

The issue with public services is now power, not money

Chris Huhne MEP argues that the Liberal Democrats need to make local control a key message for the general election.

For the first time in my political memory, the Liberal Democrats will have our own popular issue at the next general election. Iraq separates us from both the Labour and the Conservative parties, and we are overwhelmingly and increasingly seen to have been right when they have both been wrong. Moreover, Iraq has become symbolic of the misjudgements and mistrust of the Labour government, rather as sleaze was for the Tories in 1997. In political terms, such moments do not come often and explain more than anything else why we are winning the swing away from Labour rather than the Tories.

But Iraq will not be enough. Whatever the moral outrage of our own democratic nation invading another country without international sanction, it is likely that most electors will still place domestic affairs at the top of their agenda. In 2001, 61 per cent of electors said that health care was important in determining their vote, with 55 per cent saying education. Third was law and order with 44 per cent, and fourth equal were pensions and taxation with 35 per cent. The first international issue – Europe – came in at eleventh on 18 per cent¹. It is therefore crucial that we emphasise a message as powerful as Iraq about our commitment to quality public services.

Of course, all the main parties will claim that they can improve services. Although the electorate starts with a relatively benign view of our commitment to public services, our credibility will depend on our explanation – or ‘narrative’- of why our approach will work. Until the last general election, we were able to argue that funding was a key requirement. But that is no longer right. Centralised services are absorbing enormous sums of money: health spending is now above the European average as a percentage of the economy, and will exceed that average by more than 1 per cent of gdp by 2008. Education spending has risen by nearly 1 per cent of gdp. Labour is testing to destruction the view that the only thing wrong with our public services is lack of funds. Money was a necessary condition, but is not a sufficient one for quality. The real issue is local power and accountability.

Only the Liberal Democrats propose marrying a knowledge of local services with the power to improve them, because only Liberal Democrats believe in devolving real political power and accountability to local people. A common feature of countries whose public services we admire – for example, the Danish health service which has the highest satisfaction ratings in Europe - is much greater decentralization and local control. In Denmark’s case, 14 counties and 2 cities run local health services even though the population is only 5 million. The Danes know that only local people in any area know at first hand the quality of the service that they are getting.

This message is not merely right, but also draws on our strength and credibility in local government. The voters trust Liberal Democrats at council level more than at any other, as our repeatedly high shares of the vote in local elections show. We now need to

¹ Source is MORI cited in Philip Cowley and Stuart Quayle ‘The Conservatives: running on the spot’ in Andrew P Geddes and Jonathan Tonge eds ‘Labour’s second landslide: the British general election 2001’.

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persuade the electorate that they will only get better services if there are more Liberal Democrats at Westminster.

By contrast, the Conservatives believe in introducing market forces as often as possible, even if this does serious damage to the principle that people should have health care and education regardless of their means. Typical of this attitude is the proposal to give patients the standard cost of any National Health Service procedure, and allow them to top it up and go to private care. In the short term, this might relieve immediate pressures on the NHS. In the medium term, it would subsidise medicine aimed at the prosperous few and would ensure the gradual development of a two-tier service: one for those could afford the insurance to top up, and one for those who were left behind. The principle of universal access would have disappeared. The Tories favour choice for the rich.

By contrast, the Labour government accepts part of the Tories' rhetoric of choice, but confines it to the public sector. Implicitly, if there is a poorly performing or simply busy local hospital, then patients should have the choice of going elsewhere. Because patient choice will carry with it resources, good hospitals will be encouraged, and bad ones will be discouraged. An internal market will weed out the good from the bad. There is, of course, everything right with choice, particularly when it is informed by advice from a GP. And we should have as much of it as we can. But this model is completely implausible in rural and remote areas, where choice between a far off hospital and a vanishingly remote one is simply absurd. It is also impossible for any emergency operations: when you are picked up in an ambulance following a car crash, you are in no position to order the driver to take you to other than the nearest casualty department.

Even in those areas where choice can operate - elective operations in urban areas - what happens when informed patients vote with their feet and a hospital is failing? Who pulls the plug on poor managers? What is the system of accountability? And what happens to those rural and emergency services where choice is a mirage? In Labour's model, the man from the ministry still decides based on his own view of success and failure, based on setting national targets. The first point of political accountability in a system that employs a million people is the Secretary of State for Health. Again, a decentralized system would stand much better chance of combining universal access with quality through local accountability.

In the Liberal Democrat model, it is up to the regions and local authorities to hold local health services to account. The role of central government should be as ringmaster: providing information on best practice, assessing performance and informing local policy makers and the voters who hold them to account, but not trying to micro-manage.

Labour's obsession with giantism is wrong in principle and will not work in practice. In the private sector, the market is a good way of devolving decisions. But in the public sector, local democracy is the only way of devolving decision-making. It is essential if the public sector is to enjoy the same flexibility - the willingness to innovate and experiment - that occurs naturally in the private market economy.

