Reviews

The Other Invisible Hand: Delivering Public Services through Choice and Competition

Julian Le Grand

PRINCETON UNIVERSITY PRESS, 2007

Reviewed by Catherine Needham

Julian Le Grand is a tireless promoter of choice in public services, doing more than any other academic to popularise and disseminate the arguments in favour of more competitive service provision. His aims are avowedly social democratic. He is unimpressed with the levels of equity delivered by traditional welfare models and thinks choice can do a lot better.

As a Downing Street advisor from 2003-2005 Le Grand's ideas have fed directly into New Labour's remaking of public services. Indeed, he describes himself as 'one of the principal architects of the UK Government's current public service reforms introducing choice and competition into health care and education' (http://www.julian.legrand.me.uk). His enthusiasm for personal health budgets is emphatically shared by former ministers such as Alan Milburn and has been taken up by Gordon Brown and Lord Darzi (Evans, 2008). His proposals on social work reform were incorporated into the 2006 Department for Education and Skills Green Paper*, Care Matters.* This influence on government policy makes *The Other Invisible Hand* much more than a public management primer.

Le Grand begins by setting out the limitations of existing models of public services. Trust-based models are too paternalistic and open to manipulation by venal providers. Target-based models demotivate staff, stifle innovation and encourage gaming. Voice-based models rely on protest channels that are dominated by the middle classes and easy for monopoly providers to ignore. Whilst he can see some role for trust, targets and voice in public services, we must he says look elsewhere for mechanisms that can deliver high quality, efficient and responsive public services.

The advantages of choice (and Le Grand is focusing particularly on choice of provider) are drawn from basic economic theory: it is responsive to the needs and wants of users; it gives incentives to providers to improve the service; but also (and this is really the most controversial part of the argument) it is likely to be *more equitable* than the alternatives. The disadvantages of choice are set out rather wearily by Le Grand, who has obviously had them put to him many times: people don't want choice, they want a good local service; choice is a middle class obsession; and choice threatens the public domain. He dismisses each of them in turn.

I am somewhat sympathetic to Le Grand's frustration with the first of these arguments: he acknowledges that people do of course want a good local service but points out that

we need some mechanism to realise that goal. However Le Grand's willingness to countenance choice whether users want it or not seems perverse. Gordon Brown's recent call to give people 'the choices that they themselves want to make' seems a useful rowing back from the maximal Blairite choice agenda (Brown, 2007).

In relation to the second critique – only the middle classes want choice – the evidence is more contentious than Le Grand allows. He deploys evidence showing public support for choice, particularly amongst lower social economic groups. Elsewhere it is possible to find much more ambivalent public attitudes, particularly in qualitative data (Clarke *et al*, 2007; Needham, 2007). The author of the British Social Attitudes study on which Le Grand relies has himself called for more subtlety in interpreting and acting on the data (Appleby, 2006).

On the question of whether choice threatens the public domain – the third critique – Le Grand says no, public services have always operated in a mixed market. Others are more sceptical, and see choice inextricably bound up with the marketisation and privatisation of public life (see for example Whitfield, 2006). The answer, of course, is that it depends. It is not clear that direct payments in social care have threatened the public domain; nor has a woman's choice of maternity provision; nor a patient's choice between drugs and therapy to address mental health problems. Non-market forms of choice are possible, as Gordon Brown said prior to becoming Prime Minister: 'we can find for our generation a means by which non-market but non-centralist provision can provide choice through capacity, local accountability and excellent, personalised services for all' (Brown, 2004). Thus choice of provider is not synonymous with privatisation, although it is clear that Le Grand does have in mind the extension of private sector provision, and less clear now that Brown takes a different stance.

Aside from these broad (and well rehearsed) critiques, it is important to tackle Le Grand on the detail. The problems with his arguments lie in their political *naiveté*; their empirical partiality; and the dangers of partial adoption.

Taking the political point first, Le Grand gives fulsome thanks to Tony Blair, with whom he worked closely during his time in Downing Street, but the book is really a plea to get politics and politicians as far away from public services as possible. Independent boards and regulators are to be created at every turn. There is no acknowledgement that such mechanisms have their own legitimacy problems, nor that there might be grounds for believing that democratically-mandated politics have a role to play in shaping public services. Similarly he demands the closure of poorly performing schools and hospitals (supply-side flexibility) with no recognition of the political costs of doing so or the legitimate voice that local communities or workforces have in resisting closures.

In terms of empirical partiality, there are various places in the book where Le Grand fails to engage with inconvenient counterarguments. He advocates contracting out to the private sector, as well as heavy reliance on regulators, without discussing the state's poor record in getting contracting and regulation right. The mishandling of GPs out-of hours-contracts, hospital consultants contracts and various large IT projects does not inspire confidence in the state as contractor. Regulators have performed poorly in a range of sectors including railways and financial services. Le Grand designs incentive systems that seem to preclude the integrated and collaborative relationships between primary and secondary health providers that others see as vital (Ham, 2007). He calls for financial

incentives for hospitals to treat as many people as possible when more effective health policy is to keep people out of hospital and invest in preventative health (Coote, 2007).

Le Grand's optimism about people's ability to navigate complex choice systems also seems somewhat misplaced. Recent research suggests that lower income patients are less willing to travel for hospital treatment than those on higher incomes, indicating that choice can exacerbate inequalities (CMPO, 2007). Le Grand's solution to this – to fund the transport costs of low income users – will require patients to know about and apply for subsidies. The lesson from the low take up of student bursaries in higher education seems to be that increasing financial barriers to a service whilst reimbursing lower income users is not an effective way to improve equity. Le Grand further aims to facilitate access through providing 'choice advisers' to steer patients, parents and welfare users through the decision process. However, quite why the heroic choice adviser is immune from the knavish or paternalistic impulses that afflict other public service professionals is unclear.

Third, the dangers of partial adoption are profound. Le Grand is very explicit that choice will only enhance equity and improve services under very specific conditions (ending provider choice of user; giving users support in making choices). As David Lipsey says in an Afterword, these nuances of Le Grand's argument seem to be lost on government. Thus the rolling out of patient choice in the NHS has not been accompanied by funding for the ameliorative features of patient choice advisers and free transport. There is clear evidence, cited by Le Grand himself, that choice without his conditions can reduce equity. He gives examples of how choice can make schools more rather than less socially segregated if schools, not parents, are allowed to do the choosing. So, as ministers appear to be sympathetic to recent calls for academy schools to have more not less control over pupil selection (Tice, 2008), we are right to be concerned.

Underneath Le Grand's bold and provocative language, there is much to agree with. Service users should have an opportunity to express a preference about how, where and when they receive a service. Schools and hospitals should not be able to turn away difficult patients and pupils, and funding should be skewed to make the most difficult to teach and treat more attractive to providers. Frontline staff should be empowered to work with users to shape services over the long-term, with earned autonomy for effective providers. His proposals on looked-after children have obvious merit – although it's not clear that choice is really an important driver here so much as creating the conditions for staff continuity and empowerment.

The challenge that Le Grand sets down is an important one: don't reject choice unless you've got something better. Trust, targets, voice and choice will all play a role in public service provision, but I would like to see a different balance to that deployed by Le Grand. Strengthen the presumption of user choice in public services and use the information from those choices as a diagnostic tool but don't rely on the self-correcting force of the 'invisible hand'.

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