

How to Modernize the British Welfare State?

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Julian Le Grand, professor of social policy at the London School of Economics and a former advisor to Tony Blair, assesses the New Labour record on welfare reform. According to him, it is necessary to keep on reforming public services by introducing more choice for users and competition between suppliers.

La Vie des Idées: How would you describe the British welfare system today after these 13 years of New Labour ? How does the British model fit into the usual liberal vs. social democratic typology, if you think it is still relevant?

Julian Le Grand: Britain was always allocated by the people who devised the idea of the typology of different types of welfare state to the liberal model. I never thought that was quite right, because there were a number of social services like the health service, the education system, pensions and so on, which actually corresponded more to what was going on in some of the social democratic countries like Sweden than it did to the USA. However, there are parallels in what's happened in the social policy arena between America and Britain which to some extent have not been replicated in continental European countries, including France. We've had for instance this enormous rise in inequality, which is far greater, I believe, than in France and in most European countries. And if there is a failure of the New Labour policies over the past 13 years, I think that's where we would pinpoint such a failure: there has been this massive growth in inequality. Having said that, Labour has tried to put in place a number of policies to try and address that. They include policies such as the minimum wage, which was an excellent move – you've had a minimum wage for a long time,

but we didn't have one. We also have the so-called tax credit policies, which are trying to help people with low wages in work – they were Gordon Brown's policies, to be put to his credit. They have made things better, in that the rise in inequality would have been a lot worse without those measures. But we still do have this fundamental problem, particularly at the top, where we've had “runaway incomes” – i.e. earnings of chief executives in industrial companies, in banks, etc. It is a social problem that is much greater in Britain than in other European countries.

La Vie des Idées: Has the New Labour era been mainly a decade of catching up with the European welfare states, or has it also been a decade of innovation in social policy that other countries could draw inspiration from?

Julian Le Grand: I think there have been important developments on the public services side. One thing I would also mention particularly is something called the child trust fund. Every child born in Britain has an account opened for them by the government, and the government puts a little bit of money on it, about 300 euros. The poor get more, about 600 euros. Then parents, grandparents and friends can save into the account without being taxed on its income. Nobody can touch the account until the child reaches the age of 18. This is a device for giving young people a kind of springboard, an access to ownership of capital assets at the age of 18, that they can use for whatever purpose they like – paying for higher education, training, setting up a small business, or housing, etc. We have a lot of evidence that ownership of even a small amount of capital at that age can make a lot of difference in terms of life chances. It was originally one of my ideas and the government put it in place. I think it was an imaginative idea, although it is one that unfortunately at the moment is slightly under threat, because the liberal democrats have threatened to abolish it. That was one smallish idea, which I think is of interest to other countries.

The other big developments that I have been particularly involved with have been what we call introduction of “user choice” and “provider competition” in public services, particularly the health service and education. In Britain traditionally, there has not been much choice for patients in the National Health Service. On the whole they went to the local doctor and the doctor sent them to the local hospital. They didn't have very much choice about either the doctor or the hospital they went to. The

same is true of schools: on the whole, people just went to their local school. Now we felt that there were two things wrong with that. One was that it didn't give any power to the parents and the patients. They were simply at mercy of their local school or their local hospital, and if they were getting a bad service they just had to put up with it and there wasn't anything they could do about it. The other problem was that we didn't give any incentive to either those schools or those hospitals to improve if they were delivering a bad service, as they knew they had a captive audience. So we people who were advising the Labour government felt that it was important to give people more power and more choice so they could choose which doctor they had or which hospital they went to, and that parents could choose which school they sent their children to, both because that is a good thing in and of itself and because it gave an incentive to schools and hospitals to improve. So we spent a lot of time doing that and, actually, it has begun to pay off: we're getting much better results in our hospitals and schools in England. England is actually doing rather well in most of the international league tables, it is now one of the best in Europe among the big countries in terms of numeracy and literacy. Now, in terms of what other countries could learn from that, I think France has a very good health service, and you've also had a lot of choice in the system, so in a sense it seems to me that there's nothing to be learnt there from the British system. In terms of education, I think other countries tend to have a more restrictive system than the English one. It's only really England and Sweden that have really gone down this line to a great extent, as well as Belgium and Holland to some extent. It does seem to me that the new systems of choice and competition are working, and there might be something for other countries to look at.

