

PUBLIC SPENDING

In a post bureaucratic age

Owen Barder – January 2010

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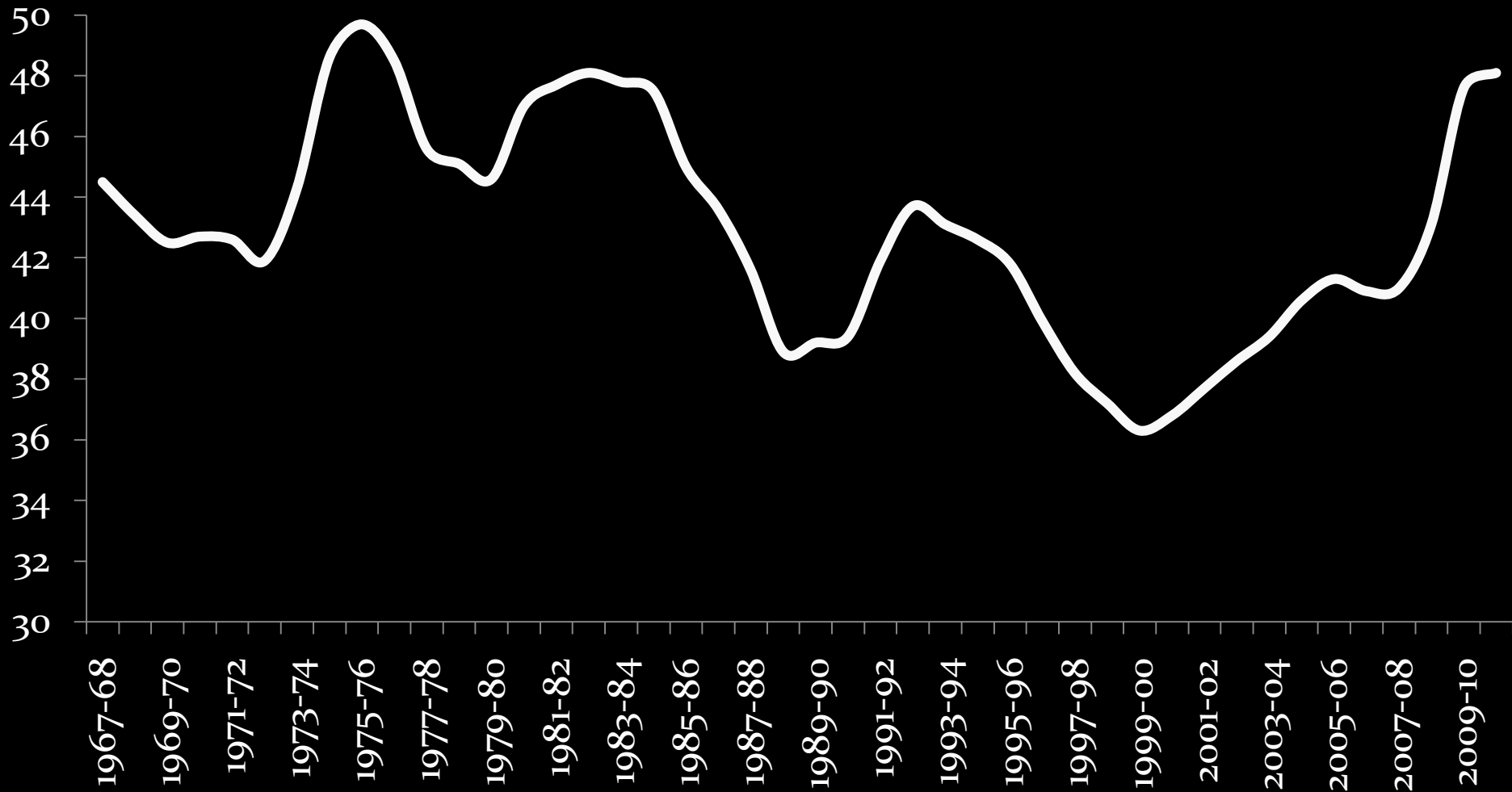
Three objectives

