# DEMOS

# DOGE DONE BETTER
## THE CASE FOR PROGRESSIVE EFFICIENCY AND A STREAMLINED STATE

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**creative commons**

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# ABOUT THIS REPORT

This guest essay sets out a vision for a progressive alternative to DOGE. It is part of Demos' work to reform public services and build a more collaborative democracy, one that harnesses collective intelligence to improve efficiency and effectiveness of government and earn higher levels of citizen trust.

The author, **Geoff Mulgan**, is a Professor at University College London (UCL). Previously, he was Chief Executive of Nesta, the UK's innovation foundation (2011-2019), and from 1997-2004 he had roles in the UK government including director of the Government's Strategy Unit, director of the Performance and Innovation Unit and head of policy in the Prime Minister's office. From 2004-2011 he was first CEO of the Young Foundation. He was a founder and the first director of Demos.

As part of Demos's ongoing efforts to facilitate greater diversity, inclusion, equity and justice in all areas of our work, we assess and publish our approach to meeting our goals in each of our publications. In this guest essay we explore a policy area that would give citizens a greater say in how the state is shaped, achieving a more diverse and inclusive influence on central government; we design an approach that is radically inclusive, including voices that would otherwise be left behind. Fairer use of taxes and ensuring spending goes to the frontline where the public can most benefit from them would also amount to a more just fiscal policy.

# SUMMARY

DOGE, the US Department of Government Efficiency, has captured attention across the world. Citizens everywhere would love to see their governments become less wasteful and more efficient. But DOGE's actions appear so far to have achieved no net short-term savings and may lead to very high longer-term costs for the US. The questions it asks are good ones: how can governments reduce waste, inefficiency and unnecessary bureaucracy. But the answers have been poorly thought out and implemented. DOGE looks more like theatre than engineering, a costly piece of political positioning in the name of 'dismantling the administrative state'.

This paper argues that cutting waste is good – and essential for governments which lack some of the pressures and incentives that drive efficiency in business and civil society. It makes the case for a different approach to DOGE – a department instead organised around intelligence, meshes (linking multiple tiers of government, both vertically and horizontally) and a movement. This might be called the Ministry of Value and Efficiency (MOVE). In the UK context that would mean complementing current initiatives like 'Test and Learn' in the Cabinet Office, and offer a more robust alternative to the existing 'Office for Value for Money' in the Treasury.

The paper sets out how MOVE would work and the principles it should use to save money but also avoid harmful cuts (including boomerang cuts that end up creating higher costs). These go far beyond the traditional options of stopping, trimming or delaying, and mobilise different kinds of economies and citizen input. It describes how to connect a central team to a distributed movement that taps into collective intelligence, both inside and outside the bureaucracy, to generate options for reducing waste and improving public value, managing portfolios of projects, and acting in a more organic, biological way rather than the crude mechanistic methods of DOGE.

The paper suggests what is to be done, how it should be done, what principles should be used, and what structures work best. It provides a sketch of DOGE done better.

# 1. SETTING THE SCENE
## CHAINSAWS AND DEFENDERS OF THE STATUS QUO

DOGE, the US Department of Government Efficiency, was launched in early 2025 with the promise that it would save two trillion dollars from the US Federal Budget. At first it seemed popular: many citizens believe that there is serious waste in government bureaucracies and they liked to see a rough approach to privileged bureaucrats in Washington DC.

DOGE's plans also prompted heated excitement around the world, with copies in several countries, including Vietnam and Indonesia. The UK's former Cabinet Secretary Simon Case promised that 'if Trump succeeds in reinventing government, expect his plans to be the global blueprint', and UK ministers announced bonfires of quangos, with Prime Minister Starmer even promising that AI would deliver £45bn in savings as part of a radical rewiring of the state.

However, on both sides of the Atlantic, amidst the theatre and rhetoric it is hard to find serious plans. It is even harder to find any hard data pointing to successes.

DOGE quickly rowed back from its promises and now claims that it has saved around $170bn. Some observers accept that the figure may indeed be over $100bn. However, these possible savings have come alongside a similar level of direct costs of redundancy and re-employment,[1] implying a roughly zero direct net impact on public finances. Meanwhile, many observers argue that DOGE's actions will cause huge knock-on damage to the economy and to peoples' lives with the stark attacks on US science putting at risk a system that had done so much to help the US prosper and cuts to USAID threatening lives across the world.[2]

In short DOGE looks more like theatre than engineering, a costly error rather than a model for the world. It makes more sense as part of Project 25's promise to 'dismantle the administrative state' and return to a supposed ideal of 18th century minimal government. But it doesn't look like a serious option for other nations that wish to improve their governments rather than destroy them.[3]

Yet the questions DOGE asks are valid ones even if the answers it offers are poor: how to cut unnecessary red tape, regulations and bureaucracy? How to streamline public services? How to cut duplication? In what follows I try to offer some answers.