La Vie des Idées: You said that the choice and competition systems in health and education had good results in terms of effectiveness and efficiency. Was the outcome as conclusive in terms of equality?

Julian Le Grand: Well, yes. One of the big worries about mechanisms of choice and competition was that they would favour the better off or the better able to make decisions. It turned out there were two things wrong with that argument. One is of course that it assumed that in some sense the better off weren't already getting a good deal. It actually turns out that in both education and health, the better off in Britain were getting a better deal out of the old system, and the poor weren't. We've had a

system quite similar to that which you have in France, where people go to the local school. That meant that if a middle class or a better-off person or family were to send their children to a good school, they bought a house in the area where the school was. And of course they were very well placed to do that, because of the money they had. So as a result, we got quite considerable segregation, with rich areas having good schools and high house prices. Similarly in the health service we had a system in which, on the whole, the middle class or the better-off were better able to persuade the doctor to send them to a different hospital and persuade the hospitals to deliver them a good service. They were better at manipulating bureaucratic systems to get themselves a better deal. So we really had a situation in which the better-off were actually getting a better deal without choice or competition.

A second point was that when we asked people if they wanted choice in schools and hospitals, we expected it would be the middle class who kept coming back and saying yes. Actually, everybody did want choice, but the bigger majorities for choice were among the poorer groups. Women wanted choice more than men. People in the north of England wanted choice more than in the south of England. Overall, the less powerful wanted choice. If you think about it, that makes a great deal of sense. They were doing badly out of the system as it was. People who lived in poor areas wanted the opportunity to send their child to a good school, but they just had poor schools and they had no choice about it. So we found that there was a lot of political support for choice and competition in both health and education among the poorer groups of society. And hence we felt - and indeed we used the arguments in the politics of this - that actually introducing choice and competition would lead to greater equality than the old system.

La Vie des Idées: What are the conditions of a successful choice and competition reform in the area of education that would also aim to reduce unequal opportunity?

Julian Le Grand: One of the ideas we had, which has been taken up by all political parties, in a way, is what we call the “pupil premium”. But there are actually two or three conditions here. First, for this to work, schools have to be funded not centrally but depending on the number of pupils they have. Schools are still funded by the government, but parents make choices about where they send their children to school

and the money follows the choice, so that schools that are successful at attracting pupils get more resources than those who lose pupils. That is one condition. A second condition is what we call the “pupil premium”. This means, basically, that pupils who come from poor areas have a larger amount of money attached to them than children from richer areas, so that if a school succeeds in attracting a lot of children from the poor area, they get much more money than if they succeed in attracting children from the rich area. That does two things: first, it gives the school an incentive to attract pupils from poor areas, and secondly, it gives them more resources to be able to help and educate these children than if they came from better-off areas. So this “pupil premium” is meant to try to encourage schools to take on poor children and to do well by them.

La Vie des Idées: How do you avoid the risk of so-called cream-skimming?

Julian Le Grand: In a way, the pupil premium is a way to try and avoid cream-skimming. It is true there is a big danger of cream-skimming, especially for schools. Parents choose the school, but if they all want their children to go to the same school, then the school starts to make the choices instead of the parents: the school chooses the better-off parents, for example. The pupil premium is a way of overcoming this problem, because instead of taking on pupils from richer areas, the school would then have an incentive to take on children from poorer areas. So the main idea is to try and overcome the cream-skimming problem through that route. There are other ways of doing this. One is not to allow schools to make the choice: if a school has a long list of people who want to go there, it could be compelled to choose through a lottery system. Some Councils in England are now using that: they just choose by lottery which children go, but the school itself does not make that choice. That would be another way of overcoming the problem, but I prefer the pupil premium idea.

La Vie des Idées: How would you respond to those who say that the spread of a consumer culture in public services will eventually erode the public service ethos, and that in the end, if people want tailor-made services, they will not only want quasi-markets but actual markets?

