The Foundation for Science and Technology Meeting - Governing Well and Statistical Advice

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I am very grateful for the invitation from the Foundation to join in this event.   In the course of my remarks I want to discuss modern policy-making and its proper evidence base. I shall argue that there is a need to improve matters, indeed a need for what I would term a reinvention of policy-making for the modern age. I will support strongly the case for a sounder statistical information base, drawing on national statistics, but also argue that is not enough; and that we need to draw on experience, including the experience of front-line professionals, to build explanatory models to interpret the evidence. Experience- and evidence- based policy, in other words.

I shall be drawing heavily on the work of the better Government Initiative (BGI) whose chair, Sir Christopher Foster, is with us tonight. Since we started in 2006, the BGI, has drawn on the advice of experienced practicioners, including politicians from the three major parties as well as retired public servants, in a series of discussions and reports on how the performance of government might be improved to the benefit of the public. Our concern is not with the political choices to be made in deciding what policies to pursue – we are non-partisan – but with the arrangements for formulating policies and legislative proposals and for subjecting them to scrutiny using sound methodology and the best possible evidence so that unintended side effects can be minimised and operational failings in delivery prevented. Sound process matters if political vision – from whatever quarter – is to be turned into reliable benefits for the citizen.

Last January we produced a report, *Governing Well*, (I recommend it – the report can be found at our website, www.bettergovernmentintiative.co.uk) with a large number of recommendations for improving the processes of government ranging from more thorough Parliamentary legislative scrutiny to the preparation of papers to support proper collective Cabinet Government. Many of these ideas have now been, or are in the course of being, picked up by Government and by the Opposition parties. That is gratifying although I readily acknowledge we were not the only group lobbying for some of these changes. But we believe there are yet more improvements that should be considered and that this or future governments should adopt. Our view is that despite much effort and a not inconsiderable investment in new public expenditure, there is still considerable underachievement when the vision is compared to potential results on the ground.

This evening I will briefly speak about only one part of the picture – the proper role of evidence in the process of policymaking - but it is a vital activity of government and one that directly relates to our theme tonight.

First, let's define our terms. What ought we to mean by the process of policy making? The Modernising Government White Paper (1999) defined good policy making as: *'the process by which governments translate their political vision into programmes and actions to deliver 'outcomes' - desired changes in the real world'.* To repeat, we in the BGI are not here concerned with a critique of what those visions might be in political terms, but whether the processes are in place to allow a democratically elected government to turn whatever its vision is into results on the ground.

When we consider the chain of connections that might lead to the reliable delivery of desired changes in the real world we are, I believe, always involved in modeling aspects of human behaviour.   Government has a number of levers (taxation, benefits and grants, regulation, legal compulsions, contracts, public communication and so on). Those levers have to be connected through a model of the relevant behaviours to the desired outcomes in society.   A good model based on sound explanatory hypotheses can help government select the best combination of levers to effect the desired changes – and to spot where there are important connections to other policy areas. The modeling can be explicit, for example through running different assumptions through the Treasury econometric model, or it could be implicit, as when policymakers in a smoke filled room try simply to gauge the likely reaction of the media to legislation to ban dangerous dogs, to pick a notorious past example.   As I hope we will hear from Gus O'Donnell later there is much work going on in Government now to improve the capability of the civil service to use quantitative methods including greater use of survey data in the formulation of policy.

In modeling a policy a number of things can – and often do - go awry and lead the policymaker astray.

First, there may simply not be the relevant information to hand to use in the modeling process, or it may be that the effect being looked for may be too small to be distinguished from everything else that is going on - a signal to noise ratio problem that often occurs when intelligence assessment fails to spot the coming crisis.

Or, secondly, it may be that the time-lags in the data are not sufficiently understood or the data not sufficiently current, effectively misleading the policymaker over the state the system is in. This is a common problem for example when trying to judge policies that impact differentially on local authorities given that the census data may not reflect recent immigration patterns, or when trying to judge where we are in the economic cycle when trying to take counter-cyclical action.   We will I hope be hearing more this evening about steps being taken to improve Government statistics that will help overcome both these types of problem.

But a third area of difficulty in social model building is more pernicious and that is when the model relies on false causalities or implicit, unspoken, assumptions that may simply not reflect real behaviours. The problem is particularly acute when the Ministers and officials involved do not even realize that these are implicit assumptions they are making. As Keynes put it, "practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist".

We believe that, importantly, this problem is particularly likely to arise, it must be said, when policies are rushed or debate on them truncated. It was an implicit, and never properly challenged, assumption in 2002 that Saddam Hussein would never allow work to stop on his wmd programmes. It was an untested assumption about what the British people would naturally regard as a "fairer" system that led to the Poll Tax; that could have been avoided if there had been modelling of the interaction of tax, housing benefits and other social support benefits that would have revealed that some of the worst off households stood to be hardest hit. The original 'care in the community' policy may have made sense in its own terms but it made an assumption that the local social services would be in a position to take up the strain, without mandating the resources to make that possible.

When policies are rushed, often involving commitments to legislation, the crucial modeling of the practical side of delivery may be done only after the announcement and fanfare. Leading inevitably to a cynical public response when it becomes apparent that the front-line professionals were not engaged in preparing the policy and say they do not think it will work. Or that the announced policy simply cannot be delivered to time and cost – often because of the time taken to reprogram or invest in new ICT systems to deliver it.

