

PUBLIC POLICY BLOG

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Policymakers caught in the endless loop of healthcare and pension reforms

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Executive Summary

Healthcare and pension systems of many countries are in deep need of reform. Yet, this remains a difficult task to achieve, as shown by the social unrest caused by proposed reforms in France, or the inability of the American government to pass comprehensive healthcare reforms. This can be largely explained by the constraints that policymakers face. Among them are the inability to process all aspects of a given problem, time constraints, limited financial resources and the need to appease the interests and conflicting values of many actors. As a result, policymakers are often forced to implement policy change through small steps, rendering radical policy change a difficult endeavor.

Processing all the information is not possible for policymakers who want to prevent serious policy errors.

There is often an expectation that policymakers translate their values and aims into consistent policy choices following a comprehensive analysis of all options available. Policymaking is thus understood as operating under a ‘means-ends’ logic, where it is believed that first the ends - the overall aim - are isolated and then the means to achieve them are sought.

However, policymakers have neither the intellectual capacity, time, nor resources to gather and process every possible piece of information relevant to their professed goal. Similar to most ordinary citizens, when confronted with a complex problem, policymakers rely on cognitive shortcuts. These are unconscious mental processes that simplify analysis and permit the overlooking of certain evidence and facts, leading to actions considered as being “good enough”.

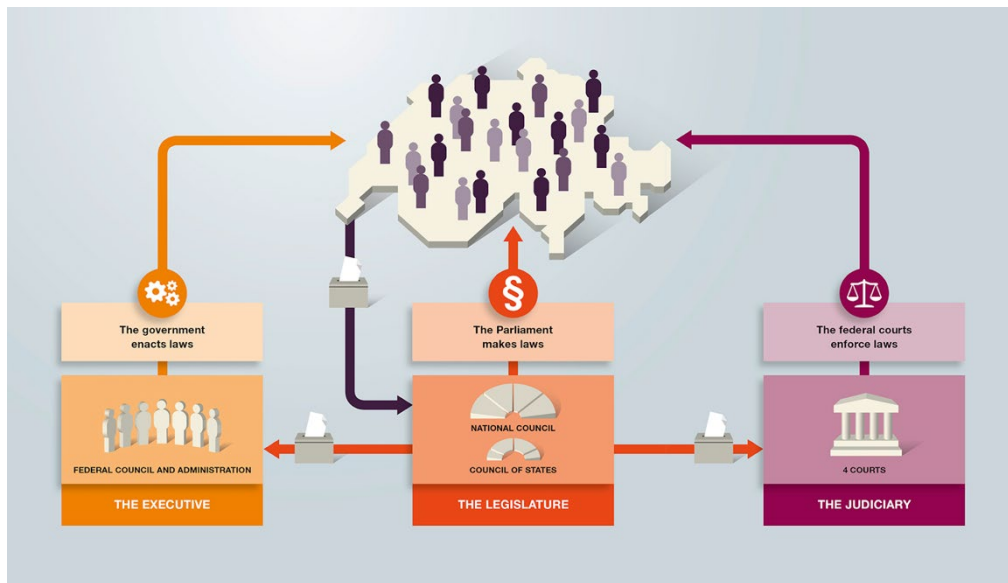
Furthermore, in our contemporary information-based world, where data are present everywhere, it is often supposed that vast sets of data and evidence can be gathered and analyzed within a small-time frame, and that consequently policies should be based on them. However, more information is not necessarily useful when policymakers have not yet clearly defined their goals. Favoring some evidence over others is rarely value neutral. Due to these limitations, radical policy change can lead to unforeseen and sometimes negative consequences. Since neither social scientists, politicians nor public administrators possess enough knowledge about the world to accurately predict the full outcome of a policy, limited policy change can offset this danger by ensuring that unanticipated consequences remain relatively small and contained.

Pluralistic systems of governance impose strong constraints on policymakers when attempting to pass reforms.