Julian Le Grand: Well, it is first of all very important to make a distinction between a quasi-market and a full market. One of the biggest distinctions between them is that it is the government that provides the money in a quasi-market. In a proper market, consumers come to the market with their own resources. And that, of course, is a recipe for inequality, because some consumers have much more money than others. In education and health especially, that is not acceptable in most European countries – not so much in America. We don't like the idea that people can buy themselves a better education or a better healthcare. So we have a quasi-market where the government provides the money, but there is still choice and competition, using government resources rather than personal resources.

Now, I think there is a danger that by moving towards a quasi-market mechanism you erode the public service ethos, because there is no doubt that you are transferring power from the managers, bureaucrats, teachers and doctors to the patients, pupils, parents and so on. That does have an impact on the people providing these services. They do feel less trusted. And I think that is a little sad, but we have historically relied upon trusting the doctors, teachers, nurses, and so on, but the view, in England at least, is that this did not really work. We ended up with a system that was really unresponsive to the needs and wants of the users of those services and was more geared towards the interests of the people who worked within them. So we felt it was necessary to introduce a measure of quasi-market discipline to the system, to give an incentive to the hospitals and schools to be more responsive to the needs and wants of the people they are trying to serve. Even if that did mean some slight erosion of the public service ethos, we felt that it was probably a good thing to do.

La Vie des Idées: New Labour is very much criticised for the negative side effects of the “target and performance” management it has widely relied upon in public services. Do you share that criticism?

Julian Le Grand: Well, to a certain extent yes, I do. It's worth distinguishing several phases of the New Labour record. In 1997, when New Labour first came in, they relied rather heavily on what I call the “trust model” of public services, in which we trust the professionals to provide the service. After about 3 years they decided that the trust model wasn't working. And they moved to almost the opposite, which was a

mistrust model, where instead of trusting professionals – teachers, doctors, nurses and so on – to provide a good service, we told them what to do: the government set targets and a system of rewards and penalties for penalising people who did not achieve those targets or rewarding those who did. It was called “targets and performance management” but more colloquially, it was known as the “targets and terror” regime. I was sceptical about it because I am an economist by training and economists tend not to like that kind of almost, in a sense, “Soviet style” or “command and control” way of doing things. Of course, we also brought up all the standard criticisms that the targets distorted priorities and led to people “gaming” the system.

However, I have to say that there is a lot of evidence that these policies worked. We did manage to dramatically bring down waiting times in hospitals for simple operations, which were very bad in Britain. We had enormous waiting lists - nobody quite understood why, but we did – and we managed to bring them right down so much that waiting is no longer an enormous problem in the UK, at least in England. It’s worth mentioning in passing that Scotland and Wales have gone down different routes. I keep talking about England, but Scotland and Wales didn’t like the idea of targets, of performance management, and they don’t like choice and competition either. They’ve gone much more down the trust route. And I think their systems are not doing very well as a result, but that’s another story. In England, the “targets and terror” regime worked, and it even worked in areas we weren’t wholly expecting. There was an interesting study comparing a Welsh hospital with several English hospitals, which were both virtually next door to each other but on the borders of the two countries. The Welsh hospital was not subject to the “targets and terror” regime while the English hospitals were subject to that. The English hospitals did very well in the areas that were targeted - they brought down waiting times – whereas the Welsh hospital did badly in those areas. The interesting thing, though, is that the English hospitals also did better in a whole range of other areas that weren’t targeted, providing better care all round than did the Welsh hospital. This really surprised us, because we thought the whole problem of targets is that people concentrate on the target and ignore everything else. But that wasn’t what happened. And I think what happened there was that the general tightening up of management and so on, that was necessary to achieve the target, led to a better service all round than in the Welsh hospital.

