



BRITISH  
ACADEMY

*for the humanities and social sciences*

## **When the Party's Over: The Politics of Fiscal Squeeze in Perspective**

The British Academy, 9 & 10 July 2013

Convenors: Christopher Hood FBA, University of Oxford and David Heald, University of Aberdeen

Arranged in association with:



**Tuesday, 9 July 2013**

9.15 *Registration & refreshments*

**Morning chair: Lord (Nicholas) Stern, FBA, London School of Economics**

9.45 **Session One: Short Introduction**

**Setting the Scene: The Politics of Fiscal Squeeze**

David Heald and Christopher Hood

**Session Two: Two Older Cases**

10.00 **Managing Fiscal Crisis after the United States Panic of 1837**

Alasdair Roberts, Suffolk Law School, Boston

**The UK Geddes Axe of the 1920s in Perspective**

Christopher Hood and Rozana Himaz, University of Oxford

11.00 *Refreshments*

11.15 Discussion led by Andrew Gamble FBA, University of Cambridge

12.15 **Session Three: Fiscal Squeezes in Small Democracies: Four Cases**

12.15 **New Zealand's Fiscal Crisis 1991 and the 'Mother of All Budgets' – Economic Aims and Political Consequences**

Bob Gregory and Chris Eichbaum, Victoria University of Wellington

12.45 *Lunch break*

**Afternoon Chair: Professor Patrick Le Galès FBA, Sciences-Po, Paris**

13.45 **Fiscal Squeeze in Sweden in the 1990s**

Anders Lindbom, Uppsala University

**Fiscal Squeeze in Dutch Local Government in the 1980s: Cutback Measures and Public Management Reforms**

Walter Kickert, Erasmus University, Rotterdam

**Fiscal Adjustment in Two Recessions in Ireland: the 1980s and the 2010s**

Niamh Hardiman, University College, Dublin

15.15 *Refreshments*

15.40 Discussion led by Christopher Pollitt, Public Management Institute, Katholieke Universiteit Leuven

17.00 *Close of first day*

#### **Session Four: Evening Event: Ending the Party: The Practitioner's Perspective**

*(Separate registration required)*

18.00 – 19.30, followed by a drinks reception

In this evening event, **Professor Tony Travers** of the LSE, a leading commentator on UK public finances, is in conversation with **Rachel Lomax**, who has long experience of managing fiscal squeezes over a forty-year career, including many years in HM Treasury as well as other leading roles in UK government and the World Bank.

The conversation will be wide-ranging, and contributions from the audience will be encouraged. The discussion will be organized around three main themes:

- **Then and now:** how today's fiscal squeezes compare to those of three or four decades ago, what is constant and what has changed, for example in the institutional memory of executive government, the relative positions of finance ministries and central banks and of civil servants relative to ministers
- **Here and there:** how fiscal squeeze plays out in different places, and what if anything can be learnt across countries and cultures; the role of international bodies such as the IMF, the World Bank and the EU institutions, their interactions with political and bureaucratic interlocutors and what experience they can transmit from one country to another
- **Politics and economics:** how the political logic of blame-avoidance rubs up against 'good governance' logic in fiscal squeeze, how politics shapes fiscal squeezes (for example in 'scorched earth' approaches or the laying of political traps for opposition parties), the political role of 'econocrats' and their remarkable capacity to escape blame, and the extent to which expert quangos can effectively challenge elected politicians.