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1   Partners for Public Service estimates the costs of firing and rehiring alone to be around $135bn
2   Miller, J. and Cook, C. 'What has Elon Musk's DOGE actually achieved?' Financial Times, 14 May 2025. Available at: https://www.ft.com/content/085430ab-27fe-46fc-a798-1059649d3b32
3   The Heritage Foundation. 'Mandate for Leadership' Available at: https://www.mandateforleadership.org/

# 2. THE CHALLENGE FOR PROGRESSIVES

In recent decades the political right has owned the issue of efficiency in government – setting up units, initiating drives, and favouring a rhetoric which emphasises slashing bureaucracy and regulation and promoting culture wars against bureaucrats. In the distant past the opposite was the case. Radicals tended to oppose the oppressive bureaucracy and laws of monarchs – with peasant revolts typically burning down the buildings where government records were kept. The poor - and the radicals - tended to be suspicious of pomp, excess, luxury and profligacy, which were seen as the vices of aristocrats, capitalists and autocrats.

Today the perspectives are more complex. One reason is that good bureaucracy underpins much of what's best in the world: progress in safety, health, welfare, good housing and decent education. The enormous advances made worldwide on everything from child mortality to murder rates, education to poverty, are every bit as much the result of good government as of markets or science.  As a result few progressives feel comfortable advocating for cuts of any kind, particularly if they will hit front-line staff providing essential services.

But productivity, quality and efficiency can be improved in all services, and have been in the past. Moreover, bureaucracy tends to expand, becoming self-serving and unresponsive. Process tends to become more important than outcomes. And a gap tends to emerge between public officials and the public they are meant to serve.

There is nothing progressive about the waste and stagnation that can follow. And so, in any system, it's vital to have regular culls: to cut back what's unnecessary, from rules and processes to committees and programmes. And the same is true of state functions. If they only accrete and grow, they squeeze the space available to meet new needs.

It follows that the aim for any state should be to achieve 'strength without weight' – effective processes that do not become unwieldy or obese. The aim should be to maximise public value relative to cost.[4]

Progressives should be particularly concerned about frugality and efficiency – using scarce resources to the best possible effect – since waste makes it much harder to achieve progressive goals. For the same reasons progressives should criticise economic systems that lead to chronic waste, from fast fashion to billionaires owning multiple homes they rarely use.

Yet DOGE's actions have sometimes pushed the left into appearing to defend every job, service, function and institution, sending a message that they don't really care about waste or bureaucratic excess. This is bad in principle and also bad politics.  The chainsaws of Elon Musk and Javier Milei may be unpleasant. But to respond simply by defending the status quo means falling into a trap.

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4    Mulgan, G. 'Strength without weight' Substack, 11 March 2025. Available at: https://geoffmulgan.substack.com/p/strength-without-weight-299

# 3. CLARIFYING THE PROBLEMS

All observers expect the pressures on public spending to rise over the next few decades. Ageing populations, more people living with long-term chronic conditions, rising defense spending, and the underlying dynamics of 'Baumol's disease', which tends to drive up the relative cost of public services: together these combine to push up costs and potentially to reduce revenues, with severe impacts on governments' room for manoeuvre.[5]

The political context makes these pressures even more intense, with apparently rising suspicion and distrust of politics and bureaucracy. In the UK there are also additional factors: the UK's low growth rate, stagnant NHS productivity and a Reform party that, at the last election, promised £150bn in annual savings from public spending and now leads in some opinion polls.

Governments also face an additional challenge because they lack the evolutionary dynamics that encourage efficiency in other fields. In the market there are pressures for variation, experiment and innovation, and then for adopting more efficient methods. If you don't adapt you disappear. Government agencies and departments lack a comparable pressure which is why they often suffer from what one commentator called 'cascading rigidities'.[6]

It seems to be an iron law of bureaucracy that forms and functions tend to grow. Public spending has steadily risen globally even through decades supposedly dominated by Reaganism and Thatcherism.

So has regulation. The Regulatory Studies Centre at George Washington University estimates that US federal regulations have grown from 20,000 pages in the early 1960s to over 180,000 today, with the federal government imposing 12bn hours of compliance work onto citizens (35 hours per person, up from 27 hours in 2001).[7]

Similar trends can be found elsewhere - in Germany the text of laws has grown by 60% over the last three decades. And across Europe the multiplication of slightly different rules in different countries remains a major constraint on growth, a heavy de facto tax on doing business (amplified in some countries by the survival of extraordinary anachronisms, like the notaries in Italy who have to read out lengthy contracts before they are signed).

Claims that efficiency drives on their own can solve the fiscal crises of the state are never convincing, though they are common in Western politics. The scale of the pressures is an order of magnitude higher than the potential savings. And many services simply need more funding to function well.

5   For an excellent overview see Marc Robinsonn, Bigger Government: The Future Of Government Expenditure in Advanced Economies, Arolla Press, 2020

6   Pahlka, J. 'Understanding the Cascade of Rigidity' Eating Policy, 26 November 2024. Available at: https://www.eatingpolicy.com/p/understanding-the-cascade-of-rigidity?hide_intro_popup=true

7   The Economist. 'Many governments talk about cutting regulation but few manage to' 30 January 2025. Available at: https://www.economist.com/briefing/2025/01/30/many-governments-talk-about-cutting-regulation-but-few-manage-to

But just because efficiency measures are not sufficient on their own does not make them useless. No government can afford not to try to maximise savings, even if it will still face struggles in keeping the public finances sound and funding public services adequately.