That all said, at the end of the day, New Labour decided that actually, “targets and terror” might be a good short-term solution, but that in the long term they were not a good way to run a public service, that the demoralisation they led to among the professionals – professionals don’t like being told what to do, I’m a public sector professional and I don’t like being told what to do, just as doctors and teachers didn’t like it - did erode the public service ethos in a big way. Although that regime might be good in the short term, we didn’t feel it was likely to really pay off in the longer term. I remember sitting in a meeting with Tony Blair when I was his health policy adviser. He was saying: “do we have to keep on beating up on the doctors, cracking the whip all the time on them in order to make sure we achieve these targets, or is there some way we can build incentives into the system so that they will want to improve of their own accord, without having these continuous government directions all the time?”. That’s when we began to think in terms of choice and competition, because this is a way of building incentives within the system to achieving those ends, to give incentives to people to want to improve on their own, through a quasi-market incentive. So, in the latest ages of New Labour, that’s when we began shifting the emphasis to choice and competition as a way to go.

La Vie des Idées: In the Labour party manifesto, there is this proposal about having parental ballots in schools to replace the management of failing schools. Is it a sign that Labour might be switching to a policy based on “choice” to a policy based on what you call “voice”?

Julian Le Grand: Yes, that’s an interesting point. It may be. I think Labour has always felt a bit ambivalent about “voice”. In some senses you think that people who are on the left, social democrats, who support the Labour party, would be much more sympathetic to the use of “voice” mechanisms, which sound more collectivist than the use of market or quasi-market mechanisms which sound more right-wing. On the other hand, most of the people who worked in government were - and maybe are - sceptical of the power of “voice”. They tend to think that actually, the power of “choice”, where it exists, can be much more powerful as an instrument for achieving improvement in the quality of services. Tony Blair was utterly convinced of that, as were those of us who worked with him. I’m not quite sure, but Gordon Brown is

probably more convinced of the power of voice, and this ballot idea could be viewed indeed as a way to rely more on this mechanism.

I also think that what's going on there, though, is that Labour felt that it needed an answer to the conservative idea, which itself was taken from Sweden, that parents could set up new schools if they want to. That parents could set up new schools or that, more generally, new types of schools could be set up without requiring authority of the local government, is an important element of conservative policy. In England Labour governments have been viewed historically as very supportive of existing schools and resisting the idea of introducing new schools of any kind, whether it is by parents or by charities or anybody else. I think Labour could see the popular appeal of the idea of parents setting up their own schools if they were dissatisfied with the schools they were getting, but didn't want to adopt that idea in its entirety. So you could view the parent ballots idea as a kind of halfway house to try and move towards the Tory idea but without embracing it entirely.

La Vie des Idées: It's interesting that the NHS was still depicted recently, in the American public debate, as the epitome of bureaucratic socialism. I was wondering if you thought that properly reformed, the NHS could actually become a model - avoiding the excesses of both the private system in the US and of the issues of financial sustainability of the continental European systems based purely on choice...

Julian Le Grand: I think financial sustainability is indeed the chief problem of health systems in continental Europe, although in various other respects these systems are very good. I wouldn't want to over exaggerate the merits of the British system, which in many respects, I think, the French system dominates. I suppose there is one area where I do think that the British system has some merits, namely the role of the general practitioner (GP) of primary care, who acts as a gatekeeper to the hospital and specialist systems. It is a way of keeping costs under control: if every patient has to go to a general practitioner, a primary care physician, before they go to a specialist and so on, that means there's more restriction upon unnecessary tests and operations, and this keeps the system under control. I think to some extent this is a good feature of the British system. In France, although you have some incentive, under the "ticket modérateur" system, to go to a primary practitioner first, it is not very strong, and

many people tend to go straight to specialists. And that is a recipe for over-treatment and too much drugs – which is a problem you have in France. That said, the French system, in a whole range of areas, particularly in health outcomes, like cancer survival rates and so on, is better than the British system, so I don't want in any sense to over-praise the British system.

La Vie des Idées: But that positive aspect of the British system that you just described does involve granting some extra powers to the GP compared to a system like the French one...

