and that in exceptional circumstances a really big issue may be bid up past the EDX committee and the PM to full Cabinet for a decision. Then it might make sense for the minister/department to shift position to C, working up detailed proposals to adjust expenditure to that level. Even if these conditions are not met then the minister/department's best bet is to adopt any other coherent policy position closer to X than is P. At the last ditch the minister/department should go to the extreme extent of adopting X as their own revised proposal and working out proposals for policy to be implemented with a level of spending identical to the committee's optimum point.

Thus, despite starting from very different initial department and Treasury positions, by dint of anticipated reactions the 'normal' operation of British core executive decision-making tends to produce convergence on a narrower and more centrist range of options. This effect depends upon the separation out of different roles, and of course how the result works out in detail is influenced by the precise positions adopted by the different actors. It is easy to show that the system can be thrown off from a centrist tendency if actors adopt other positions. For example, consider Figure 2 where I have assumed that the minister does not 'go native' and adopts the closest position of the political actors viz a viz the status quo and the department's ideal point, but instead favours stringent cutbacks in the spending under his or her control. Here M is the most rightward position and the minister will settle with the Treasury at T in bi-laterals long before the cabinet committee, PM or median Cabinet member ever get involved in decision-making. Assuming that the minister can hold their department under control, and that the Treasury does not moderate its position to guard against ministerial excesses, the minister's switch of position alone suffices to destabilize the system, knocking out the whole apparatus of core executive

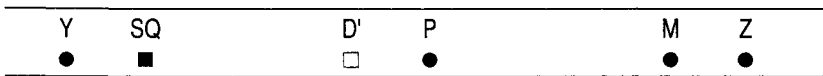
checks and balances. This example helps explain why ministers like Sir Keith Joseph, Nicholas Ridley or Peter Lilley are so dangerous from their department's viewpoint.

Figure 2: A dimensional view of 'abnormal' budgetary decision-making



Turning to the poll tax example, Butler, Adonis and Travers' account describes a configuration as in Figure 3, where the left right axis represents the degree of change away from the rating system (shown as the status quo, SQ) to a flat rate and regressive poll tax at Z. The Treasury adopted a position from the first of supporting rates, perhaps with minor modifications, a position very close to the status quo. The Department of the Environment came out of the first term Thatcher government neutral between retaining rates and going for a poll tax, so that we can show their initial position at D'; but in truth their view was more agnostic than neutral. When a further DOE review was set up in 1984 influenced by Waldegrave (who rigged its advisors) it quickly developed strong 'groupthink' tendencies, ending by adopting a position in favour of a poll tax, albeit with a few qualifications (such as phasing in), which we can represent at M. By persuading the secretary of state to also adopt M the review team began the process of tilting the whole decision-making machinery, aided by the fading away of D' under the influence of the DOE permanent secretary, Terry Heiser, who completely abandoned the previous mandarin role of warning and advising, let alone defending values of sound administration or implementability.

Figure 3: A dimensional view of decision-making on the poll tax



In the second, political phase the key actors were the PM and the cabinet committee, plus the Scottish Office and the Conservative Party chairman, both of whose involvement reflected the impact of the rates revaluation in Scotland which began provoking a political storm amongst Tory voting groups. The dramatic increase in Scottish property valuations had the effect of moving the status quo further away to the left, to the position shown at Y, so far as the PM and the Cabinet committee were concerned. This shift was crucial for Thatcher who initially adopted a middling position shown at P, where her initial inclination in 1984 was to stick with rates because SQ was closer to her ideal point than M. But the Scottish situation left the PM and later the median cabinet committee member closer to M than to Y (the revised status quo). And without any intermediate proposal of her own to substitute in place of the poll tax the PM swung over, powerfully influenced by her office. The Cabinet committee concurred, for the same reason. And full Cabinet, supposedly the guardian of

collegiality, gave the issue exactly 15 minutes consideration – in the same meeting from which Michael Heseltine stormed out and resigned over Westland. Subsequent developments under Ridley only pushed the initial poll tax proposal further along from M to a completely flat rate tax introduced with a big bang, the Z position. The Treasury had no established veto power in the area of local government taxation, and under the poll tax even the involvement of the Inland Revenue in valuation of domestic properties was removed. The Treasury depended on the DOE (which had more or less abnegated its collective memory functions altogether) for most of its information. Neither officials nor the Chancellor could not or would formulate any intermediate position, which alone might have pulled the policy back towards a centrist position. Even when the Mates amendment proposing a banded poll tax (very similar to the council tax) was before Parliament, the Treasury and Chancellor did nothing positive to assist it. Thus the poll tax is an excellent example of how British core executive decision-making can be wholly unbalanced.