- Get the total right
- Spend on the right things
- Spend well

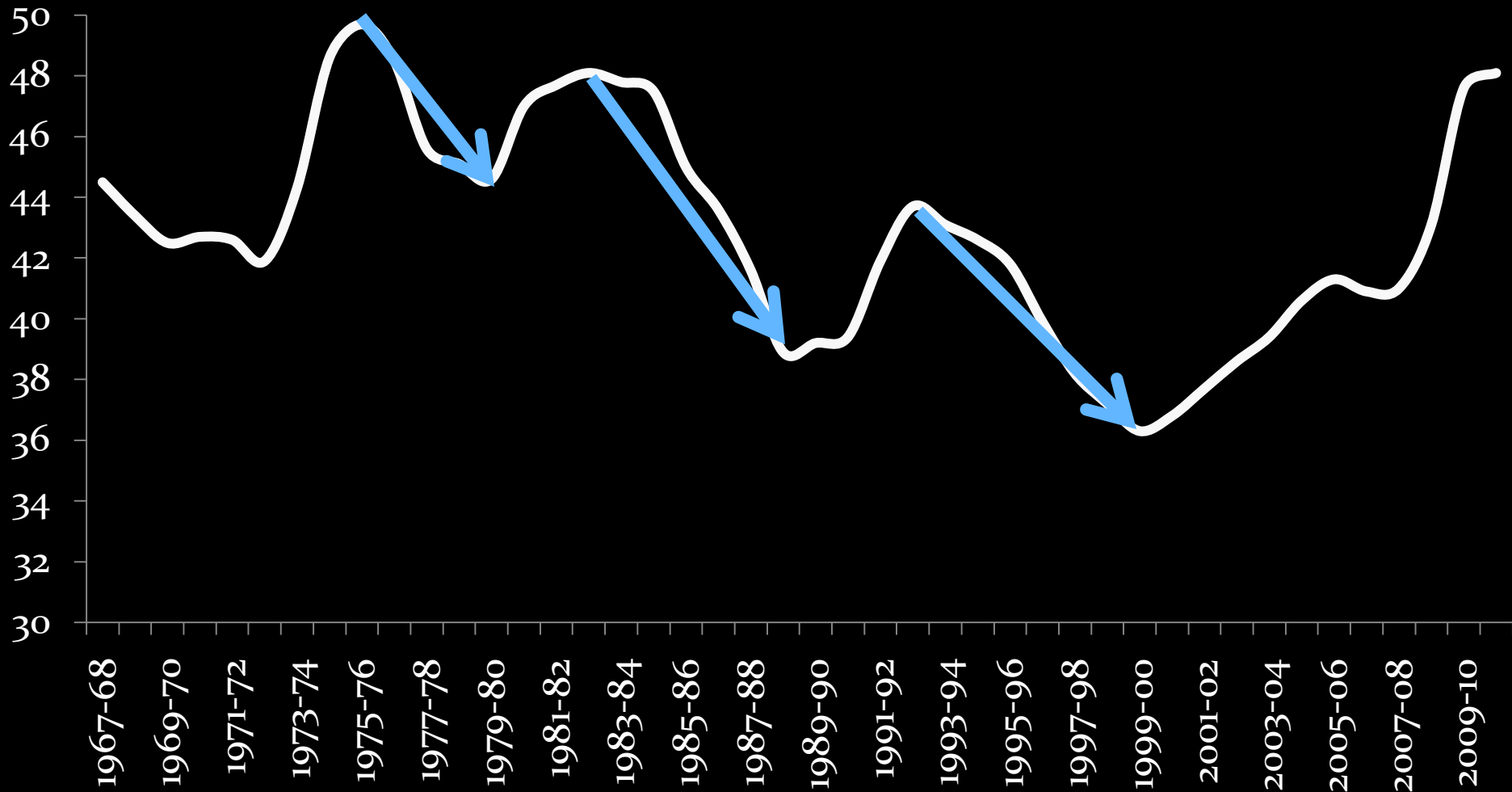
Three objectives

- Get the total right
(*macroeconomic efficiency*)
- Spend on the right things
(*allocative efficiency*)
- Spend well
(*technical efficiency*)