Julian Le Grand: Indeed. Actually, under both political parties, some GPs have been given the hospital budget, so, in a sense, they have a budget to pay for hospital care for their patients, so the hospital has to persuade the GP to send their patients to them, because it's the only way that the hospital gets money. So it gives a great deal of power to the GP. We used to call it the "Christmas cards syndrome". It used to be the case, under the pre-1980s system that the GP had to try and persuade the hospital specialist to accept the patient, because the hospital specialist got his money straight from the government and not through the GP. If anything, the incentive was to try and defuse people, because it meant more work for the general practitioners. So the GPs always used to send Christmas cards to the hospital specialists. With this reverse system, it is now the specialists handing Christmas cards to the GPs. That's an exaggeration, but under this kind of system there is a shift of power from the hospital to the primary care physician, which I think is probably a good thing.

La Vie des Idées: If you look at what has been done so far in terms of extending choice and competition in health and education in Britain, what in your opinion should be the top priorities for the next few years?

Julian Le Grand: Well, I would like to see that system extended. I think it's paying off. The evidence is coming through that it is improving health outcomes in hospitals. Hospitals under more competitive pressure are doing better in terms of post-operative mortality rates than those in less competitive areas. In schools, we are seeing improvements in a whole range of areas – numeracy, literacy, achievements in science and mathematics. So I think these policies are paying off and I would like to

see them extended. One thing we don't do as much as you do in France is that we don't use the private sector as much, particularly in health. You have private hospitals participating in the system. I'd like to see more development of that, because, actually, I do think they often do a better job than public hospitals, although not always. I'd actually like to see more private schools as well, that is to say schools that are run by private companies but are publicly funded and compete with publicly-owned schools. I'd like to see more non-profit organisations running them. Altogether, I would like to see a much broader diversity of providers in our health system and education system than we currently have.

La Vie des Idées: This is one of the ideas that David Cameron is putting forward, especially the idea of involving the non-profit sector. What is exactly the contribution of that diversity itself, instead of just having public providers competing with each other?

Julian Le Grand: Well, there is quite a lot of evidence from other sectors – industrial sectors – in various countries that the only way that you can really transform a sector, or increase its productivity, is via bringing new providers and new types of providers. If the aim is to transform a sector within itself, you need to bring in new kinds of providers. That might mean, if we had a fully private system, bringing in non-profit or public sector providers. What we have at the moment is a fully, or largely, public system in both health and education. So in order to give the necessary catalyst for innovation, we need to bring in private and non-profit providers. I think non-profits have a lot of advantages anyway, related to a point we talked about earlier: the public sector ethos. One of the problems in both healthcare and education is that it is very difficult for the users of those services to fully appreciate the quality of the service being provided. It's very difficult for the patients to know if they're getting the best treatment. Even parents in schools may not appreciate the best quality teaching. Now, there's a danger there if you've got a fully private sector provider that they could cut the quality of the service of the service being provided without the patient or the parents noticing. And somehow they do have an incentive to do that because they could reduce their cost that way. A not-for-profit provider might have another agenda – one that is more like, in my terminology, a “knight” rather than a “knave”. They may have a better sense of the public service ethos. And in some senses, they can be

trusted more than the private sector providers. So I would not like to see a fully private system, just as I would not like to see a fully public system. I would like to see a mixture of these different kinds of motivations. In some senses it serves to keep everybody operating to the same degree of trust.

La Vie des Idées: Looking now at another of the policy innovations you inspired, the child trust funds: is this measure successful in redistributing opportunity?

Julian Le Grand: It's early days yet, because of course the first children only got their child trust funds in 2002. They won't get access to these until 2020, at 18 years old. What we do see at the moment is that poor people are saving into those funds much more than we expected. There's been an increase in savings into those funds from poor families. It was always the worry, of course, that the rich would save into those funds and the poor would not. That hasn't been the experience so far. The rich are saving into it, it would be wrong to claim they're not, but the poor also, and rather more, as a proportion of their income, than the rich are. It is very interesting, actually: there has been quite a few studies about whether the poor and the very poor can save if the incentives are there for them to save, and actually the evidence is that they can. We tended to worry too much about the poor wanting not to save. So they are saving.