Here, though, we quickly come against another problem. The central finance teams of many governments – such as the Treasury in the UK - often lack experience in the practicalities of how to organise public services. They know relatively little about how to use technology to reshape processes. So they default to a familiar set of mechanistic tools:

| STOPPING | Simply ending programmes or subsidies. |
|---|---|
| TRIMMING | Reducing or tweaking programmes, payments of all kinds or projects. |
| DELAYING | Slowing down capital projects or the introduction of new benefits. |
| SQUEEZING | Simply cutting back cash for departments. |

They are often neither familiar nor confident with more sophisticated approaches that aim to restructure how services are organised, or to change the balance of roles between states, business and society.  This seems to be the pattern with the Office for Value for Money, established in the UK Treasury in 2024, with a chair from outside government and a small team of Treasury civil servants: a well-intentioned but far too modest approach given the scale of the challenge.

Nor are finance ministries usually good at institutional design. Instead, the default in many countries is a cycle of merging and splitting (with mergers often justified as leading to savings), a 'lego bricks' approach to government design. Huge amounts of managerial energy go into these exercises. But they rarely achieve much, if anything, and the evidence for savings achieved is meagre to say the least.i

As I show in section 7, a very different playbook is needed to ensure that the drive for efficiency doesn't waste time with pointless mergings and splittings, and doesn't unintentionally destroy value.

# 4. STRUCTURES
## HOW TO ORGANISE TEAMS TO DRIVE EFFICIENCY

Efficiency drives have often had units, teams, high level committees of all kinds, with DOGE just the latest example. The UK has had various forms: an 'Efficiency Unit' under Margaret Thatcher and an Office of Government Efficiency under Tony Blair. Hong Kong for many years had an efficiency unit; France under President Sarkozy had the 'Révision Générale des Politiques Publiques (RGPP)', a broad programme of reform to achieve economies; Malaysia had PERMANDU with a remit around performance and innovation. The Clinton administration innovated many different kinds of incentive to drive up efficiency; and most governments have had some kind of digital transformation team or agency.

Any modern government needs some kind of central team or structure.

There are many options for its name, some in the spirit of DOGE: WAVE (Waste and Value Executive); MOVE (Ministry of Value and Efficiency); Team-E; SWAN (Strategic Waste Action Network, signalling a calm face and furious activity below the surface); or DRIVE (the Department for Reform, Innovation, Value and Efficiency). The label matters less than the content, for the purpose of this paper we refer to MOVE.

**In terms of design:**

- It should be anchored in the centre of the administration – with the direct authority of the Prime Minister and Minister of Finance, or, in a city, that of the Mayor

- It should bring in outsiders primarily from business to challenge internal orthodoxies. A good formula is to have half the staff made up of outsiders with experience of driving efficiencies and half insiders who understand how the public sector works. DOGE suffered from a dearth of deep insider knowledge.

- The team or department should have one foot inside the formal hierarchies and one foot outside, and this should be reflected in its physical location and its culture.

- The team should see their job as the opposite of a permanent department and more like a guerrilla army – fast, agile, provocative, spotting patterns that aren't visible to incumbents and generating new options rather than making decisions.

- It should deliberately cultivate networks of allies across the system – some with formal titles, others linked informally.

The Institutional Architecture Lab has recently developed a set of frameworks for designing new public institutions and these are very relevant to any efficiency drive, in particular that:

- Intelligence should sit at the core of any new team – which means mobilising data, AI, collective intelligence and tacit knowledge and sharing it as widely as possible

- Organising as a mesh – linking multiple tiers of government, both vertically and horizontally, so that national and local government are both involved from the start

- Acting more like a mycelium than a pyramid – linking central teams to widely dispersed agents, working through example and influence as much as through command, and combining an above-the-ground programme of action with informal networks used below ground to share intelligence and insights.[8]

The everyday work of any programme then needs to be organised as a portfolio, consisting of dozens or even hundreds of projects. Some will be essentially about cutting paperwork, rules and regulations (covered in more detail in section 5). Some will be about reforming services. Some will involve creating new products – mainly software and AI tools. And some will be about internal bureaucratic processes.

All of these together form a portfolio, with projects involving varying degrees of ease of implementation and risk: some easy and low risk, others much harder and higher risk, but also potentially higher impact. Each project needs clear plans, milestones and authorisations (set out in more detail in section 9).

Elon Musk might have been more successful if he had been asked to play to his strengths: restructuring an individual service, developing new products and drawing on deep knowledge as he's done in cars, rockets and other fields (and echoing the successes of William Knudsen who overhauled US manufacturing in WW2). Asking him to dismantle and destroy, without much use of deep knowledge, may come to be seen as a particularly strange misuse of talent.

8    For a more comprehensive overview of institutional reform priorities in the UK see: https://tial.org/publications/designing-new-public-institutions-for-the-uk-in-the-2020s-and-beyond/

# 5. CULTURES
## THINK AND ACT LIKE A MOVEMENT

The culture of a team of this kind matters as much as its structures and methods and its task is as much to shift cultures as it is to carry out projects. Governments often get this wrong.