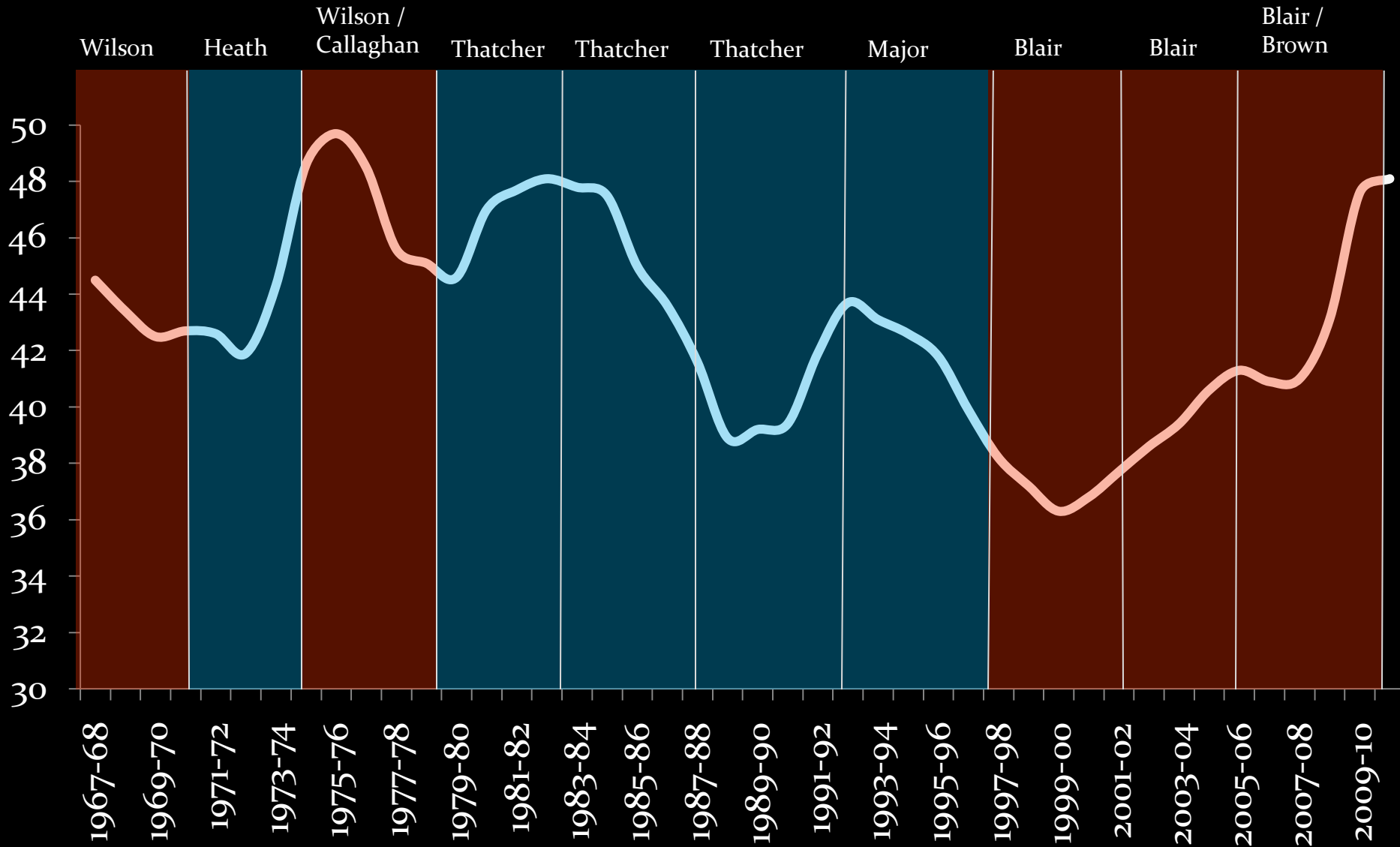
Public spending (TME)



