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Governments Should Be Effective, Not Efficient

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Summary

President-elect Donald Trump's recently announced Department of Government Efficiency (DOGE), led by business leaders Elon Musk and Vivek Ramaswamy, is creating ripples in Washington. While the idea that the sprawling federal government bureaucracy is in need of a shake-up may be appealing to many Americans, efficiency — the essence of capitalism — might not be the right approach for the public sector. The author, who runs a program at Oxford for senior business leaders looking to apply themselves to improve the practice of government, makes three observations about business leaders who have successfully made the transition to become effective public-sector leaders. First, they cultivate a practice of open engagement, because they know that unlike a business, a government can't choose its customers; it must serve all people. Second, they adopt an experimental mindset, using incremental innovation and learning to advance policy, because they know that a government cannot afford to fail. And third is they recognize that to be successful in government, you create value and you leave its gains behind for others, as opposed to being successful in business, where you create value and capture its gains.

We often hear rhetoric from successful private-sector leaders that government should be more like business. Indeed, many such leaders go on to careers in public office, and many do make fine politicians.

But the transfer of skills and strategies from business to government is not one-to-one. In fact, business leaders-turned-politicians can fail in their new roles if they don't fully recognize that what constitutes appropriate objectives and good judgment in the former domain can become tunnel vision in the second.

Take efficiency, for example. President-elect Donald Trump's recently announced Department of Government Efficiency (DOGE) is creating ripples in Washington. The idea that the sprawling federal government bureaucracy is in need of a shake-up is appealing to many Americans, including those who might have voted for Vice President Kamala Harris.

But do we really want government to be efficient?

Efficiency — the idea of squeezing the most from a scarce input, be it labor or capital — is valuable in business. Indeed, it is the essence of capitalism. Businesses that don't strive for, and deliver, efficiency are outcompeted by peers in a vibrant and free market.

But governments, which are not subject to such peer competitive forces, don't usually work as cheaply and quickly as they could — and that can be a good thing.

For instance, we don't want law enforcement to be efficient with fuel resources during a car chase of a suspected violent offender. Likewise, we don't want courts to be efficient in the administration of justice on that suspected offender if that tramples on their fundamental rights. Nor do we want doctors in public hospitals to be efficient in an emergency-room surgery on a victim of that violent offender if that means giving up on the patient who might otherwise be saved. And while it is likely the case that the Department of Defense can be more efficient with its more than \$800 billion budget, we don't want that to stifle the development of next-generation technologies before adversaries do.

Certainly, the prevailing political prerogatives of the day should determine the delicate balance between efficiency, security, freedom, fairness, equity, and other objectives in public administration. But one's success in delivering on that balance across the pantheon of differing objectives is better referred to as "effectiveness" in government. In that sense, a gung-ho charge toward efficiency — because that is what dominates in the corporate world that Elon Musk and Vivek Ramaswamy, the new DOGE co-heads, operate in — risks overcorrecting the problem of government bloat.

One of my academic leadership roles at Oxford's Blavatnik School of Government has been to establish and lead a [program](#) for senior business leaders looking to apply themselves to

improve the practice of government. Over seven years now, we've hosted leading business executives from sectors as diverse as energy, finance, and technology, from geographies as different as Southeast Asia, Southern Africa, and the United States, and from those who have founded multi-billion-dollar ventures to those who have managed long-established companies with hundreds of billions in revenues.

Three things have struck me about business leaders who have successfully made the transition to become effective public-sector leaders.

The first is they cultivate the practice of active engagement, which includes creating an open environment where diverse political views on any given issue are surfaced and debated, without fear or favor. Even if it is clear what the boss wants in terms of policy, a leader sustaining an active-engagement culture encourages competing perspectives to be brought to the table.

This comes from a sense of self-awareness, on the leader's part, that, unlike a business, a government must serve *all* people, including those whose lives look very different from your own and those who didn't vote for you. (You can't "choose your customers" in government.) Active engagement brings those lived experiences into the decision-making matrix.

The second is they adopt an experimental mindset, using incremental innovation and learning to advance policy. Leaders in business, particularly successful ones, have usually made big bets that have paid off. However, they also need to recognize that in government you cannot afford to take big risks, because a government, unlike a business, cannot afford to fail big. When a business fails, there is pain to go around, but it is contained. When a government fails, the pain is widespread, and the aftermath can yield to violence and worse. A government must take risks of course — you must fail to learn — but it must fail in smaller doses: hence, the experimental mindset to policy advancement.

The third is perhaps the hardest part of the transformation from business leader to government leader. To be successful in business, you create value and you capture its gains; to be successful in government, you create value and you leave its gains behind for others.

In fact, the kinds of value you create in business are shaped by what you *can* capture, and this observation naturally limits the problems businesses choose to solve. For instance, CEOs of for-profit companies often balk at funding basic research that is unpatentable. By contrast, in government, the nature of the value you create is limited only by what you can imagine. Problem-solving in government is vastly less bounded and thus can be vastly

more satisfying, intellectually and emotionally. The essence of government is, after all, serving others.

Governments generally operate where markets cannot or must not — for instance, in the provision of basic education, in the maintenance of national highways, or in the safeguarding of national borders. Especially in a country like the U.S., which has a cultural predilection toward less government (as opposed to, say, France), the presence of government in a sector is usually itself an indicator that efficiency alone must not dominate in public-service delivery.

Successful business leaders bring a habit of excellence to government. But to be successful in government, they recognize that excellence means different things in different domains. There is a strong case for improving the practices of the U.S. government — and Musk and Ramaswamy may well be the right people for the job. But a Department of Government Effectiveness, rather than a Department of Government Efficiency, is what we should be pursuing.



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