It needs to energise and inspire – promising a war on waste that engages people, above all because the released resources can be used to meet pressing needs in a hunt for value not for destruction. And it needs to encourage an ethos of problem-solving, creativity and entrepreneurship in search of value, not a scorched-earth destruction.

**Specifically, it needs to:**

- Be a movement as much as a programme: efficiency drives, like drives for digital transformation, need a strong moral sense that motivates people throughout the system. If they just look like the demands of overpaid consultants in the capital city they will struggle to achieve impact.

- Move fast but also learn fast: in most contexts there will be some very easy wins which build confidence and momentum. Some of these are measurable. Quick actions then create the momentum for the bigger, harder moves. But there are also bound to be early mistakes (though DOGE is an outlier in the scale and oddness of the mistakes). The key is to learn quickly and not to repeat them, echoing the recent 'Test and Learn' initiative from the Cabinet Office.

- Support skills in new methods rather than just relying on directives: any drive to radically transform a state is in part a process of teaching officials how to think in new ways and needs to be organised accordingly. Just relying on fear and dictat is never enough (again, DOGE is an object lesson in what not to do).

- Shared knowledge and data is essential: if the key findings, data, examples and methods are not shared quickly the processes are bound to be inefficient.

# 6. METHODS
## A FRAMEWORK FOR ECONOMISING WISELY

I now turn to specific methods and approaches that can be used by MOVE or other programmes to find economies and achieve a more frugal state. These are not widely used by finance ministries which resort to the first set of tools but often lack analytical methods for considering the others. They, or something comparable, should be the toolkit for efficiency units and teams – more effective versions of DOGE.

Most economists are familiar with economies of scale and scope, but much less familiar with notions of relational economies, or economies of flow, or economies of penetration, which should be part of their armoury. The framework also points to more lateral ways of saving money - for example, asking where new kinds of public commitment can be mobilised, or where transparency can reduce costs.

To make this practical, small groups of frontline staff or managers can quickly generate options under each of the twelve headings and then assess which ones are viable in the short, medium or long-term. Most groups can quickly generate options for achieving 10, 20 or 50% savings, including very radical ones.

Sometimes it's best to start off by helping people to become familiar with the approach by taking a live example – such as rural bus services, libraries or nursery education – and showing the options under each heading. Then some shared grounding in current data (e.g. costs, unit costs etc) can be brought in to help sharpen the discussion, and lead to more specific proposals.

These methods are more likely to be widely used if there are strong incentives for success: with units or teams sharing some of the savings, or at a minimum having some visibility of how the savings will be used for other purposes.

The approach starts off by looking at the traditional tools, then becomes more radical, which are the first options considered when a government has to save money:

## TRADITIONAL TOOLS

These are the first options traditionally considered when a government has to save money - it's still worth doing these first.

i.   **Pure economies** – stopping doing things (e.g. fewer bin collections, closing rail lines and bus services, closing libraries, ending military commitments that are no longer priorities, cutting subsidies or tax reliefs). In every system there will be many options for simple economies of this kind.

ii.  **Economies of trimming** – freezes, efficiency savings (e.g. 5% cuts to pay or opening times) or shorter school days. Some of these can be useful in themselves. I have long favoured sharply cutting the length of legal contracts (which otherwise sprawl without limit) and the length of meetings (most of which are too long). Some trimming can be creative and liberating.

iii. **Economies of delay** – to capital, pay rises, procurement, maintenance and improvements. These are rarely desirable but they may often be unavoidable if cash is scarce.

## ECONOMIC RESTRUCTURING

We then move onto ways to use a more creative economic lens to think about how a service could be reorganised. Much of the digital economy has grown by applying similar ideas to everything from shopping to dating.

iv.  **Economies of scale** – e.g. aggregating call centres or back office functions. These have been exaggerated in the past (small governments and municipalities are often just as efficient as big ones) but they can sometimes deliver big savings. One obvious option is to pool procurement activities. At present procurement is divided up between local authorities and public sector units, as well as being treated as a low status activity. This guarantees that the public sector gets bad deals.[9]

v.   **Economies of scope** – e.g. combining multiple functions in one stop shops, multi-purpose personal advisers, neighbourhood media, extending roles, standardised identification or payments. Much recent digital innovation has essentially helped with this – such as Estonia's X-road platform or India's Aadhaar. At some point the UK may belatedly catch up with these other countries and introduce a single digital identifier, and even a single personal account (first proposed in the UK government twenty years ago, and implemented in other countries such as Denmark and Singapore).

vi.  **Economies of flow and prevention** – e.g. hospitals specialising in a few operations and so improving efficiency, cutting bottlenecks or easing transitions, for example out of prison or from school into work. A related concept is reducing failure demand (such as recidivism or hospitals with repeated re-admissions), helped by tools like outcome- based funding or investing in preventive health. Many of the greatest costs in public systems accumulate around blocked flows of this kind.

vii. **Economies of penetration** – these are economies that result from concentrating a service or cluster of services in a locality. In energy this can be done by Combined Heat and Power schemes and in housing often through roles such as street concierges.

