

13 July 2010

Pro Bono Economics lecture given by Sir Gus O'Donnell

The importance of economic analysis in helping policy makers and government address big policy challenges was highlighted today by Sir Gus O'Donnell, Cabinet Secretary and patron of the Pro Bono Economics charity.

At the first annual Pro Bono Economics lecture at the Royal Society, Sir Gus discussed the way in which recent economic thinking – on behavioural economics, wellbeing and the role of trust – is helping to strengthen the work of the civil service in supporting the government, including taking forward its top priority of reducing the fiscal deficit.

Sir Gus spoke about the importance of 'trust' in supporting business activity and growth, and the need for policies and institutions that regain and nurture trust to support the recovery. He said that economists now had a greater understanding of how trust shapes economic transactions and fosters growth in modern societies. He also acknowledged that it was a stated priority of all parties to ensure the strengthening of trust in parliament over the coming period.

Drawing lessons from this recent economic thinking, Sir Gus also emphasised the important work of the civil service in fostering trust between the two coalition parties in order to help sustain stable and effective government.

"Recent work, particularly in understanding the critical role of sustaining trust in business, has a new resonance for those of us seeking to support the coalition government. We know from economic theory that if two parties consistently pursue a policy of mutual cooperation, aggregate benefits are maximised and trust is strengthened. That is the bottom line for civil servants supporting the new government.

"Coalition government places a greater emphasis on the machinery of government to support collective decision-making, and ensure that no actions are taken that might – deliberately or inadvertently – erode the trust which is essential to the coalition

"This is partly achieved by ensuring that almost all departments have a mix of ministers from the two coalition parties. It is also supported by the Cabinet Committee system – with a wide range of committees chaired by a minister from one of the coalition parties, and a deputy chair from the other.

"Alongside this, in some instances further mechanisms are locking the two parties into agreed courses of action. The Coalition Agreement itself – as the contractual representation of the coalition – is an example of this. Fixed Term Parliaments and ending the ability of the Prime Minister to seek a unilateral dissolution of Parliament is another stark example of imposing discipline in an area that is critical to the coalition".

Sir Gus also emphasised the need for governments to tap into the rich vein of thinking which is growing up around the concept of behavioural economics and the concept of 'wellbeing' as the goal

for policy making. He argued that, as the government sought to address the deficit and tackle major policies challenges, innovative approaches were needed that drew from recent economic study:

“As policy makers we need to draw on the increasingly rich and sophisticated understanding of incentives and motivations in addressing some of our knottiest policy problems – preparing ourselves to understand better how and when we should inform, educate, ‘nudge’ or compel people towards behavioural change”.

Sir Gus also talked about the value of the work which Pro Bono Economics is promoting in the charitable sector using volunteer economists. He said that economists working with a charity would gain valuable experience of addressing social problems at the coal face which would make them better at their jobs. Sir Gus is himself volunteering on a project for Pro Bono Economics, helping the homelessness charity St Basils in Birmingham. He said:

“Pro Bono is a great example of bringing together the passion, expertise and commitment of civil society, with the rigours and disciplines of the economics profession.”

Notes for Editors

1. Pro Bono Economics was founded in 2009 by Martin Brookes (Chief Executive, New Philanthropy Capital) and Andy Haldane (Executive Director, Financial Stability, Bank of England) and aims to encourage economists to work pro bono in the charitable sector. PBE economists will help on short and medium term assignments, typically addressing questions around measurement, results and impact.
2. Sir Gus O’Donnell, Cabinet Secretary and Head of the Home Civil Service delivered the First Annual Lecture for Pro Bono Economics at the Royal Society on Tuesday 13 July 2010. The lecture was chaired by fellow PBE patron Robert Peston, BBC Business Editor
3. A full transcript of the lecture will be made available via the PBE web site, www.probonoeconomics.com.