This principle applies in precisely the same way to education, transport services and policing. If a local priority is to tackle anti-social behaviour, why should the police basic command unit not have the right to compromise on its achievement of other objectives in pursuit of what local people want? And the principle of local control also means that professionals can try new means of providing services. If public service providers want

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to innovate – for example, by supporting the creation of new mutual to supply services - they should be free to try providing that their local authority supports the trial. If it succeeds, it will be rapidly followed by others. If it fails, those democratically elected politicians who backed the decision are likely to be punished at the ballot box. (And if the objection is that too many councils are still rotten boroughs of one party or another, then Scotland has shown the way by introducing the single transferable vote, which will make Labour-controlled central Scotland a competitive political system again for the first time in more than half a century).

What about national standards? Clearly, it is desirable to provide similar standards of service – particularly in matters like health care – throughout the country. Hence all the hue and cry about the post code lottery. But the reality is that the post code lottery has arisen despite years of central control precisely because central control in a country as large as Britain cannot deliver standard services. The levers are simply not connected, because proper accountability cannot be exercised in such a giant system. It would be better to allow regions to agree minimum national standards – for example, for accident and emergency – so that none of them felt that their own priorities were being overruled and each felt responsible for the outcomes. Ironically, a major decentralization will not necessarily lead to more variable standards than we have now, because there would be uniform accountability.

Some have also argued that decentralization would inevitably leave poorer areas to fend for themselves, and thereby introduce greater inequality into British society. This is a feeble objection. Although 'states' rights' has been a Republican mantra in the United States for many years, there is no association internationally between inequality and devolved or federal countries. It is quite normal to have equalization funds that help poorer areas, but do not deprive them of autonomy by attaching conditions. Germany is the best example of a devolved, large European country and it is notably more egalitarian than us. Australia and Canada are both federal systems, and in both cases inequality is less than it is in Britain on standard measures such as the Gini coefficient or the ratio of the incomes of the top ten per cent to the bottom ten per cent². Indeed, Britain is one of the most unequal societies in the developed world, and also the most centralized.

Nor is decentralization merely a technocratic argument about how to deliver the best possible public services: it is vital to the future health of our democracy itself. The recent study – and equivalent of a Royal Commission – into the health of democracy in Norway found that the hobbling of local government by central government was a major cause of disaffection among the electorate. The first rungs on the democratic ladder had been knocked away³. If people lose a direct contact with public authority that is able to change their lives for the better, they are likely to become disillusioned with the whole political system. Powerful councillors who can deliver change in their communities matter to a living democracy. A similar message emerges from the poll research conducted by the Electoral Commission into political involvement. The MORI work finds that the factors most closely related to the propensity to vote are a belief that involvement in politics

² See page 236 and 237, World Development Report 2003, World Bank, Washington DC.

³ See Professor Stein Ringen's report in the Times Literary Supplement of 13 February 2004 'Wealth and decay: Norway funds a massive political self-examination – and finds trouble for all' (The Norwegian study of power and democracy).

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works and a feeling of familiarity with political institutions and with politics itself.⁴ If politics cannot get your paving stones and streetlights mended, what hope are you likely to have for any influence over your hospital, school or local police? Any why bother voting or being involved?

Indeed, the remoteness of government is itself a cause of failure of many important aspects of good government. After all, the public realm – safety, security – is not just delivered like a pizza. It is created in part by the involvement of the people who enjoy it: paying for litter collectors is not as effective as persuading people to use litter bins, detecting crime depends on evidence given to the police, educating children is a parental as well as a teacher's responsibility, being healthy is about diet and exercise as well as health care. It is crucial for people to feel that they are involved in public services, not merely the unwitting recipients of something over which they have no control or influence. Yet centralization hits directly at this connectedness.

The really telling measure of just how centralized Britain has become is tax. The pursestrings are power. There are countries like Ireland or New Zealand that are nearly as centralized as we are, but their populations are each half those of London. But there is not a single country of comparable size where central government takes such a large share of total taxation. Indeed, the UK is almost unique in Europe. More than 94 per cent of taxation is by central government, compared with 28 per cent in Germany, 37 per cent in Spain, 54 per cent in Italy and 41 per cent in traditionally centralist France. There is only one European country which is more centralized: Malta takes 100 per cent of taxation centrally, but then it has the population of a London borough⁵.

Of course, the transition back to powerful local government involves risks. It involves trusting that local political systems will draw in enough talent quickly enough to provide leadership where disuse has too often left atrophy. Electoral reform – on the Scottish model – is crucial to ensure competitive political systems in every part of Britain. But there is no alternative for those who believe in a strong and vibrant public realm. If the case for a high level of public provision is to succeed, we need to win the argument for local control as it is ultimately the only route to quality. The problem is no longer money but power.

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⁴ 'Rules of engagement? Participation, involvement and voting in Britain' research analysis for the Electoral Commission and the Hansard Society, MORI, August 2004.

⁵ Page 267, 'Structures of the taxation systems in the European Union' Data 1995-2002, Eurostat 2004.