Many of the proposals for using AI in public services fit into these categories. They can also help with the bulk processes of 4 and 5 – such as handling pensions, licensing and loans. However, as I show in section 8, it's vital that they are introduced in smart ways that test, triage, talk to users – otherwise we are bound to see repeats of the many scandals that have beset large-scale digital programmes including many using AI.

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9   For a comprehensive approach to procurement in the age of AI see: https://tial.org/publications/a-well-architected-framework-for-public-procurement/ I also look at this is in the section on AI below.

## REVISED SOCIAL CONTRACTS

Next come options that involve a renegotiation of the implicit contracts between states and citizens.

**viii.** **Economies of responsibility** – involve passing responsibility out to citizens, e.g. for self-testing or separating out waste, rather as supermarkets shifted the role of packing from paid staff to customers.

**ix.** **Economies of commitment and relational economies** – these are economies that flow from shifting tasks to more committed providers, or ones with a sense of relationship. This can apply to professional social work and care, but also to making the most of the community, for example using volunteer bus drivers for marginal rural bus services or organising neighbours to watch out for people with dementia.

## SMART TOOLS

Next come some other ways of using digital to cut unnecessary costs.

**x.** **Economies of visibility** – come from mobilising public eyes and the power of shame. So, for example, making parliamentarian's expenses more public reduced them; the same principle applies to public contracts of all kinds. I particularly favour making digital transformation projects visible in terms of their key metrics to ensure greater accountability.

**xi.** **Economies from data sharing** – open data can enable innovation, competition and new models (as has happened in finance, energy and transport, where much has been learned about the value of open data – for example, opening public transport data to enable new apps, or opening up banking data to third parties to prompt innovation). It is often resisted by powerful incumbents but should be part of any broader movement for efficiency.

## JOINED-UP THINKING AND ACTION

**xii.** **Economies of doubling up** – finally there are often options for joining up the work of government in creative ways, promoting actions that address two problems or needs simultaneously (such as training up the young and unemployed to work on home retrofit programmes).

It should be apparent that these prompts can help us rethink public services not as static things that have to always take the same forms, but rather as elements that can often be organised in different ways.

# 7. SLASHING UNNECESSARY BUREAUCRACY

Many savings will have to come from big ticket spending categories and from rethinking services. But some at least will come from cutting paperwork and bureaucratic processes.

One of the oddities of DOGE has been its failure to learn from decades of experience. There are many good examples of programmes to cut red tape and save money: from Portugal's SIMPLEX programme to South Korea's 'Regulatory Guillotine' in the late 1990s to waves of regulation culling in Australia and New Zealand at a similar time.

The best approaches combine fresh outside perspectives with deep inside expertise (there's no shortage of half-baked ideas on what needs to be done, and no shortage of incumbents convinced that change isn't needed - it's vital to get beyond both).

Some of the best examples ration rules and laws, like a diet or a 'bureaucratic budget'. Canada, for example, has at times followed a 'one for one' approach - one rule cut for any new one introduced. In the 2000s, the Netherlands targeted a 25% annual cut in red tape for business (later copied in other countries), and the UAE now has a 'zero bureaucracy' programme aiming to eliminate over 2000 redundant bureaucratic procedures.

Governments can also aim to lighten the cognitive load on citizens when designing any policies (Australia's Treasury has long been a good example of this, the UK is a particularly bad one, with ever more complex tax and benefits rules that work on paper but make life difficult for citizens and businesses). 'Once only' digital models are also a good way to cut cognitive loads, so that you only have to tell government once when, for example, you move home or someone dies (though experience over the last 20 years shows that they're quite difficult to implement). The approaches now labelled as 'digital public infrastructure', pioneered by Estonia and others, which radically standardise and simplify the tools that underlie digital interactions with the state have also been shown to save a lot of both time and money. And there are many options for using sunset clauses or time-limited commitments to make it easier to reallocate resources and avoid being trapped by past decisions.

# 8. MOBILISING COLLECTIVE INTELLIGENCE

A common mistake for central teams is to rely on their own data and intelligence. This is a mistake that DOGE made, echoing many others. However, as clever a central team may be, it is bound to lack intelligence about how things work, about potential options, and about the practicalities of action.

So, a key aspect of everyday working needs to be a way to harvest collective intelligence of all kinds. The key sources of this are likely to come from within the system – in the UK's case the nearly half a million civil servants or some five million public servants. Others will come from outside, from innovators with promising ideas.

Few of these will be well-worked out from the start. But there are many methods available to harvest, select, and then develop these into more workable forms, and the methods described in the previous section can be used with groups of staff to generate options.

These can be encouraged with financial rewards for proposals from within public services that get taken up: ideas for stopping, slimming or restructuring that can deliver results. Some can be harvested from the public. These processes can be quite labour intensive – and the great majority of proposals may be unworkable, at least initially. But an open process is far more likely to generate workable options than relying solely on top-down action by a few experts.

Moreover, some of the best approaches are also directly curated – bringing together the people who make up local systems (for example, care for the frail elderly or public health) and giving them opportunities to propose, and implement, actions that can save money and increase value.