**Wednesday, 10 July 2013**

**Morning chair: Rt Hon Peter Riddell CBE, PC, Institute for Government**

**Session Five: Recent Fiscal Squeezes in Larger Democracies**

9.30 **Kaleidoscope in Red and Black: the 1994-97 Program Review in Canada**  
Donald Savoie, Université de Moncton

**Fiscal Politics in Really Hard Times: Budget Policy During and After Argentina's Great Depression**

Sebastian Dellepiane-Avellaneda, University of Strathclyde

**Squeezing, Shifting or Drifting? Fiscal Squeeze in Federal Germany 1990-2010**

Martin Lodge, London School of Economics and Kai Weigrich, Hertie School of Governance

11.00 *Refreshments*

11.15 Discussion led by Daniele Franco, Banca d'Italia

12.45 *Lunch break*

**Afternoon chair: Lord (Gus) O'Donnell**

**Session Six: Putting the Cases in Perspective**

13.45 **Comparing Fiscal Squeezes: Nine Cross-National Cases**  
Rozana Himaz and Christopher Hood

14.15 Discussion led by Lucy Barnes (Nuffield College Oxford)

14.45 **Key Issues In – and After – Fiscal Squeeze**

David Heald

15.15 *Refreshments*

15.40 Closing round table, chaired by Gus O'Donnell (panellists Niamh Hardiman, David Heald, Christopher Hood, Alasdair Roberts) 'Past and Present Fiscal Squeezes: What are the Parallels and Differences?'

16.45 *Close of conference*

## **Session Seven: Evening Panel Event: Reacting to Fiscal Squeeze: Some Artistic Responses**

*(Separate registration required)*

1800 – 19.30, followed by a drinks reception

How are ordinary lives shaped by times of fiscal squeeze? How are such times reflected in film, cartoon and art?

The impact and experience of fiscal squeeze on the lives of ordinary people in terms of financial hardship is well documented, and this early evening event is designed to complement the conference to examine how we are all shaped by times of economic crisis and how such times are reflected in society and culture.

Four experts explore these issues from the perspectives of social history, film, cartoons and other types of visual art. Panellists are Dr Pamela Cox, Social Historian, University of Essex; Dr Frank Gray, Film Historian, University of Brighton; Dr Nicholas Hiley, Head of the British Cartoon Archive, University of Kent; Jonathan Jones, Art Critic, the *Guardian*. The Chair is Professor Jean Seaton, Professor of Media History at the University of Westminster.

# **When the Party's Over: The Politics of Fiscal Squeeze in Perspective**

## **Speaker Biographies and Abstracts**

### **Lucy Barnes**

Lucy Barnes has been a Prize Postdoctoral Fellow at Nuffield College Oxford since 2011. She specializes in the study of the comparative political economy of the advanced industrialized societies, particularly relating to inequality and government redistribution. She is currently working on studies of progressive taxation in the advanced industrial countries from 1890 to the present day and of the political causes and consequences of the 'great recession' of 2008-2011.

### **Sebastian Dellepiane-Avellaneda**

Sebastian Dellepiane-Avellaneda is a Lecturer in the School of Government and Public Policy at the University of Strathclyde, Glasgow. He studied in Buenos Aires and Essex, and has engaged in teaching and research in Essex, Dublin, Antwerp, and Maastricht. His research interests include the politics of economic policy, governance and development, and research methodology. He has published several articles on monetary and fiscal politics in the British Journal of Political Science and in European Political Science. He is currently working on a collaborative project on the 'The political economy of the European periphery' for a book that is under contract with Oxford University Press.

### **Fiscal Politics in Really Hard Times: Budget Policy During and After Argentina's Great Depression**

This paper provides an intensive analysis of the politics of fiscal adjustment during the Argentine Great Depression (1999-2002) and subsequent economic recovery (2003-2007). Argentina's speedy and dramatic transition from poster child to basket case has received a great deal of academic and journalistic attention. Yet little systematic research has been conducted on the logic, determinants and implications of the key budget decisions taken before, during, and after the financial collapse of 2001. This article seeks to fill this gap. Specifically, it offers a detailed assessment of (1) the profile of fiscal policymaking during both the recession and recovery years, with focus on the timing, size and composition of deficit-cutting measures, (2) the politics underpinning the fiscal consolidation process, including the strategies adopted by successive governments to legitimize the politics of austerity, and (3) the ultimate economic, social and political consequences of the budget cutbacks introduced during the crisis. The critical case of Argentina may provide interesting insights into the politics of fiscal consolidation in really hard times, offering a counterpoint to current debates about the possibilities and limits of austerity.