Unbalanced decision processes of this kind might be linked to other policy disasters discussed above, although we have decisional accounts only of the two macro-economic policy cases. The entry into recession in 1988-9 clearly resembled poll tax in that the the Chancellor and Treasury (acting as the policy department here) adopted an extreme position (to continue reflating), and the Bank, PM and Cabinet did little effective to stop them. In the ERM case, the policy positions of the main participants did not converge over successive rounds of the issue. Instead the PM adopted a strong position and refused to budge in response to any arguments, creating dangerously dichotomous policy signals – in an issue area where uncertainty and confusion incurred direct costs for the UK as a whole in finance market instability and long-run increments to interest rates²³. It seems likely that Trident decision-making was also unbalanced, with the Ministry of Defence overly powerful, weak Treasury interventions, Thatcher adopting a strong stance in favour of Trident for political/ideological reasons rather than because the weapons system was ever necessary, and main responsibility resting with a Cabinet committee OPD(N) too small, secret and 'stacked' to ever permit an objective review of the policy²⁴.

Conclusions

Policy-induced waste and foreseeable fiascos are serious and endemic problems of the British political/administrative system. I have argued that they can be traced to the large-scale of British policy making; to an elite preoccupation with speedy policy-making giving inadequate scope for legislative scrutiny; to a strong form of political hyperactivism induced by the UK's particular system of party competition; to the over-confidence of a talented but inexpert administrative elite; and to the preiodic failure of internal checks and balances inside the core executive.

If this diagnosis is plausible, then the solutions are not hard to find. We need to break up the scale of policy-making, cutting back on the decisions currently being made centrally, and building up a more devolved structure within which

domestic issues to be decided. We need to revive the powers of Parliament, for example, by giving select committees a key pre-legislative role in running consultation on Green Papers and White Papers, by assigning legislative scrutiny to the same committees, and assigning committees NAO personnel as a proper policy staff. We need to change the electoral system so as to reduce partisan incentives for adversary policy-making, and cut down radically on the number of ministerial jobs. Explicit coalition governments might also be helpful to replace current implicit faction fighting. Civil service elites need to be renewed – with dedicated staff professionally trained in relevant disciplines, and suitably educated at advanced levels – and the administrative culture changed to emphasize policy efficacy instead of a chimerical ‘efficiency’. And reliance on a closed system of internal checks and balances within the core executive needs to be replaced by a system of external checks and balances, fully informed public and professional debate, and much greater central government openness. This agenda is a daunting one, but its components have a familiar ring. Reducing recurrent policy disasters in Britain depends upon constitutional reform.

Notes

- 1 I concentrate most attention on central state policy-making because the problems here seem most acute, although smaller-scale and differently structured difficulties are no doubt evident also in local government and quasi-governmental agencies.
- 2 D. Butler, A. Adonis and T. Travers, *Failure in British Government: The Politics of the Poll Tax* (Oxford, Oxford University Press, 1994)
- 3 Butler, Adonis and Travers, *Failure in British Government: The Politics of the Poll Tax*, p.180.
- 4 See S. Weir and W. Hall, *Ego Trip: Extra-Governmental Organizations in the United Kingdom and Their Accountability* (London, Charter 88 Trust, 1994), also summarized in ‘Questions of Democratic Accountability’, *Parliamentary Affairs* (1994), Vol.48, No.4, pp.306–22; and S. Weir and W. Hall, *Behind Closed Doors: Advisory Quangos in the Corridors of Power* (London, Channel 4 Television/Democratic Audit of the United Kingdom, 1995). For an implausible dissenting view, arguing that no increase in quangos has occurred, see B. Hogwood, ‘The Growth of Quangos’, *Parliamentary Affairs* (1995), Vol.48, No.4, pp.207–225.
- 5 Weir and Hall, *Ego Trip* and *Behind Closed Doors*; P. Dunleavy and S. Weir, with G. Subrahmanyam, ‘Sleaze in Britain: Media Origins, Public Response and Constitutional Significance’, *Parliamentary Affairs* (1995) forthcoming.
- 6 See National Audit Office, *Ministry of Defence: Major Projects Report* (London, National Audit Office, 1995) HC 436 Session 1994–5, pp.60–2.
- 7 See C. Lindblom and D. Cohen, *Useable Knowledge: Social Science and Social Problem-Solving* (New Haven, Yale University Press, 1979).
- 8 P. Dunleavy, ‘The United Kingdom: Paradoxes of an Ungrounded Statism’, in F. Castles (ed) *The Comparative History of Public Policy* (Cambridge, Polity, 1989), pp.242–91.
- 9 For example, in Denmark the convention is that any major housing legislation has to be agreed between virtually all political parties – since people are making housing investment decisions for the long term, and need assurance that their choices will not be invalidated by political changes. Compare the chequered history of constantly changing and highly partisan policy initiatives in post-war Britain.

