SCARCITY, POLICY GAMBLES, AND "ONE-SHOT BIAS"

TRAINING CIVIL SERVANTS TO SPEAK TRUTH TO POWER

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It is commonplace to exhort the importance of bureaucrats "speaking truth to power," especially when this involves a difficult conversation. Although the distinction between fact and opinion may be contested, particularly in an era of "post-truth" politics, and the optimal balance between impartiality and loyalty can be debated, few have questioned the basic axiom that officials must "tell it like it is." But why is this so necessary for effective government, and what training can be given to support civil servants in this difficult endeavour? In our forthcoming contribution to the *Palgrave Handbook of the Public Servant* (Elston & Bevan, 2020), we argue that a vital but especially problematic aspect of speaking truth to power involves officials advising ministers on the opportunity costs of pursuing high-risk "pet projects." Bold thinking about public service reform is something to be admired, but the brevity of ministerial office can produce what we call "one-shot bias." This is a tendency towards radical but risky policy-making that satisfies the immediate concern among ministers to use time-limited powers to the full, yet risks producing significant opportunity costs for public services in the long run. More extensive training for officials in the economics of organization, investment in developing new techniques for applying economic principles in situations of high uncertainty, and stronger incentives for decision-makers to heed opportunity-cost advice could, we argue, provide some protection against the negative effects of "one-shot bias."

Opportunity costs in public service reforms

Allocating scarce resources – like money, time or brainpower – to specific purposes incurs opportunity costs. These represent "the value of all that must be sacrificed" by choosing one project over another (Frank & Cartwright, 2013, p.7). Losses can accrue over lengthy periods, and it can be difficult to stem the flow if changing policy direction is practically or politically infeasible. Thus, recognizing opportunity costs upfront may alter resource-allocating decisions markedly. But this is not easy. Unlike the *direct* costs of, say, hiring staff or buying computers, the opportunity costs of a policy are *implicit*. Indeed, the true "benefits foregone" in making one choice over another are in a sense unknowable, since they depend on an unobserved counterfactual. Furthermore, whereas firms can compare estimates of profitability for alternative investment decisions in order to guide their resource allocations, no equivalent single metric exists in government, where efficiency, effectiveness, equity, accountability, and legitimacy may all feature among the "opportunities" foregone when making policy choices. In short, the "truth" that should be spoken to power is particularly obscure when it comes to the opportunity costs of public service reform.

Opportunity-cost mistakes abound in contemporary public service reforms. In England, the Health and Social Care Act 2012 aimed to entrench the policy of competition between health providers in what was "the most wide-ranging reform of the NHS since it was founded" (The Kings Fund, 2019). At the time, the policy was widely criticized as an unnecessary distraction for a vast and complex organization already struggling with the challenges of austerity. It was also abundantly clear that the separate social care system really did need significant attention. Subsequently, while the legislation remains on the statue book, the objective of competition has been abandoned. But new reforms aiming to achieve integration, both within the NHS and with social care, continue to be hampered by the 2012 Act (NHS England, 2019). Compliance with that ill-judged legislation has brought enormous opportunity costs for professionals, managers and policymakers, both in terms of how ably they have handled austerity and the worsening crisis of adult social care (Economic Affairs Committee of the House of Lords, 2019).

In 2010, unlike the NHS, the UK's social security system did require radical reform: it was incomprehensible to claimants and administrators, prone to errors, and believed by some to disincentivize work. The Cameron Government's remedy was to unify six means-tested benefits into a single payment – Universal Credit – in a policy described by the then prime minister as "one of the boldest and most radical" since the 1940s. Yet the complexity of the task was vastly underestimated. Project budgets spiralled out of control, and deadlines have been repeatedly missed. Indeed, the latest estimate for completion is 2024. The Institute for Government (2016) found that the responsible minister's "deep commitment to the reforms arguably made it difficult for officials to be honest about its problems." The department became defensive in the face of mounting criticism. And, again, the list of alternative uses for precious resources – including, paradoxically, projects of great value to political leaders – is lengthy.

Perhaps the most salient opportunity-cost blunder of all relates to the UK's exit from the European Union. Economists estimate that Brexit uncertainty reduced investment in the UK by about 11%, and firm productivity by between 2% and 5% (Bloom et al. 2019). Then there is the distraction within government. Amid the furore, Cavendish (2019) observed: "non-Brexit activity has ground virtually to a halt. … Announcements on anything else are repeatedly shelved. Reports languish unpublished, and policies sit in limbo, while officials grapple with Brexit planning and ministers are distracted by political manoeuvring." Over 310 work streams were needed to analyse the impact of the shock Brexit referendum result on government operations and to coordinate preparations for multiple possible exit scenarios (National Audit Office 2017). Last-minute "no-deal" preparations involved reassigning 16,000 civil servants from regular duties (O'Carroll and Jolly 2019). Regardless of personal views about the merits of Brexit, it is clear that significant value was lost during this period, much of which was not anticipated (at least publicly) at the outset of Cameron's referendum gamble. Whether the net effect is deemed "worth it" in the longer term is, of course, in the eye of the beholder.

The problem of "one-shot bias"

Why disregard, or heavily discount, opportunity costs such as these? Difficulties of conceptualization and estimation no doubt play a part. But our analysis suggests that, in addition, a certain willingness among ministers to accept risks associated with radical projects helps to explain expensive policy gambles that incur high opportunity costs.