# 9. MOBILISING AI FOR EFFICIENCY

AI is often talked about as a solution to government waste and inefficiency, with rhetoric sometimes suggesting it could replace whole departments. Almost every activity of government is likely to be affected by AI, from making decisions about benefits eligibility to medical diagnosis, facial recognition in policing to spotting tax evasion.

AI has been used in public services for at least two decades – in criminal justice and primary health care in the UK for example. It has achieved significant advances in some aspects of medical diagnosis.  And, in some countries, aggressive implementation of AI appears to be delivering big productivity gains (New South Wales is a good example).

However, because AI is a 'general-purpose technology', or more precisely a family of general-purpose technologies, generalisations nearly always mislead. Details matter, and experience with AI is complex. Just one of many examples is the evidence on use of large language models in education which shows quite surprising, uneven and complex patterns that belie the assumptions of both enthusiasts and sceptics.

AI is relevant to hundreds of very different tasks in governments, from large scale transactions to supporting professionals, spotting anomalies to predicting risk, helping policy design to protecting critical infrastructures.

Unfortunately, most governments lack good methods for commissioning AI, and the teams responsible for procurement generally lack technical expertise, which means that the impacts on costs and efficiency are unlikely to be anything like as big as is sometimes claimed.

Leo Quattrucci's recent report on procurement in the age of AIiv provides a more comprehensive approach to procuring everything from 'off-the-shelf' AI tools to ones much more customised to particular public services, or ones involving highly sensitive data.

Rapid learning is also vital to avoid mistakes. One aspect of this is bias, which can often create new costs down the line (as with the scandals in the Netherlands, one of which led to the resignation of the government and expensive compensation for those who had been harmed). Earlier uses of AI in public services often showed serious bias – particularly in criminal justice and policing – but some more recent projects show how AI can actually reduce bias in individual decision-making by social workers, police or judges.

Another is prevention. In principle AI can spot potentially costly risks – whether of returning to hospital, prison or child maltreatment – enabling preventive action which in turn saves money. However, this too has proven much more complex in practice. Again, there are now some good examples, for example in Denmark (though these often depend on connecting multiple data sets which remains hard in the UK context).

Another is the effect on cash. There are few examples where AI will quickly save costs, partly because so many other processes and skills have to be changed in tandem and also because non-algorithmic decision-making often needs to be retained in parallel.

Experience with decades of digital transformation is instructive: costs often rose rather than fell, at least in the short to medium term. Much of government can be streamlined and digitised, and decision-support tools can lead to better decisions by doctors, judges or teachers. But these rarely lead to quick savings and there is a serious risk of scandals and costly errors if they are not implemented carefully (as Horizon and the NHS IT programme showed in the UK, Robodebt in Australia and many others).

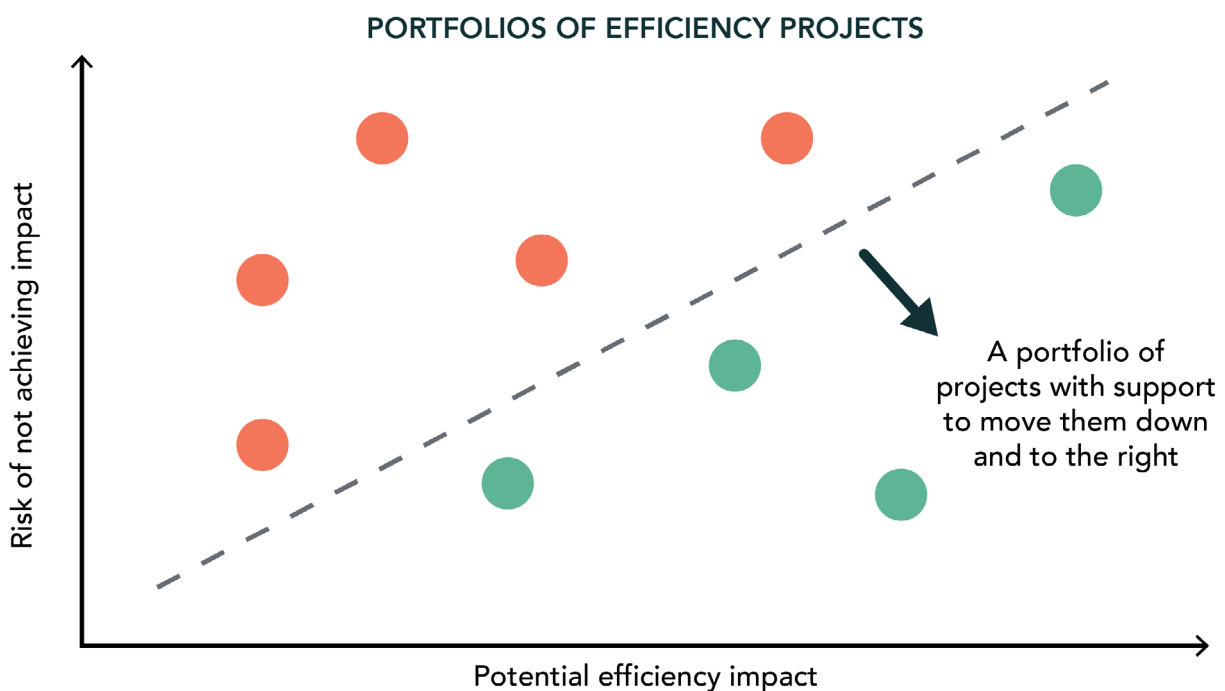In short, AI in all its forms should be a central part of any programme to improve efficiency and cut waste. But it needs to be guided by hard-headed realism, not dreamy hype or marketing; it needs serious attention to data and evidence; and claims made by consultancies should be treated with suspicion unless they are willing to put skin in the game and only be paid if savings actually materialise.