### **Daniele Franco**

Daniele Franco is Head of the Public Finance Department of Banca d'Italia and an influential figure in the network of public finance economists working in the central banks of eurozone countries. This brings involvement with the European Commission and the European Central Bank and practical involvement in fiscal matters in Italy and beyond. He is the organiser of the annual Workshop on Public Finance held around Easter at the Banca d'Italia's conference facility in Perugia. This event illustrates the commitment of Banca d'Italia to open

policy discussion on a wide range of public finance issues, including deficits, debt and sustainability. The papers from Workshops are available at: <http://www.bancaditalia.it/studiricerche/convegni/periodici/list> and there is a series of edited Proceedings.

## **Andrew Gamble**

Andrew Gamble is Professor of Politics and a Fellow of Queens' College in the University of Cambridge. He is a Fellow of the British Academy and the UK Academy of Social Sciences. His main research interests lie in political economy, political theory and political history. His books include *Hayek: the iron cage of liberty* (1996); *Politics and Fate* (2000); *Between Europe and America: the future of British politics* (2003) and *The Spectre at the Feast: capitalist crisis and the politics of recession* (2009). In 2005 he received the Isaiah Berlin Prize from the Political Studies Association for lifetime contribution to political studies.

## **Bob Gregory**

A New Zealander, Robert (Bob) Gregory is an Adjunct Professor of Politics in the School of Government, Victoria University of Wellington. He is a graduate of that university, and of the John F Kennedy School of Government, Harvard University. He was a Visiting Professor in the Department of Public and Social Administration, City University of Hong Kong, 2010-2011. He has published widely in the areas of public administration and management, and public policy, with particular reference to issues of institutional and individual accountability and responsibility. He also worked for 12 years with the former New Zealand Broadcasting Corporation.

## **New Zealand's Fiscal Crisis 1991 and the 'Mother of All Budgets' – Economic Aims and Political Consequences (with Chris Eichbaum)**

In 1991, New Zealand's newly-elected National Party government faced an unexpected fiscal crisis. In response, it launched the most radical revamp of the country's welfare state since the social security system's development and consolidation under the first Labour government of 1935-1949. This paper briefly traces the immediate background to this watershed case of fiscal consolidation. It examines the main components of the economic and social policies adopted by the government from 1991 to 1993, assesses their short-term effects, and draws links between these policy initiatives and later political and social outcomes. Foremost among these were the replacement in the mid-1990s of the first-past-the-post electoral system with one of proportional representation, world-leading legislation making fiscal management more transparent and accountable, and significant challenges to New Zealand's egalitarian tradition. What was seen to be consolidation by those who designed this programme was experienced as fiscal austerity by many affected by it.

## **Niamh Hardiman**

Niamh Hardiman completed an MA in UCD and a DPhil at Nuffield College, Oxford. She was Fellow and Tutor in Politics for a number of years at Somerville College, Oxford, before taking up her current position in UCD. She has also worked for a time in the Economic and Social Research Institute in Dublin.

She is currently working on a joint-authored book on the political economy of the European periphery, to be published by Oxford University Press. She is the editor of *Irish Governance In Crisis* (Manchester University Press, 2012). She is also a member of the blog collective Crooked Timber ([www.crookedtimber.org](http://www.crookedtimber.org)).

## **Fiscal Adjustment in Two Recessions in Ireland: the 1980s and the 2010s**

Ireland has been taken as an exemplary case of fiscal adjustment, not once but twice in its recent history: in the late 1980s, and again since 2008. Ireland has appeared to be a model case that would illustrate that economic recovery and renewed growth follow from fiscal consolidation. This paper examines the merits of the argument in both time periods. It proposes an alternative methodological approach based on analysing political choice, and re-evaluates the issue of the composition of adjustment. It finds that international and domestic economic conditions had bigger effects on outcomes than is conventionally recognized. The findings present a new framework for understanding the Irish case.