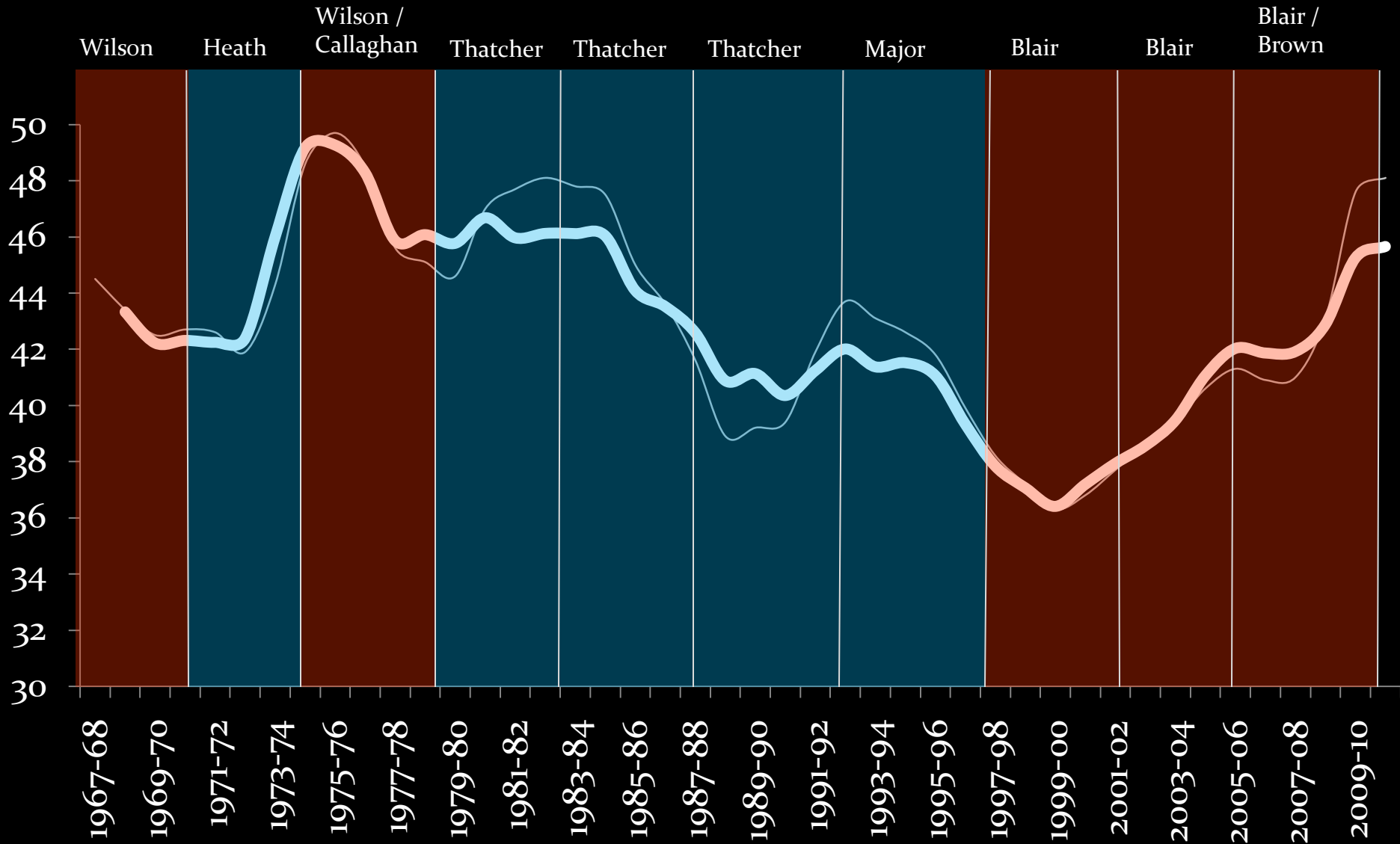
Public spending (TME)



Public spending (TME)



Public spending cyclically adjusted (TME)



Questions about the 1990s

- Get the total right ...
 - *Was spending cut too much?*
- Spend on the right things ...
 - *Was capital cut too much?*
 - *Conservatives did not reduce social security*
- Spend well ...
 - *Time inconsistent behaviour by HMT?*
 - *Salami slicing?*
 - *Incentives of collective decisions?*

Three objectives for the system

- Get the total right
- Spend on the right things
- Spend well

Three constraints

- Information asymmetries
- Rent-seeking
- Tragedy of the commons

Some conclusions

- Collective decision-making works
- Resource budgeting is a good idea
- HMT Reputation matters
- Real transformation is hard
- Evolution better than Intelligent Design
- And ...

Spending in a post-bureaucratic age

- HMT representing the public interest:
 - Information asymmetries
 - Rent-seeking
 - Tragedy of the commons
- “The gentleman in Whitehall really does know better”
- Radical option:
 - Open survey
 - New technologies
 - & let the public look after its own interests?