# 10. MANAGING PORTFOLIOS AND ASSESSING RESULTS

As indicated earlier, the work of an efficiency drive should be thought of as a portfolio of many projects, some focused on services, others on spending, some on bureaucracy, others on regulation. Each needs its own plans, metrics and implementation models. And together these can be managed as a portfolio. Each project can be mapped in terms of its potential impact on waste and value, and in terms of its viability.

The Cabinet Office's Test and Learn programme under minister Georgia Gould provides a very similar, and very welcome approach to managing portfolios of innovation projects (it's also conceived as a mesh, connecting local and national governments, in similar ways to what's needed in MOVE). It embodies the essential notion that any promising idea needs to be tested in the real world - with lessons then looped back to those doing policy or regulatory design.

Thinking in terms of a portfolio then produces a two-dimensional space – with desirable projects below the line as they combine potential impact and realistic prospects of results. The management of the portfolio should aim to move every project down and to the right, partly through testing and experiment, with regular reviews to drop projects that are unlikely to deliver.

## PORTFOLIOS OF EFFICIENCY PROJECTS

A portfolio of projects with support to move them down and to the right

Risk of not achieving impact

Potential efficiency impact

Some of these projects can be managed directly. But a second portfolio should be run within ministries or agencies with light touch quality assurance from a central team, including periodic red-teaming and publicly visible performance management.

In each case the key is that the project delivers results. Some governments use the language of the 'business case' when considering efficiencies. In business, the business case focuses on the likely added revenues and profit, or lower cost, and some sense of probability. In government, since most services don't charge customers, the phrase tends to focus just on cost reduction – ie reducing costs of duplication, 'failure demand' from recidivism or repeated health problems.

The business case for a proposal typically focuses on four key areas:

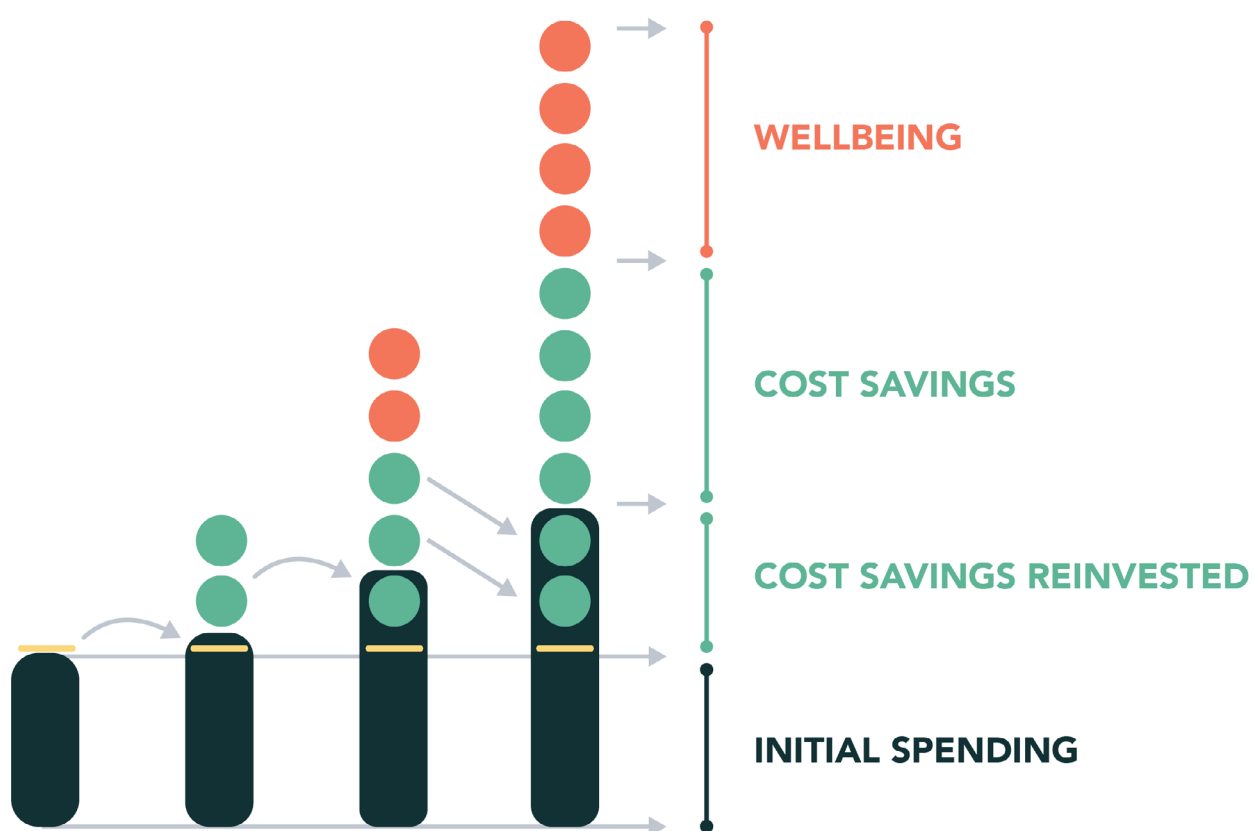| Cashable savings | Reducing unnecessary activities involving direct costs (e.g. payments, contracts, commissions) that can be realized quickly |
| --- | --- |
| Direct savings | Longer term savings e.g. reduced staff levels, building use, cutting repeated/unnecessary actions, failure demand |
| Indirect savings | Savings for other agencies and departments – cross-cutting savings through preventive actions |
| Outcomes | Valued by citizens and sometimes potentially turned into monetary values (e.g. reduced congestion times, school results, health outcomes, crime) |

