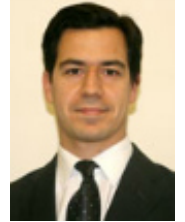


Understanding the institutional roots of persistent policy problems in the UK

 blogs.lse.ac.uk/politicsandpolicy/the-political-economy-of-policy-failure/

2/19/2015

The UK is facing a number of structural weaknesses that threaten future growth and productivity. Tackling those structural weaknesses requires looking at the institutions, processes and incentives that underpin the formulation of policy, writes [Miguel Coelho](#). His research finds that the performance of the UK Westminster model is, in some respects and compared to some other countries, disappointing, and that the outlook for institutional reform, in general, is not very promising.



The UK suffers from a series of persistent policy problems to which existing institutions and processes seem unable to produce adequate long-term solutions. Examples include aspects of skills formation (e.g. long tail of poor educational achievement in schools, vocational education for 14-19 year olds, STEM capacity), investment in infrastructure (e.g. limited aviation capacity in the South East, capacity to meet future energy demand), and housing affordability in significant parts of England. All of these put at risk future UK productivity and growth. An earlier report of the [London School of Economics Growth Commission](#), undertaken in partnership with the Institute for Government, mapped out some of these problems and proposed policy solutions.

A popular approach in academia, and indeed in the standard political debate, is to search for culprits in individual policies and to advocate new policy solutions. We argue in a [paper](#) recently published by the Institute for Government that to tackle those structural weaknesses effectively, we must look beyond individual policies, and specifically at the institutions, processes and incentives that underpin the formulation of policy. This idea motivated us to search for insights from political economy and political science studies that might shed light on the institutional roots of persistent policy problems in the UK and possible drivers of reform.

Our review of the literature exposed several features of the policy making process that are likely to increase the risk of sub-optimal policy outcomes. Some of these features affect political representation, i.e. the domain of individual interests/preferences that are taken into consideration in the formulation of public policy, and the way political institutions deal with conflicting sets of preferences/interests. On the first point, policies may reflect the wishes of the current electorate, but not of future generations; current decisions may constrain the options of future governments; and restrictions imposed by geographical constituencies may affect the ability of those who are not local residents to influence local policies that affect their interests. Housing policy in England offers good examples of the latter, as we discussed in another [paper](#) published last year. On the second point, it is worth noting that while it is still common in the literature to take the preferences of the median voter as the normative benchmark, in practice nothing guarantees that they reflect the best interests of society as whole.

There are aspects of the policymaking process that have a bearing on policy responsiveness, defined as the degree of alignment between policy decisions collective interests/preferences. The literature points towards a variety of reasons why the link between voters' preferences/interests and policy decisions may be imperfect. Rent seeking is probably the most cited example, and existing empirical evidence from the U.S. is particularly compelling. Other reasons include a disproportionate weight accorded to core and swing voters/constituencies in the formulation of policy; the effects of alternating parties in government and/or high ministerial turnover in areas of policy where the ability credibly to commit to a particular policy path over the long term is critical; and the quality of the information in public and political debates about policy options.

A discussion of the strengths and limitations of policymaking processes along these lines cannot be divorced from the macro political structure where they take place. In the UK, this structure is, of course, the Westminster model, which in the traditional view is a paragon of majoritarian democracy: a unitary and centralised state, "winner-takes-

all” electoral rules, and a pluralist, competitive constellation of interest groups. Proportional representation is rejected in the name of clearly defined and easy-to-understand lines of accountability. The electoral system promotes concentration of power in single-party majority governments, dominant before Parliament. The political culture prizes confrontation over compromise.

Of course, this stylised description of the British political system has been disputed. Some have claimed that the actual practices of British government are a lot more consultative, inclusive and moderate than that description appears to imply. Others have argued that the UK’s constitutional arrangements have been changing in fundamental ways, and quite rapidly, most notably since 1997, in ways that no longer fit comfortably within the traditional account of the UK Westminster model. Perhaps more importantly, the development of multi-party politics and regional political divergences represents a radical departure from the familiar British model of politics. But we argue that the core institutional propositions of the traditional description of the UK Westminster model are still useful to make sense of the institutional roots of sub-optimal outcomes in important areas of policy in the UK.

Our reading of the literature is that the performance of the UK Westminster model is, in some respects and compared to some other countries, disappointing. First, the model appears to amplify the biases caused by marginal voters/constituencies. They have been empirically linked to important political outcomes in the UK, including turnout, party campaign spending, and public spending allocations. Second, single-party governments alternating in power and facing relatively few veto players pose exceptional challenges to the formulation of credible policy commitments over the long term. Third, an intensely partisan and adversarial political environment creates incentives for parties and legitimate interest groups to misrepresent/manipulate information strategically, with the purpose of scoring political points or advancing private interests. We discussed the impact of these last two points in a separate [paper](#) focused on infrastructure investments in the UK, and made proposals for institutional reform in that area.

Of course, it is one thing to take a normative view about a desirable pathway for institutional change. It is quite a different thing to see it being implemented. Accordingly, we expanded our review of the literature to include the drivers of institutional reform. Amongst the main contenders are episodes of crises and other (exogenous) shocks (e.g. technological changes) that make the need for change clearer and more salient, alter the way individuals associate policy choices with outcomes, weaken the ability of interest groups to block reform, or lower the opportunity costs of change. Other drivers of reform include incremental change that accumulates into fundamental institutional transformations, sometimes in counterintuitive ways; shifts in beliefs/ideas about individual interests and preferences, and about how policies connect to outcomes; and party-political tactics/strategies (e.g. delegation to independent bodies motivated by the desire to build policy credibility or, for example, to deflect pressures from interest groups, or avoid blame for poor outcomes).

One view of this literature is that the outlook for institutional reform, in general, is not very promising. It often takes profound crises or technological disruption to prompt institutional change. Occasionally reform comes from incremental changes, but these tend to be protracted and can go in unexpected directions. In other instances, reform involves structural shifts in the beliefs/ideas of the electorate, which tend to be rare and sit largely outside the ability of governments to influence. A more promising view highlights instead positive examples in the past experience where the party-political battle led to successful institutional reform, and where governments whose plans had run against public opposition came to adopt innovative policy making practices. These examples show the way forward for the UK to address its institutional weaknesses.

The UK’s capacity and flexibility to modify or create institutions swiftly to prevent or address policy problems will be crucial to the long-term prosperity of the country.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Miguel Coelho is a Fellow at the Institute for Government. He leads the Institute's work on economic growth in partnership with the LSE and the University of Strathclyde.