Now, whether come 2020 we will have observed a situation where the middle class and the better off got this vast child trust fund, because they saved an awful lot while the poor has not, and inequality has actually worsened, we don't know. I think not. I think it will contribute to a greater equalisation of wealth overall, because prior to the child trust fund the poor were not saving at all, and I don't think the child trust fund will encourage to the rich to save more. What it will do is divert some of the savings they were going to make anyway into the child trust fund, so I don't think we'll see a dramatic increase of savings among the rich on account of the child trust fund. What I hope and expect is that the poor will do more savings and the rich will divert their savings. But we can only wait and see what happens in 2020. It was interesting that when they discussed a similar idea in France, I know they were reluctant to allow parents to save into the account, precisely because they were afraid of what I've just said. The people who were doing the analysis thought that it would worsen inequality rather than correct it. Also, of course, in France, you don't have the problem of low-

savings rate that we have, although I think you do among the poor. So in France, if you were introducing something like the child trust fund, you would probably do better to do it for the less well-off and maybe not a universal system like we did.

La Vie des Idées: One of the commonalities between the choice agenda and asset-based welfare is that it is also an attempt to try to educate people to make the right choices for themselves. Do you think the public policy answers on that front have been satisfactory so far?

Julian Le Grand: I don't think they've been satisfactory in the sense that they haven't gone far enough. I think it's the right direction. But you are right and indeed this raises another question. It is one of the objections I've heard against the idea of a child trust fund in France, when I made a presentation about it in Paris, that it was a very individualistic policy, not a collectivist one. And I think the answer is yes, it probably is individualist in that sense. It does come from a philosophical tradition of giving power to individuals and families away from the state. I have to say, though, that a lot of educational policies are also individualistic. Education is often presented as of a collectivist breed, but actually an awful lot of education is about increasing an individual's own human capital. And the child trust fund is about increasing somebody's capital - it's only their physical, or financial capital rather than their human capital. So I suppose, in that sense, they are both designed to improve the capacity of individuals to make their own decisions and increase their autonomy. They're just taking different forms of assets – human capital and financial capital – to try to increase people's capabilities to make choices for themselves. In all these cases it is about trying to give power to individuals, families or households, and to improve people's capacity to exercise that power. But I wouldn't be in the least apologetic about that. I think that's a good thing to do in both cases.

La Vie des Idées: Do you think these policies aim, as it were, to supplement the existing welfare state? Or could they in the longer run change the very structure of the welfare state, in that instead of receiving services or subsidies in specific situations, people would be provided with resources and then be responsible for the consequences of their own choices? Wouldn't that be a kind of transfer of risk from society to the individual?

Julian Le Grand: Yes, I think that is right. There would be a transfer of risk. It relates to another social policy innovation that we haven't really talked about so far, but which is the idea of individual budgets. This is where, particularly for social care – that is to say, the care of infirm elderly people who need various forms of social assistance – we are now moving towards. Instead of giving them directly services provided by the government, we are giving them cash, a budget, so they can buy the services themselves. The idea is to give them more power over the services they get so they can make their own decisions about what they want and how they get it. On the whole, it is a very successful policy, it's one that, particularly, disabled people like. We've done it for disabled people at whatever age and we're beginning to doing it for elderly people, although it has to be said that some elderly people like having more power and some don't. I think this policy is quite successful, but it does have the consequence you say of shifting the risk from the collectivity to the individual. And to an extent I suppose it is a price we have to pay. On balance, shifting the responsibility is a good thing. We will still need, inevitably, a safety net of some kind, I mean it would be impossible – and I would not recommend either – to have a complete shift of budgets over to the individual. There are still going to be cases where individuals make mistakes or cases where individuals are frankly irresponsible and fritter away their budget, or whatever. And we're still going to have to have some backup from the state to assist such individuals. But on balance, as I said, I'm not unhappy with the idea of shifting power and choice, and hence responsibility, to families and individuals and away from the state.

La Vie des Idées: What is your assessment of the anti-poverty policy of New Labour? Do you think the right approach was adopted, and do you think public policy would better target poverty, inequality or social exclusion?