## **David Heald**

David Heald is Professor of Accountancy at the University of Aberdeen Business School. His research interests focus on: public sector accounting reform; public expenditure management and control; fiscal transparency; public audit; and financing devolved governments. On these topics he has published extensively in leading journals. He also has had extensive policy involvement, including as a member of the Financial Reporting Advisory Board to HM Treasury (2004-2009) and specialist adviser on government accounting and public expenditure to the Treasury Committee of the House of Commons (1989-2010). He is currently on research leave, thanks to a Leverhulme Trust project on 'The architecture, governance and substance of UK public audit'. The 'Fiscal Squeeze' conference renews his collaboration with Christopher Hood, with whom he published *Transparency: The Key to Better Governance?* (OUP for the British Academy, 2006).

## **Setting the Scene: The Politics of Fiscal Squeeze (with Christopher Hood)**

This abbreviated presentation aims to frame fiscal squeeze, thereby providing an architecture of questions that the conference seeks to address. It poses a series of questions: What prompts fiscal squeeze? How does the process of fiscal squeeze work? And what are its economic, social and political consequences? It proceeds by identifying four types of fiscal squeeze, defined by two dimensions: whether it is exogenous (clearly triggered by outside forces) or whether it is endogenous (triggered by internal developments); and whether it is soft (public expenditure falls as a percentage of GDP but real terms spending does not fall) or hard (reductions in both ratio and levels). According to type, the scope for external blame and the type of loss imposition might be expected to differ. Four analytic challenges are identified: how to put cases into context; how to grapple with metrics; how to identify landmark events and attribute causal effects; and how to identify winners and losers from fiscal squeeze.

## **Key Issues In – and After – Fiscal Squeeze**

This presentation complements the formal comparative paper by asking which of the research questions have been answered by the nine country studies. What more can now be said about causes, processes and consequences? Whether there are common features about the politics of fiscal squeeze, whether anything of general applicability can be said about credit claiming and blame allocation, and whether there are lessons to be drawn from the historical cases that would have policy relevance in 2013? Fiscal squeeze can have overlapping motivations: to achieve fiscal balance; to reduce the debt/GDP ratio; and to shrink the scope and scale of the state. Similarly, criteria of success will differ across policy actors: Was it an economic success? Were there constitutional effects? Did the location of effective power shift? Did societal values shift? Did social disorder materialise? And, in what sense(s), could the episodes of fiscal squeeze studied in the nine case studies be categorised as a landmark event for that country?



## **Rozana Himaz**

Rozana Himaz's research interests lie in the empirical analysis of issues pertaining to welfare and public policy. Since 2011 she has been a researcher for the ESRC funded project titled 'When the Party's Over: The Politics of Austerity in Public Services', headed by Professor Christopher Hood, at the Department of Politics and International Relations, Oxford. She is also Lecturer in Economics at Queen's College, Oxford.

Rozana was trained as an economist at the London School of Economics (MSc 2001) and Cambridge (Ph.D. 2006). She has taught micro, macro and quantitative economics at several universities including the London School of Economics, Cambridge and Oxford. She has worked previously as a researcher for the Young Lives project (Department of International Development, Oxford), the Institute of Policy Studies in Sri Lanka and as a consultant for the World Bank and ILO.

## **The UK Geddes Axe of the 1920s in Perspective (with Christopher Hood)**

The 'Geddes Axe' wielded by the Lloyd George Liberal-Conservative government in the UK in the 1920s has become a byword in the UK for heavy spending cuts in a deep recession, with a fiscal squeeze larger than any other in the UK between 1920 and 2010 except for the post-World War II demobilization period. This paper shows that the immediate trigger for the fiscal squeeze was a tax revolt on the part of middle-class voters which panicked the government into cuts in public spending and income tax rates, that the cuts were made all at once rather than in a phased pattern, and that the biggest falls came in social security spending, defence and education rather than 'equal misery' across all policy areas. The paper argues that the Geddes Axe was more than gesture politics (as some have argued), concludes that its most obvious long-term effect was economic (exacerbating the sluggish economic performance and unemployment it was intended to mitigate), but that it may well also have contributed to long-term weaknesses in adolescent technical education and to electoral realignment as between the Liberal and Labour parties.

