

Inside Whitehall

Oliver Wright

- 1 There is a joke that does the rounds in Whitehall that there is no phrase more likely to spread fear down the corridors of power than: "Oliver Letwin has given a wide-ranging speech". Such is the fear of the Minister of State for Policy's erudite mind and novel views that he is usually encouraged not to share them with the outside world. So when Mr Letwin does venture out of the Cabinet Office to speak to a wider audience he is worth listening to – and not just on "gaffe watch".
- 2 And so it was last week when he addressed the Institute for Government on the deliciously broad subject of "the role of the state". Now it should be said that Mr Letwin easily got through this ordeal without uttering anything that could be described as news. But what he said was neither boring nor unimportant. It was both erudite and posed an interesting philosophical question about the future direction of government.
- 3 Mr Letwin's argument was this: until the fall of communism the great debate about the role of the state was between Marxism on the one hand and capitalism on the other. Marxists believed that the state should control all means of production while extreme capitalists believed that outside the realms of defence and justice it should control almost none.
- 4 Then the end of the Cold War and the transformations in China put an end to 8 and in its place a more nuanced political dichotomy emerged.
- 5 In Britain that was played out between those who believed it was the job of the state to regulate markets for social and environmental purposes and those who favoured a laissez-faire approach. This was perhaps best exemplified by New Labour's plan to bring in a minimum wage and the Conservatives' opposition to it. But Mr Letwin's argument was that now, even this is a false dichotomy and that there is a "third", better way by means of which governments can intervene in free markets and influence behaviour without law and regulation.
- 6 He talked about the work of behavioural insights – or nudge theory – which has been used by the Government to achieve results that would otherwise have been brought about by regulation. An example of this would be HMRC's work to increase the number of people who pay their tax on time without fining them or new methods to motivate people back into work.
- 7 Mr Letwin also talked about neighbourhood planning – where communities can come together to decide where they want development to take place within their localities – without the need for planning committees to decide for them.

- 8 To this, you might add the Government's controversial payment-by-results model in areas such as drug addiction. This does not rely on regulation – it is the Government saying to a private provider: this is the outcome we want and how you do it is up to you.
- 9 None of this is to agree with Mr Letwin. But the Civil Service is much more attuned to this type of thinking than it was in the past. If Labour is re-elected this may change as, from what we know, regulation is still the approach favoured by Ed Miliband.
- 10 But before that happens there should be a debate about whether Mr Letwin is right – and what role we want government to play in our future lives. He should be unleashed more often.

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