Julian Le Grand: As I said right at the beginning, I do think that a failure of New Labour has to do with the problem of equality. I'm not entirely clear what more could have been done, because there were good policies that were introduced to try to deal with poverty, especially at the bottom end of the scale, with the tax credit system, and so on. But we did seem to be left with this problem that I still don't think people fully understand, as to why inequality particularly in the Anglo-Saxon world has widened

so much. And I think it is a failure of policy, we haven't been able to deal with it, but I'm not quite sure what else we could have done. One area where I would have liked much more from New Labour is over inheritance tax. In fact I would like to combine inheritance tax with the child trust fund and see the revenues from inheritance tax used to fund a child trust fund that would spread wealth equally to everybody, so that you take the wealth of one generation and you spread it equally among the new generation. In fact, my original idea about the child trust fund was exactly that. I think Labour has been pusillanimous about inheritance tax and I would like to see a much greater emphasis on that.

La Vie des Idées: Are tax credits the right instruments to achieve redistribution, given that they are also a workfare measure? The focus in the early years of Labour was actually more on putting people back to work, and the redistribution aspect came a bit later.

Julian Le Grand: I think that's probably right. To be fair to New Labour, the belief always was that the way to deal with the problem of poverty and so on was the way to get people back into work, not so much redistribution. To some extent it worked. Quite a lot of the "New Deal" programmes have achieved this. And it's true that unemployment rates in Britain are still lower than in much of continental Europe, including youth unemployment rates, even in the present crisis, and that is a good feature of the British system at the moment. I think many of us observers of social policy did think that by getting people back into work we would also do something about inequality and poverty, that the gap would narrow. But in practice that does not seem to have happened, we managed to get people back into work but often to very low-paid jobs. And wage inequality seems to have remained sizeable. That is not what the tax credit system, which is a kind of means-tested benefit to those in work, was trying to do: it was trying to raise post-benefit incomes. But what it might have done was to press wages itself, because it meant that employers could lower wages in the knowledge that income would be kept up by the tax credit system. I don't know if there's any evidence of that, and of course the minimum wage was trying to stop that, but it has to be said at the end of the day that we still have a big problem of inequality and poverty whereas we have less of a problem of unemployment.

La Vie des Idées: Should family stability be an objective of social policy, and should the state use tax incentives for this purpose, as the Conservatives argue?

Julian Le Grand: I think the answer is yes. I'm fairly unreconstructed on that. I do think there is evidence, whether we like it or not, that unmarried couples break up more frequently than married couples do, and the children from unmarried couples, if there is a break-up, suffer more. There is quite a lot of evidence on that. So I think that we ought to encourage marriage, and using the tax system to do that isn't a bad thing. Now, the sums of money involved are not large, so I don't think it will be much of an incentive, but I think – and this is an area where I agree with David Cameron – that sending out a signal, by having a tax break, that society approves of marriage, is desirable. One of the ideas for which I got into a little trouble in the press is an idea I had coming out of behavioural economics – the “nudge” idea – that I called the “marriage default”: if an unmarried couple has a child, the moment the child is born they are regarded by the state as married. More specifically, both partners have the same rights over each other's property than married couples do. Because one of the problem of unmarried couples splitting up with children is that the child usually stays with the mother, and the mother plunges rapidly into poverty. This is also the case perhaps to an extent with married couples breaking up, but much less so, because the mother in the married couple case has more property rights than in the unmarried case. So I think there should be a kind of “marriage default”. Now, of course, they can then divorce if they wish. It's not compulsion in that sense, it's just changing the “default”.

La Vie des Idées: Do you actually support the broader “nudge” idea as part of the choice agenda, which amounts to not only letting people choose but giving them an indication of the right way to go?

Julian Le Grand: Yes, I do. When I was working for Tony Blair as his health policy adviser, on my second day of work I got into a major argument with John Reid, the minister of health - which wasn't a very good career move, by the way. It was about banning smoking in public places, which we were trying to put through at that time. I had got the prime minister to sign up to it, somewhat reluctantly at the time, but the minister of health, John Reid, was opposed to the idea, and he said to me, “well look,

you're a great advocate of choice, what would be wrong with the idea of having in every pub or every restaurant or bar, a room into which only smokers went ?". And I must say that it was a difficult one to argue against. At the end of the day the only argument I could make was the fairly paternalistic argument, that, well, "it's for their own good". And that led me to be interested in ideas where you did preserve people's choice but nonetheless "nudged" them towards the direction that is good for them for the rest of society too.