## **Comparing Fiscal Squeezes: Nine Cross-National Cases (with Christopher Hood)**

This paper offers an analytic summary of the nine country cases examined in this conference. It uses data from the OECD and other historical sources to compile a set of tables allowing the reader to make an approximate comparison of the depth and duration of squeeze among those cases, and to show how far depth and duration varies according to the data sources used and whether squeeze is measured in terms of 'levels' or 'ratios.' Based on similar data, it examines prior conditions to show that there is no common set of financial and economic conditions that precede fiscal squeezes and that the existence of formal veto points do not always prevent governments from applying such policies. It also looks at the aftermath of fiscal squeezes to explore economic and political conditions following such episodes, showing the political incumbents often but not always experienced loss of vote share or loss of office, but that (contrary to common claims about the high political impact of fiscal squeeze) constitutional or major institutional change only followed fiscal squeeze in two of the cases.

## **Christopher Hood CBE FBA**

Christopher Hood ([www.christopherhood.net](http://www.christopherhood.net)) has been Gladstone Professor of Government, All Souls College, Oxford since 2001. He specializes in the study of executive government, regulation and public-sector reform. He has been writing on the subject of cutback management for over thirty years, currently holds an ESRC Professorial Fellowship and combines academic work with public engagement.

### **Setting the Scene: The Politics of Fiscal Squeeze (with David Heald)**

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### **Walter Kickert**

Walter Kickert has graduated in experimental physics in Utrecht, was research assistant in control engineering at London University and did his PhD in organisation science in Eindhoven. Afterwards he has been working at the department of Public Administration at Nijmegen University and at the ministry of Education and Sciences. In 1990 he was nominated full professor of public management at Erasmus University Rotterdam. Since 2006 he also is the scientific director on the Netherlands Institute of Government, the national interuniversity research school of administrative and political sciences. His main research themes were management in complex networks, management and organisation in

central government, autonomisation of executive agencies, reorganisations of ministries and province. He has carried out international comparative research of public management and administrative reform in European countries. Until 2011 he was deputy-editor of the international journal *Public Administration*. In 2012 he was awarded the Routledge prize for outstanding contribution to public management research. Besides his scientific work he has extensive experience in conducting contract research and consultancy for various ministries and other public organisations.

For publications see: [http://www.eur.nl/fsw/bsk/profiles/profiel\\_mis/10147/](http://www.eur.nl/fsw/bsk/profiles/profiel_mis/10147/)

### **Fiscal Squeeze in Dutch Local Government in the 1980s: Cutback Measures and Public Management Reforms**

In this chapter the considerable fiscal problems of Dutch local government in the 1980s and the way in which municipalities handled the severe fiscal squeeze will be analysed. We first consider the causes of the fiscal squeeze in the 1980s, that is, the decrease in municipal revenues and increase in expenditures. Secondly we consider the municipal responses to the fiscal squeeze, that is, what fiscal cutback measures were taken and which cutback strategies were devised, and we consider the associated reform of the financial management system. Thirdly empirical evidence about the causes and effects of Dutch local public management reform is presented, and finally we discuss the longer-term effects that went beyond management reform, that is, the developments in local democracy in the 1990s.

### **Patrick Le Galès FBA**

Patrick Le Galès, FBA is CNRS Professor of Politics and Sociology at Sciences Po, Paris, Centre d'études européennes, and president of the SASE (Society for the Advancement of Socio Economics). An award-winning political scientist and sociologist, he has worked extensively on public policy, the state in Europe, urban policy, sociology and politics, and published eleven books. He is a Corresponding Fellow of the British Academy and a Trustee of the Foundation for Urban and Regional Research.