Policymaking within a pluralistic system is not carried out by a single governing body or a dominant economic elite, but by multiple actors who all have their own interests and values. Different formal or informal veto-players, such as the upper and lower houses of the legislative branch and interest groups as political parties, lobbyists or economic actors usually take part in the policymaking process. This means that compromise is in most cases a requirement, even if radical policy change may seem to be the most efficient course of action. For example, Chilean President Michelle Bachelet successfully passed a pension reform package during her first mandate. Yet, this reform, designed as radical, had to be watered down due to conflicting interests with the opposition and within her own coalition.

Furthermore, the institutional design of pluralistic democracies constrains policymakers when they implement reforms. For instance, in federal states where authority is fragmented among multiple decision makers, the number of veto players that can block legislation is higher. Conversely, in centralized states, it is easier for reformers to take decisions within a more homogenous group. Election cycles add an additional hurdle. They influence both content and priorities in public policy. During elections some policies gain greater visibility and agenda-setting power, with candidates making subjective appeals and promises to the electorate. They can also result in the undoing of policies introduced by previous governments, illustrating the back and forth challenge in policy change. The repealing of Obama's Affordable Care Act following Donald Trump's election in 2016 offers a pertinent example of this.

The following diagram illustrates the separation of power in a democracy. Checks and balances prevent the concentration of power in one person or branch of government but may render radical policy change difficult and the passing of reforms slow.



Source: demokratie.ch

If constraints force policymakers to conduct reforms through small successive steps, it may neither be the only nor the best way to conduct policy change.

One major criticism against policy change being conducted through successive small steps is its slow moving, conservative nature. Yet, unlike radical change it usually does not “rock the boat” too severely and thus avoid upsetting the actors sitting in it, allowing to govern in a more flexible manner. A fast-moving sequence of small changes can accomplish more than attempts to drastically alter the status quo via infrequent major reforms, which could antagonize contradictory interests, possibly leading to political stalemate.

Marginal reforms built on previous policies reduce the risk and consequences faced by policymakers when things go wrong, similar to a method of trial and error. They also prevent major controversies and conflicts. For instance, losers of a policy change can bear the consequences more easily, avoiding a too significant disruption of the political system. It helps maintain a general consensus on basic values and interests, which many view as a necessary component of democracy. Radical policy change, contrarily, can upset this consensus, leading to polarization and paralysis in society and in democratic institutions.

Nonetheless, small changes are susceptible to revision, especially in relation to the election cycle, as an incoming government may decide to undo previous policies. This makes policymaking less efficient, potentially resulting in an endless loop of small steps back and forth. This is visible in the domain of healthcare and pension systems, where many successive steps implemented over decades have failed to bring about substantial reform. Hence radical policy change could be seen as the most rational option, even though it remains a difficult task to judge whether policy changes should be made through successive or radical steps. For example, the U.S. has two choices to achieve universal healthcare coverage: either through a

radical and costly reform aiming for public insurance, or through successive steps, such as Obamacare, that are lower in costs but require significantly more time.

Policymakers also make use of stories in order to create adhesion to policies.

Policymakers often rely on strategies that include telling stories in order to set the agenda, to convince and favor policy change. Often based on moral convictions, these stories relate to a specific policymaking context and usually include heroes facing adversity, villains causing trouble and victims suffering from the resulting tragedies. They help the audience relate a problem to their own lives and own aims.

President Obama's 2009 healthcare speech to Congress is an illustrative example. Promoting his Medicare reform, Obama quoted "our beloved friend and colleague, Ted Kennedy" who had recently passed away. Before his death, Obama reported, Mr. Kennedy thanked his family and friends for their love and support, but also said that healthcare reform remained this "great unfinished business of our society" requiring urgent solutions. By referring to such an influential figure in U.S. politics, Obama created an emotion-filled narrative to rally support for his proposed reform.

Conclusion - Insights for policymakers willing to reform a healthcare or pension system

Policymakers need to be aware of their tendency to promote small policy changes due to institutional and cognitive constraints. They should factor it when designing reforms. However, there is no one-size fits all solution: whether policy change is best pursued in a successive or radical fashion depends on various factors, including the issue or the level of division within society. Discussion of the matter is in the interest of policymakers and citizens, especially in the domain of healthcare and pensions, where the right way to implement efficient reforms has not yet been found.