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**Julian Le Grand: The Other Invisible Hand**

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## *Introduction*

**A**sk people what they want from the public money that is spent on health care and education, and the answer will be simple: a good service. Sometimes they will add that they would like this service to be on their doorstep: a good, local service. A high-quality local school; a caring, responsive, family doctor; a top-class district hospital.

This short book is about how these aims can best be achieved. It examines four means of doing so: trust, where professionals, managers and others working in public services are trusted to deliver a high-quality service; targets and performance management, a version of what is often termed command-and-control, where those workers are instructed or in other ways directed to deliver a good service by a higher authority; voice, where users of public services communicate their views directly to service providers; and the 'invisible hand' of choice and competition, where users choose the service they want from those offered by competing providers.

The book does not argue for one of these means being used to deliver public services to the complete exclusion of the others. On the contrary, it contends that each has its merits, and that, in consequence, all have their place in the delivery of public services. But it does also point to the disadvantages of each system. And it pulls together evidence and theory to argue that, in most situations, services whose delivery systems incorporate substantial elements

of choice and competition have the best prospect of delivering a good local service. Properly designed, such systems will deliver services that are of higher quality, more responsive and more efficient than ones that rely primarily upon trust, command-and-control or voice. Moreover—contrary to much popular and academic belief—they will also be more equitable, or socially just.

The book develops some of the arguments that I made in an earlier book, *Motivation, Agency and Public Policy*, to which it is in some ways a natural successor (Le Grand 2003). But it is also based on work that I did when working as a senior policy adviser to the prime minister at 10 Downing Street, where I was privileged to be seconded for two years.

My appointment to Number 10 meant that, as a kind reviewer of my previous book pointed out, I was having to put my money where my mouth was. The government of the then prime minister, Tony Blair, was putting into place public sector reforms of a kind that I had long advocated. So I was now in a position of having actually to defend these ideas in a political and policy arena. I also had to help put them into practice, and to confront the technical and political difficulties involved in policy implementation. I could no longer hide behind a veneer of academic detachment; I could not pass the difficult questions on to others to deal with; if a technical or political problem arose, I could not simply ignore it, but had to think of a way of dealing with it.

And it is that experience that has dictated both the content and the structure of this book. One of the criticisms of the reforms involving choice and competition that the Blair government was introducing, especially into

the National Health Service (NHS) and education systems, was that they were incoherent: a contradictory mish-mash of ill thought out policy gimmicks with little basis in theory or practice. In fact, the reforms stemmed from a well-grounded understanding of the problems involved in delivering public services and, in particular, the difficulties in delivering them through forms or models of service delivery that did *not* involve elements of choice and competition—including trust, command-and-control and voice. Hence it seems important to spell out these problems here; and that is the task of chapter 1. This discusses the ends or aims of public services, and elaborates some of the problems in achieving them through the means of trust, command-and-control and voice.

Chapter 2 then develops the general arguments for extending choice and competition in public services. And it provides a response to some of the arguments levied against the policies concerned, ones that I encountered frequently during my period in government: that people don't want choice, that choice is a middle class obsession, and that choice threatens the public realm.

Another consequence of my working at Number 10 was that, while it did not change my mind about the general merits of the choice-and-competition model as a means of delivering public services, it did sharpen my awareness of some of the problems involved in putting it into practice. And that has shaped chapters 3 and 4, which look at those problems in the context of education and health care, and offer some ways of resolving them.

Chapter 5 looks at some possible ways of going beyond current policies and extending the basic ideas into areas where they have rarely been tried. It concentrates on three specific proposals, each of which develops one aspect of

the earlier discussions: patient budgets in health care, a disadvantage premium in education, and a new type of provider for the social care of children.

Finally, chapter 6 provides a brief overview of some of the politics associated with choice and competition. It looks at some of the positions on the issue that are often taken by key political or other interest groups, and discusses how the relevant arguments may be addressed. Again this derives in large part from my working in government, of which a key part was developing an understanding of the source of the objections to public service reform as an essential part of trying to deal with them.

One point about terminology. The expression 'public services' can mean many things, including its literal interpretation as services for the public. It is often taken to refer specifically to services that are of fundamental importance to the public, such as education, health care, social care, housing or transport. And it usually implies services for which there is some form of state or government intervention, whether in its finance, provision, regulation or all three.

Here I use the term in the sense of both fundamental importance and (one form of) state intervention. I consider primarily the services of health care and education, with some attention to social care. And I consider the parts of those services that are wholly or primarily financed by the state. The source of finance could be general taxation or some kind of hypothecated tax such as national or social insurance. The state may also provide some or all of a service, or regulate its provision; but these are not necessary conditions for it to be considered as a public service.

It is worth noting that many of the arguments made here can be applied to public services other than education,

health care or social care. And some of them have reference to any service-delivery organization, whether publicly or privately financed.

The book is intended to appeal to as wide an audience as possible, and is written in what is, I hope, an accessible style. Jargon is avoided so far as possible. The references use the author–date abbreviated style, with full details provided in the bibliography. For those who wish to take the arguments further there is a brief section on further reading.