### **Anders Lindbom**

Anders Lindbom is a professor in political science at Uppsala University, Sweden. His research has focused particularly on welfare state reform and political decision-making.

### **Fiscal Squeeze in Sweden in the 1990s**

In the early 1990s, Sweden suffered a spectacular economic decline. In the paper I describe how the Swedish fiscal squeeze was implemented and the effects it had. The economic effects of the fiscal squeeze have largely been positive: the budget showed a surplus in 1998, economic growth has been relatively high and inflation very low. However, unemployment never returned to the very low levels Sweden used to have before the crisis. The social effects of the fiscal squeeze are closely related to the economic effects: While absolute poverty has remained low, relative poverty rates have increased markedly. The latter development is probably largely an effect of unemployment. The short-run political effects of the fiscal squeeze were noticeable in the 1998 election when the ruling Social Democrats made a historically bad election which probably can be related to the squeeze. They made a recovery in 2002, but in the elections in 2006 and 2010 they have probably suffered from a long-term effect of the fiscal squeeze. In these two elections, unemployment has been the dominant theme of the electoral campaign. The Social Democrats used to own this issue, but having been unable to make Swedish unemployment rates return to the levels before the crisis, voters have punished them for it.

## **Martin Lodge**

Martin Lodge is Professor of Political Science and Public Policy at the Department of Government and the Centre for Analysis of Risk and Regulation at the London School of Economics. His research interests are in executive politics and regulation

### **Squeezing, Shifting or Drifting? Fiscal Squeeze in Federal Germany 1990-2010**

This chapter traces three phases of fiscal pressure in the key case of Germany since the unification of the two Germanies in 1990. The first is the severe fiscal pressure which developed in the immediate aftermath of unification, with massive redistribution of resources to rebuild the former East Germany that meant severe squeezes on many budgets and big cuts in federal employment. The second, much more readily observable from OECD statistics, is a significant squeeze in overall public spending from 2006 to 2000 - falling by almost 10 per cent as a proportion of GDP over that period. The third, much less readily observable from OECD numbers, is the fiscal squeeze applied to the sub-national governments by 'unfunded mandates' from the federal government (often in agreement with the executives of the sub-national Land governments), either by shifting responsibilities to lower levels of government without a corresponding shift in resources or by deliberate disagreements over tax revenue adjustments. It is that process, here termed 'shifting and drifting,' which leaves the squeezing implicit, that the German system of executive-led federalism particularly lends itself to, and this chapter illustrates that process by analyzing what happened to the East German Land of Brandenburg.

## **Gus O'Donnell**

Gus O'Donnell, Baron O'Donnell of Clapham, GCB, has been Senior Adviser of Frontier Economics since 2012. Trained in economics, he started his career as an academic, joined the Treasury as an economist in 1979 and went on to serve in a number of senior roles in government, including Press Secretary to the Prime Minister (1990-1994), UK Executive Director of the IMF and World Bank in Washington (1997-8), Permanent Secretary to the Treasury (2002-2005) and Cabinet Secretary (2005-2011).

## **Christopher Pollitt**

Christopher Pollitt is Emeritus Professor of Public Management at the Public Management Institute, Katholieke Universiteit Leuven.

Christopher is author of more than 60 scientific articles and author or editor of more than a dozen scholarly books. Among the better known are *Time, policy, management* (2008), *Public management reform: a comparative analysis* (with Geert Bouckaert – third edition 2011) and *New perspectives on public services* (2012).

He has also undertaken extensive consultancy and advice work for a wide variety of organizations, including the European Commission, the OECD, the World Bank, H.M Treasury, the Finnish Ministry of Finance, the Dutch Ministry of the Interior and the Danish Top Executives Forum.