- 10 See National Audit Office, *Inland Revenue: Market Testing the Information Technology Office* (London, National Audit Office, 1995), HC 245, Session 1994–5; and National Audit Office, *Department of Transport: Sale of DVOIT* (London, National Audit Office, 1995), HC 128, Session 1994–5.
- 11 See Butler et al, *Failure in British Government*, p.239.
- 12 P. Dunleavy and G. Jones, with others, 'Leaders, Politics and Institutional Change: The Decline of Prime Ministerial Accountability to the House of Commons, 1868–1990', *British Journal of Political Science*, (1993) Vol.23, No.2, pp.267–98.
- 13 J.A. Griffiths, *Parliamentary Scrutiny of Government Bills* (London, Allen and Unwin, 1974).
- 14 See Butler et al, *Failure in British Government*, pp.228–33.
- 15 K. Minogue, 'On Hyperactivism in Modern British Politics', in M. Cowling (ed) *Conservative Essays* (London, Cassel, 1978), pp.117–30.
- 16 E.S. Overman and K. Boyd, 'Best practice research and postbureaucratic reform', *Journal of Public Administration Research and Theory*, (1994) Vol.4, No.1, pp.67–83.
- 17 See Butler et al, *Failure in British Government*, Chs 3 and 4. For an analysis of 'career-maximization' in the Department of Energy during the early 1980s, and the original statement of this concept on public choice lines, see S. Hoops, 'The Privatization of UK State-Owned Oil Assets' (PhD Thesis, London School of Economics, 1994).
- 18 See P. Dunleavy, *Democracy, Bureaucracy and Public Choice* (Hemel Hempstead, Harvester-Wheatsheaf, 1991), Chs 7–8; O. James, 'Explaining the "Next Steps" reorganization in British Central Government: Applying the bureau-shaping model', in P. Dunleavy and J. Stanyer (eds) *Contemporary Political Studies 1994* (Belfast, UK Political Studies Association, 1994), Vol.I, pp.339–58.
- 19 This concept is Christopher Hood's, and forms the focus of a current project under the ESRC's Whitehall Programme.
- 20 See Mike Power, 'The Audit Explosion' (London, Demos, 1994). Andrew Dunsire views collibration as the enforcement of contradictory objectives on an organization.
- 21 See P. Dunleavy and R.A.W. Rhodes, 'Core executive studies in Britain: a review', *Public Administration*, (1990), Vol.68, No.1, pp.3–28.
- 22 Do departments in fact adjust their position depending on the attitudes of their minister? According to Margaret Thatcher they do:
 'I saw it [civil servants' advice] vary from Minister to Minister. I used to sit there sometimes and say "That's not what you said to my last Minister. You are giving him totally different advice. Why?" And gradually they said: "Well, the last one wouldn't have accepted that advice". I said, "Well you're now trying it on with my present one".'
 Quoted in P. Hennessey, *Whitehall* (London, Fontana, 1990), p.630.
- 23 H. Thompson, 'Joining the ERM: Analysing A Core Executive Policy Disaster', in R.A.W. Rhodes and P. Dunleavy (eds) *Prime Minister, Cabinet and Core Executive* (London, Macmillan, 1995).
- 24 The OPD(N) is chaired by the Prime Minister, and includes only the Defence Secretary, Foreign Secretary, Chancellor and the Attorney General (whose role is mainly legal advice).