More and better data may illuminate some of these issues in time for the policy-maker to consider them. But the problem of superficial policy-making is more fundamental than just not having the information. The Oxford physicist David Deutch quotes a story told by Bertrand Russell in his philosophy lectures to make the point. Imagine a chicken farm where the chickens spy on the farmer and discover that he is stockpiling chicken food. Is the conclusion from the Joint Intelligence Committee of chickens that the farmer is at last going to look after them properly, or is he fattening them up for the kill? The same reliable data, but two opposite interpretations, depending upon implicit assumption about farmer behaviour. Often the implicit assumption follows the inductive fallacy that tomorrow's behaviours will be like those of yesterday and the days before, because that is all we have observed statistically. Without an adequate *explanatory* model, government may, to quote the description by Paul Dirac of Nils Bohr's hydrogen atom spectra, have reached the right answer for the wrong reason. Surprise and disappointment then awaits when real life does not follow the next prediction.

Improvements in policy making as I have described it, as in science, have to come from a process of challenge and peer review, given the resources and time to examine the modeling process. There are some excellent examples. I would cite Sir

Nicholas Stern's work on the economics of climate change, although I observe that it was at a meeting of The Foundation for Science and Technology to discuss his report, after it was published, that his choice of inter-temporal discount rate was challenged. I would also cite as a good example of putting the detailed workings into the public domain the analysis prepared by HM Treasury about the economic tests of whether or not to join European monetary union (although whether Ministers ever got down to discussing the evidence collectively is another matter). But most day to day governmental policy making is far removed from such sophisticated analysis.

To improve matters, government really has to allow more time for proper consideration of policy, regard it as a team effort between those with the vision and those with the experience, and make available for scrutiny the basis on which their policies have been constructed. Not just the data, but the models, and their methodology and key assumptions. And government has to be precise in advance about the effects it is trying to create.

In recent years however government publications, whether White Papers, Green Papers or consultation documents of various kinds have become glossy painted and illustrated vehicles of public persuasion. Persuasion is a perfectly legitimate activity for government – but it is not the same as the provision of clear, reasoned and intelligible accounts of the intended policy and the evidence base behind it.   As we saw in the notorious Iraq wmd dossier it is very hard to stay on the fine line between 'producing the strongest evidence' on the one hard and 'making a case' on the other.   Mostly where there are problems with policies it is the consequence of rushed public commitments (often prompted by moral panics in the popular media), based on insufficient analysis and preparation within the Executive, and then over-hasty Parliamentary scrutiny resulting in flawed legislation.

So there are some clear do's and don'ts which we have tried to highlight through the Better Government Initiative.

We should avoid commitment to legislation merely to signal resolve. And Parliamentary time should not be wasted putting right incomplete Bills.

Legislative and other major proposals should be accompanied by the precise statements of policy we should expect in a proper White Paper, with the detailed analysis and documentation of the case also available for scrutiny. This is to enable MPs and interested parties and professional groups to have sufficient understanding of any proposed legislation or policy, and why it was chosen in preference to other means, with specific information (including, if necessary, an impact assessment) about its effect on different groups (social, local or economic) so that they can respond to specific problems for their electorate. This also means that there should be information about the means by which it will be brought into effect and how its effectiveness can be judged. Any general philosophy outlined at an earlier stage needs to be refined into the criteria which will govern any secondary or

regulatory legislation or individual Ministerial decisions. The language of such documentation may necessarily be technical.

Government departments should ensure that policy modeling has been conducted, options costed and tested with front-line professionals and other Departments affected.   That is not just about getting the analysis right but also about building partnerships with the deliverers.

Those who have to implement should have had their opportunity to negotiate parameters of delivery to time, cost and quality and in return accept fully the responsibility for ensuring success outcomes.

Government should at all times avoid treating policymaking and delivery as if they were different activities that could be conducted separately and sequentially. A good policy must after all be deliverable, which means involving in its design those who have to deliver it.

Government should avoid the category error of seeing policy formulation – in contrast to the final decision taking which is of course for Ministers - as an activity only for the politically committed, that is for Ministers, their Special Advisers, and sympathetic policy wonks in think tanks.   Final decisions are of course for the Ministers of the elected government, and views should be sought widely from outside as well as inside but the system works best when policy formulation and modeling – advising on how best to connect the political vision with results on the ground - is seen as a central function of the politically neutral permanent civil service.

Falling into the trap of seeing central government, and within that the centre of central government, as the fount of all wisdom and initiative so that the result is top down control rather than continuous bottom up improvement. Setting strategic direction, yes, it is of course a vital central function; but it is those closest to the action who will often know best where improvement is both most needed and more achievable.

And after the policy is introduced, if the policy fails to achieve its aims, or the costs are significantly greater or the benefits markedly less, the public should have sufficient information available to judge whether the failures are due to inadequacies in the policy or to factors outside the government's reasonable span of control.

Let me conclude by posing a dilemma about trust.

Opinion polls regularly, and over many generations, record low levels of trust about politicians. One way therefore of raising levels of trust in Government is to push decisions that affect the public and involve risk-based judgments towards what would be seen as those with independent professional competence and away from political influence: the Monetary Policy Committee, the Food Standards Agency, the Human Fertilisation and Embryology Authority and so on. Those are good

examples.   But pushing more decisions 'offshore' of the world of politics is unlikely to be an answer to the underlying problem. Such moves themselves begin to hollow out democratic accountability of Ministers to Parliament, and indeed could weaken Parliament itself.

Another route, for example as is being taken to improve trust in Government statistics, is to have much greater independent regulation, and there may well be other areas where regulation should be tightened.   We will hear more of that approach from the next speaker.

In the BGI we have also argued that Parliament should be exercising more scrutiny of the Executive through holding Secretaries of State to account and should be raising standards in Government by making very clear what Parliament has a right to expect by way of evidence as well as argument when Government puts forward its proposals and naming and shaming any lapses from the highest standards.

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