## **Peter Riddell**

Peter Riddell, PC, CBE, has been Director of The Institute for Government since 2012. He was a journalist (working first at the Financial Times and then at The Times as political commentator) for nearly forty years up to 2010. He has been a regular broadcaster, has written extensively on British politics, chairs the Hansard Society (a charity promoting understanding of Parliament and representative democracy) and was one of the first

recipients of the President's medal of the British Academy. He was appointed to the Privy Council in 2010 in order to serve on an inquiry into the treatment of detainees by British intelligence officers.

## **Alasdair Roberts**

Alasdair Roberts is the Jerome L. Rappaport Professor of Law and Public Policy at Suffolk University Law School, Boston USA. Professor Roberts writes extensively on problems of governance, law and public policy. His most recent book, *America's First Great Depression*, was published by Cornell University Press in 2012. His previous book, *The Logic of Discipline: Global Capitalism and the Architecture of Government*, was published by Oxford University Press in 2010. Professor Roberts was elected as a fellow of the US National Academy of Public Administration in 2007 and appointed as a public member of the Administrative Conference of the United States in 2010. He is also an Honorary Senior Research Fellow of the School of Public Policy, University College London and co-editor of the journal *Governance*.

## **Managing Fiscal Crisis after the United States Panic of 1837**

In 1836-39, the United States suffered a financial sector collapse that eventually plunged the nation into a severe economic depression. This was well before the advent of the national income accounting, and as a result we have no good sense of how bad economic conditions became. (Indeed, the very idea of a national "economy" was still unknown.) Economic historians suggest that circumstances deteriorated until about 1843, and that economic activity rebounded after that year. But economic historians -- focused on matters of production, prices and employment -- neglect some of the most important aspects of the crisis that began in 1836-39. The nation was plunged into a political and diplomatic crisis of unprecedented severity. Some questioned whether the country could hold itself together. These political and diplomatic woes arose primarily because of the damage that was done to national and state finances as the result of sudden economic decline.

## **Donald Savoie**

Donald J. Savoie holds the Canada Research Chair in Public Administration and Governance at the Université de Moncton. He has published numerous books on public policy, public administration and governance and his work has won prizes in Canada, the United States and Europe. He was elected Fellow of Canada's National Academy and awarded several honorary degrees from Canadian universities. His latest book is *Whatever Happened to the Music Teacher? How Government Decides and Why*.

## **Kaleidoscope in Red and Black: the 1994-97 Program Review in Canada**

Canada's 1994-97 program review has been held up by many observers as the gold standard by which other program reviews should be measured. To be sure, the review had a profound impact on both government programs and the machinery of government. Some programs were eliminated, many more were cut back, agencies were eliminated and 45,000 public service positions were cut. The authors of the review held a number of advantages -- a kind of perfect storm in reverse. The media were calling for spending cuts, the opposition parties were also asking for spending cuts or had no interest in budget issues and some of the spending cuts in politically sensitive areas, such as health care, were downloaded to provincial governments. The review, however, was an ad hoc approach to program review. Once the objective was met, the machinery quickly reverted to its old ways. Governments wishing to draw from lessons learned on how to develop an ad hoc approach to program review should look to the Canadian experience circa 1994-97. Governments looking for a more sustained approach to reducing government spending should look elsewhere.

## **Nicholas Stern**

Nicholas Stern, Baron Stern of Brentford, President of the British Academy (from 18 July 2013), has been IG Patel Professor of Economics and Government at the London School of Economics since 2007 and Chair of its Grantham Research Institute on Climate Change and the Environment since 2008. His career has been spent as an academic (at the Universities of Oxford, Warwick and LSE) and in economic institutions: he was Chief Economics and Senior Vice-President of the World Bank 2000-2003 and Second Permanent Secretary at the UK Treasury 2003-2007. He is well known for the Stern Review Report on the Economics of Climate Change, produced in 2006 by a team he led at the Treasury.