I had this other "nudge" idea about a "smoking permit" that you would have to get every year. If smokers wish to have tobacco, they would have to get a permit to do so. Getting the permit wouldn't have to be difficult. They would just have to go to a government office. One of the by-products would be that there would be a check on whether they're 18. Maybe they would have to pay a small fee or maybe not. What it would mean is that every year they would have to make a decision that this year they would decide to "opt in" to being a smoker. And they couldn't just break their new year's resolution just by going down to the local supermarket and getting a pack of cigarettes. This is a way you could use some the behavioural economics ideas about "opting in" and "opting out". I got this idea out and this was the only time that I've really been massively attacked by the tabloid press, as well as the bloggers. In a way it slightly surprised me because although it is a paternalistic idea, it is *libertarian* paternalistic, and less paternalistic than banning smoking in public places for instance. It is not banning anything: people can still smoke, it's just a little bit more difficult for them to do it.

La Vie des Idées: What do you think the role of the social scientist is today, with regard to public policy and policy-making? You're an academic and you've also been an advisor to Tony Blair. Do you think public policy should be more informed by academic research and that social scientists should take an active part in policy design?

Julian Le Grand: Well, naturally, I do, because of course as a social scientist I do take an active part in social policy design. I think we do have an important role because, first, we know the evidence, and in some cases we actually do the research that leads to the evidence. I suppose I do have something of a difference with some of

my fellow academics on this: they often seem to believe that their role is just to be a critic, that they should criticise government policy and never support it, or that they should never try to devise or advocate government policy. Now, I think they have both legitimate and illegitimate reasons for doing this. The legitimate reason is that, for new government policies, almost by definition there isn't evidence to support them. There may be some evidence, in a roundabout way, to support it, but almost by definition, because it's new, you can't do it. So they feel reluctant to advocate something without having a strong evidence base for it. That's a reason of that position. The trouble with this is that it's a nihilistic position, because it means you'll never do anything new. And it seems to me what you have to do in such circumstances is to rely up on theory much more. When I argue in favour of things like choice and competition, or the child trust fund, or whatever, I tend to use the tools of microeconomic theory, because I'm a microeconomist. I think you could make a respectable case, on theoretical grounds, even if you haven't got the hard empirical evidence right now, that there are good reasons for supposing this would work. The bad reason for this academic criticism is to do with a kind of culture which says that to be an enthusiast for something means either that you're naïve, or that you're toady to government. So as many academics do not want to be thought as naïve or as sycophants to government, they step back and see their role solely as that of a critic. That's clearly not a view I hold. I work with government and I do advocate certain policies and devise certain policies.

La Vie des Idées: Do you think that New Labour has established the right kind of relationship between politicians and intellectuals?

Julian Le Grand: Well, I think it tried. Anthony Giddens would be another case of an intellectual who was brought in to the New Labour fold. And there were a number of us who did try to work with New Labour. I think if there was a problem, it's a problem more on the other side of the coin – that is, academic reluctance to put their heads above the parapet. Also, there is something going on in Britain which militates against intellectuals working with the government, and that is what we call the Research Assessment Exercise. What it means is that if academics want to further their career, they have to produce 4 pieces of work that are ideally in referee journals, and that are highly specialised. What it militates against is academics producing work

that is more speculative, more “big picture” – the kinds of things that the French, I would say, are very good at, the vast panorama and the bigger trends in society – and also against new policy ideas, because they can’t be backed up by hard evidence. So it does mean a lot of British academics, because of the Research assessment exercise, have been pushed down that route of a highly specialised, narrow, high quality research line. And it’s left a gap between policy-makers and academics that has been filled by the think tanks.

Interview with Professor Julian Le Grand, London April 21, 2010

Published in laviedesidees.fr, May 6th, 2010

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