The UK Treasury uses the 'five cases' method to assess business cases- looking at the strategic, economic, financial, commercial and management dimensions, part of a comprehensive approach to appraisal.[10]

One challenge faced by any method is that the more innovative and radical the project, the harder it will be to measure results early on. So here too a portfolio approach is necessary with some projects given leeway to develop and evolve, while others, that use more proven methods, are measured from the start. It should be obvious that any genuinely new innovation will not have data to support it and so will be highly speculative, whereas innovations that are adaptations or build on past experience should have some rough data to guide potential impacts. Strict application of 'business case' logics can encourage incremental innovation but is not suited to more radical options which require a journey of experiment and learning.

Here too there is a value in using methods like the 'public pound multiplier' that aim to map not just immediate cost savings and savings to other departments but also outcomes for citizens.

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10   HM Treasury. 'The Green Book and accompanying guidance' UK Government, 23 August 2024. Available at: https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents

**FIGURE 2**
THE PUBLIC POUND MULTIPLIER



WELLBEING

COST SAVINGS

COST SAVINGS REINVESTED

INITIAL SPENDING

*Source: Geoff Mulgan, Silva Mertsola, Mikael Sokero, et al.,"Anticipatory Public Budgeting: Adapting Public Finance for the Challenges of the 21st Century", UAE Global Innovation Council, 2021, p.22.*

# 11. PRINCIPLES AND TESTS TO APPLY TO POTENTIAL CUTS

There will always be times when governments have to make severe cuts – in wartime, downturns or when new priorities arise. There are several principles or tests that should be applied by the Treasury or any Ministry of Finance when considering the many options for cuts that arise from programmes of work described above:

- **A strategic centrality test** – how vital is the activity for some primary strategic purpose of the society?

- **A fairness test** – is the pain that will result from the cuts fairly spread, or does it fall disproportionately on the weakest and poorest?

- **A rebound test** – will the cut save money in the short run but lead to higher costs in the long run, crime, ill-health, unemployment or lower growth? (DOGE's attacks on US science may end up being an extreme example of how to destroy value).

- **An agency test** – will the cuts enhance or reduce the agency and freedom of individuals, families and communities?

- **A redeployment test** – the harms and pain associated with any cuts will be less if people and resources can be redeployed, either within the public sector or elsewhere.

These five can be ranked and scored for different options and provide useful tools for triaging. The UK's austerity drive in the early 2010s lacked clear principles to guide it, or good analytic methods, and in retrospect failed all of these tests.

It undermined economic growth which was arguably the central strategic goal of the government. It hurt the poorest, and poorest areas, most. In many cases it drove up costs later on through rebound effects. There is no evidence that it made people feel more empowered or freer, and relatively little was done to help with redeployment.

# CONCLUSION
## WHAT NEXT?

Frugality is a virtue; waste is a vice. It is the worst vice of modern capitalism – which is simultaneously hyper-efficient and extraordinarily wasteful (mainstream economics believes it efficient for an individual to own 15 cars that they rarely use). It has also always been a vice of rulers and states, some of whom took pride in their extreme profligacy.

But in democracies waste should be unacceptable because it undermines the chances of the public's interests and values being served. If politicians want to be trusted to use money well, they need to be hungry for savings, incentivising civil servants and the public to identify waste and eliminate it.

If they don't want to use the methods described here, they need alternative ones – and to have good arguments why they will work better.

DOGE has focused the world's attention on one method of cutting costs. But it is a lesson in how to do this badly. It lacked in-depth knowledge (by contrast with Elon Musk's initiatives in business which have all made the most of deep pools of knowledge). Its numbers turned out to be wildly wrong. Its actions destroyed value at an extraordinary speed. And it appears to have quickly alienated not just staff but also the public. Most perversely, its actions may have contributed to a dramatic worsening of the overall fiscal position of the USA.

**But DOGE is a prompt to the rest of the world to do better. The questions it asked were necessary ones. Now we need better answers.**

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