

## The 12 economies method

### A framework for generating options for saving money

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This framework was developed to help public officials having to make significant cuts during the period of austerity. As British public services face severe spending cuts, and many other countries continue to struggle with fiscal squeezes, I've been asked to share it again.

In some respects it's very simple. It lists a series of ways in which services can save money, and serves as a prompt for services struggling to cope with cuts.

But it also prompts some deeper questions, since it reveals that the standard theory and practice of public finance is seriously deficient. Most economists are fairly 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 much 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, we found that the most useful approach encouraged small groups of frontline staff or managers to generate options under each of the twelve headings, and then assess which ones were viable in the short, medium or long-term. We found that most groups could quite quickly generate options for achieving 10, 20 or 50% savings, including very radical ones.

Sometimes we would start off by getting people familiar with the approach by taking a live example - such as rural bus services or nursery education - and showing the options under each heading. Then some shared grounding in current data (eg costs, unit costs etc) would help to sharpen the discussion.

## The 12 economies:

1. Pure economies – stopping doing things (eg fewer bin collections)
2. Economies of trimming – freezes, efficiency savings (eg 5% cuts to pay or opening times)
3. Economies of delay – to capital, pay rises, procurement, maintenance, improvements
4. Economies of scale – eg aggregating call centres, back office functions (these have often been greatly exaggerated in the past - but can sometimes deliver big savings)
5. Economies of scope – eg combining multiple functions in one stop shops, multi-purpose personal advisers, neighbourhood media, extending roles
6. Economies of flow – eg hospitals specialising in a few operations, cutting bottlenecks
7. Economies of penetration – eg Combined Heat and Power, street concierges
8. Economies of responsibility – passing responsibility out to citizens, eg for self-testing
9. Circuit economies – reducing failure demand (recidivism, hospital repeated re-admissions) through tools like Social Impact Bonds etc
10. Economies of visibility – mobilising public eyes (eg MP's expenses, public spending) and the power of shame
11. Economies of doubling up – actions that address two problems/needs simultaneously (eg retrofit programmes for young unemployed)
12. Economies of commitment – shifting provision from low to high commitment people and organisations (tapping into eg volunteer labour, motivation...)