

ECO 199 – GAMES OF STRATEGY

April 30, 2002

Notes re. "Yes, Prime Minister!" episode, "The Grand Design"

Our main purpose here is to illustrate multi-person, multi-issue bargaining. But there are some incidental lessons about [1] deterrence and brinkmanship, and [2] strategic information communication.

The setting is Britain circa 1982. A new Prime Minister (James Hacker) has just taken office. He is familiarizing himself with Britain's defense system, and has grand plans for reforming Britain's defense policies as well as domestic economic policies.

In Britain the civil service is permanent and professional; even the top-level appointees are not political. Politicians can bring in their own advisers, paid from party funds or other private sources. But the civil service has the advantages of continuity and information. Therefore it really runs Britain and wants to preserve the traditional policies and structures. For them, Hacker's independent thinking and policy proposals are a serious danger in all respects. See how the chief civil servant, Sir Humphrey Appleby, stops Hacker by combining two tactics – lowering Hacker's BATNA, and then offering him an exchange that is based on differences in their relative valuations. In the process, Sir Humphrey has to change the position of the Army chief as well.

The Prime Minister lives and works in 10 Downing Street. This seems similar to the arrangement at the White House. But the residential apartment (flat) in 10 Downing Street is regarded as a purely private home. No housekeeping services provided from public funds; in fact the Prime Minister has to pay rent, and his family has to do its own grocery shopping and cooking.

The multiple objectives, and the relative priorities, of the main players are:

Hacker: [1] Lasting fame: creating "a place for himself in the history books"

[2] Short term fame and popularity – publicity for his upcoming U.S. visit, and improving Britain's economic conditions, lowering unemployment etc.

[3] Personal domestic issues – housekeeping arrangements which will allow his wife to continue her career

Sir Humphrey Appleby: [1] Preserving the dominance of the professional civil service over the politicians, and of course his own top position

[2] Preserving traditions in policy and governance more generally

[3] Trying to preserve what remains of Britain's status as a great power

The General: [1] Leading an elite, professional Army

[2] Inter-service rivalry versus the Navy and the Air Force

[3] Overall size and resources for the Army, implying greater power for himself

Bernard Woolley is the junior civil servant. His main aim is to maintain a delicate balance of loyalties between the Prime Minister and Sir Humphrey. The latter controls Bernard's career, but

Bernard has some secret sympathy for the Prime Minister's aims. He is also somewhat of a radical and rebel, at least by British civil service standards. See how he maneuvers between these different objectives.

Some other small points of information: [1] The professional civil servants were mostly Oxford or Cambridge graduates. They look down on other schools, such as the LSE (London School of Economics), which was Hacker's alma mater. [2] A "courageous" policy is one that is likely to lose you an election. The civil servants use this code word when they want to dissuade the politician from a course of action. [3] Much of the liberal establishment – politicians as well as intellectuals – used to be members of the Reform Club. [4] Harrods is an upscale department store in London. [5] "Comprehensive Education" is the name for Britain's (mostly disastrous) system of free and compulsory public education. (It is not to be confused with the so-called "Public Schools," actually private and charging large fees, to which the liberal politicians and intellectuals who praise Comprehensive Education in public actually send their own children.) [6] "Football hooligans" are teenagers (and some older men) whose purpose in life is to cause riots and violence at soccer matches.

The theme of bargaining prevails throughout the episode. In fact some form of bargaining is the key theme in most episodes of "Yes, Prime Minister!" It is also more generally a key aspect of politics; read the recent third volume of Robert Caro's biography of Lyndon Johnson.

As for the other two themes mentioned above:

[1] On deterrence and brinkmanship, watch for the Prime Minister's conversation with the Chief Scientific Adviser. Also the discussion of asymmetric information and uncertainty about nuclear powers' intentions that occurs in an exchange between Hacker and Sir Humphrey, with implications for brinkmanship, or more generally for the question of what is the right size of a threat.

[2] On strategic information communication, watch for Sir Humphrey's invaluable advice on what to tell the press. Some of you may find this useful in the course of your own lives and careers.

P.S. – It is said that Margaret Thatcher and Tony Blair have reformed the system, reducing the dominance of the civil service and increasing the role of political advisers. Whether this is true, and whether it is a change for the better, it is too soon to tell.