To quote a recent book by veteran political journalist Peter Riddell, ministers have just *Fifteen Minutes of Power*. Eventual loss of influence is assured, whether for the entire government through election, or for individual ministers by cabinet reshuffle. Democratic policy-making is thus always "*government pro tempore*" – literally, government for the time being (Linz 1998, p. 35). Loss of office is inevitable; the only uncertainty is how much time is left until policy impotence.

Such extreme but temporary power, to be followed by a (usually) extended period of reflection on "what might have been," incentivizes full and ambitious use of the policy levers of high office. For most ministers, assuming power means achieving a lifetime's greatest but hugely-unlikely ambition. "They got to where they are by seeking challenges and taking risks. They are talented and they have been lucky, almost certainly luckier than they acknowledge," writes Kahneman (2011, p.203). Once in post, ministers are acutely aware of this hard-won, unparalleled but *pro tempore* ability to effect change. Under such circumstances, increased risk-taking is likely if it provides the opportunity to see policy and career ambitions fulfilled. This change of attitude we refer to as "one-shot bias."

Prospect theory, which emphasises why losses are felt so much more keenly than gains (Kahneman, 2011), supports this account. The greatest "loss" a minister would seek to avoid would be not having seized that opportunity to undertake radical policy change while she or he had the chance. The prospect of "playing it safe," with cautious and incremental reforms, would be a lifetime of regret thereafter at the opportunity foregone of not initiating massive correction to an imperfect system.

"One-shot bias" is also implicit in other well-known commentaries of politics and policy. Hirschman (1965) complained of development consultants' excessive optimism for solving all problems despite only encountering them briefly: "*la rage de vouloir conclure*" – literally, the rage of wanting to conclude. Linz (1998, p.22) observed that government *pro tempore* creates "pressures" for ministers "to carry out their policies within the limited time span granted to them." The effect is "haste and ambitiousness of policy formulations." And Parsons (1963, pp.251, 254) likened the granting of time-limited political power to the awarding of credit to an entrepreneur. Ministers must gamble with their entrusted resources in order to deliver a return on voters' investment.

What are the implications for civil service training?

What can be done to reduce the downsides of one-shot bias without stymying innovation or reducing democratic control? Clearly, the answer is not normally to curtail ministerial influence by delegating major decisions to an unaccountable technocracy. But better training for officials, development and dissemination of techniques to apply abstract economic concepts to complex and uncertain scenarios, and structural reforms to generate stronger incentives for paying attention to opportunity-cost estimates could all help.

Firstly, although the notion that selecting one resource-consuming course of action prevents the pursuit of others is doubtless intuitive to many civil servants, relatively few have the education in economics or management necessary to appreciate that resource misallocations pose a systemic threat to decision-making. Such training need not be particularly technical; instead, it could approximate the "economics for non-economists" format delivered in some policy schools. It could begin with judicious use of material developed for the business studies classroom; for instance, using the excellent *Economics of Strategy* by Besanko et al. Opportunity costs feature more far prominently in business curricula than in many policy and public administration texts, and reference to private sector practice has the added bonus of fostering credibility with political elites frequently suspicious of civil service obstruction. Nonetheless, such material does not adequately capture the multidimensional "opportunities" foregone by resource-allocation choices in government, and so more traditional public administration ideas about the contested nature of "public value" must also feature prominently.

Secondly, once relevant theoretical principles are understood more widely, government must also train officials in how to apply abstract economic concepts for the complex and uncertain decisions that public policy-makers so often face. This requires investment in applied research into the best ways to undertake opportunity-cost estimation for public sector reform – in particular, the interaction of multiple uncertain contingencies on reform outcomes of the kind seen in the three opportunity-cost "blunders" discussed above. "War-gaming" techniques could help map alternative scenarios, and government can learn strategies from existing ways in which it copes with uncertainties, such as pandemics and extreme weather events.

Thirdly, providing opportunity-cost advice will inevitably require officials to, at times, deliver "uncomfortable truths" to a sceptical audience. While this is nothing new, the peculiarly indemonstrable nature of predictions about "benefits forgone" poses a special challenge. For this reason, both officials and ministers need incentives to engage in this kind of dialogue. On the one hand, preservation of civil service independence is essential. Over several decades, reformers in many countries have sought to increase political control over the bureaucracy by imposing an "agency-type" public service bargain – ending public servant tenure, increasing political influence in appointment and promotion processes, and requiring officials to defend and even enthuse about the policy choices of their political masters (Hood & Lodge, 2006; Grube & Howard, 2016; Elston, 2017). But when career advancement, or even continuing employment, depends on such political patronage, full, free, and frank advice is unlikely. On the other hand, both senior officials and ministers need stronger incentives to consider opportunity costs at the time decisions are taken. More research is needed to understand whether, say, the power for parliamentary committees to recall long retired or re-assigned decision-makers to account for their actions is effective in lengthening the time horizons considered relevant in decision-making. A more radical and even more untested suggestion is to enhance public audit arrangements so that ministers and senior officials are accountable for "benefits forgone," not merely "value-for-money." Although one can think of many objections, both in principle and in practice, to asking parliament to expand the remit of state auditors in this way, doing so many offer an "opportunity" to reduce some of the dysfunction caused by ministers' one-shot biases.

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