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Introduction

In 1996, a team of policy experts, including two of the present editors, published *Options for Britain: A Strategic Policy Review* (Halpern et al 1996). The four editors of *Options* were all young academics with interests in public policy, in the UK and beyond. In 1996, a UK general election was due within a year, which was widely expected to (and in the event did) lead to a change of government. However, the motives behind *Options* were not partisan. The editors believed that facts and data were vital, but also that the task facing an incoming government was not predetermined:

It has ... become fashionable ... to believe that governments are powerless to make real changes in the economy or society ... The most that can be done, it is often argued, is to tinker with the slimmest margins of change. Yet cross-national, econometric and sociological analyses suggest that governments can do a great deal ... the question is not whether we *can* affect our social and economic future, but whether we have the imagination and the political will to do so. (Halpern et al 1996: ix)

Twelve years on, we endorse that. A lot has indeed changed in British politics; some of it due to conscious choices by the Labour governments first elected in 1997, but much of it driven by external shocks such as the terrorist attacks on the USA on 11 September 2001 and the world economic shock of 2008.

In 1996 we surveyed the main areas of domestic policy, with additional chapters on UK devolution, on Europe, and on representational reform. We were probably too parochial. We said nothing about the world beyond Europe. But the shocks of 2001 and 2008 (and not only those) have reminded everybody that we have only one globe to share. Global environmental threats, especially that of global warming, are remarkably low profile in the 1996 volume. The issue of immigration is also strikingly low profile in comparison to the public concern and political profile it took on in the decade that followed.

In this introduction we preview, first, the policy areas we covered in 1996; next, those which are new to this volume. Finally we revisit the 1996 themes that we have not repeated, explaining why not.

Both in 1996 and now, we start with the economy. The health of the UK economy sets the boundaries for all other policy options. If the economy grows, policymakers can decide how to set the balance between cutting taxes and improving services. If it shrinks, Governments may have to cut services and improve taxes. In 1996, we argued that ‘the immediate prospects for growth are good, and that continued growth at a 2.5–3% rate should be feasible’, but worried that an incoming government might not be able to maintain the ‘competitive level of the pound’. There was some risk that inflation would start to creep up; even if not, the expected recovery might be ‘joyless’ because disposable spending would rise more slowly than GDP per head (Currie, in Halpern et al 1996: 29–38).

In this book we have two chapters on the economy. Nicholas Crafts discusses microeconomic policy and the productivity agenda. Martin Weale discusses prosperity and productivity. Crafts notes that in 1997 Labour broke decisively with its past. It did not seek to promote national champions nor to protect lame ducks. Rather, Labour depended on what Gordon Brown in 1994 had called ‘post-neoclassical endogenous growth theory’. He was roundly derided, the former Conservative frontbencher Michael Heseltine saying ‘It’s not Brown’s: it’s Balls’ in a schoolboy reference to Ed Balls, Brown’s economic adviser in opposition and for many years in government. At the time of writing, Mr Balls is Secretary of State for education.

From 1997 until 2007 the joke was on the Conservatives. In the private sector, Crafts shows, Labour did promote endogenous growth. It did not attempt to pick winners (in other words, attempt to guess the next big thing better than the market can). Microeconomics is about the factors influencing individual economic agents such as firms, consumers, and employees. The Treasury, under Brown and Balls, insisted that the five drivers of productivity were investment, innovation, skills, competition, and enterprise. Microeconomic policy was aimed at improving these.

Labour did not take the ‘easy’ route to improving GDP per hour worked, namely to exclude the least productive workers from the workforce. This approach has been associated with some large European economies, including France and Germany. Rather, Chancellor Brown had a moral commitment to maximizing the proportion of the workforce in work (derived from his reading of Adam Smith – see McLean 2006). Crafts writes:

The attractive feature of UK productivity performance since 1997 is that it has assimilated significant increases in employment without seeing a reduction in labour productivity growth thereby raising the rate of growth of real GDP per person. (below, p. 18)

The Blair and Brown governments welcomed globalization as a driver of productivity growth. A notable feature was the openness of the UK to mass

immigration from the new EU countries of central and Eastern Europe during the period.

However, Crafts is more critical in some policy areas, suggesting scope for further microeconomic improvements for an incoming UK government. Public sector productivity has probably improved only sluggishly if at all (there are issues of measurement here). Land-use planning is stuck in a 1947 world of command and control, a point also made by Nickell in relation to housing policy (see below). Relaxing this would probably give an incoming government its least-cost option for improving GDP per head.

Martin Weale looks at the big picture. GDP has grown since 1997, but how much of that was driven by what we now know was an unsustainable credit-fuelled consumer boom? Weale points out that the UK's record of capital accumulation from 1997 to 2007 was poor, and may be even more vulnerable during the current downturn. Weale speculates about the likely effects, as far as possible in a chapter that had to be prepared in the first week of confirmed recession.

One 1997 innovation, discussed in the Constitution chapter, is worth mentioning here: functional independence for the Bank of England, coupled with a decision by Chancellor Brown to publish credible commitments to restrain government deficits. His 'Golden Rule' stated that over the economic cycle government would borrow only to invest (not to fund current consumption); and his 'Sustainable Investment Rule' stated that net government borrowing would not exceed 40% of GDP. This regime worked very well for 10 years but is in trouble in 2008. A future government of any complexion is likely to retain Bank independence but as Simon Wren-Lewis points out we will have to revisit the fiscal rules and there is some limited room for manoeuvre as is shown in Box 2.1.

After these opening chapters, we arrange our policy discussions in roughly descending order of the size of the various functions of government, as categorized by international statistical agreement. The largest single function of government is 'social protection', followed by health and education. Education and science were linked in one government department for most of our period, though there has been a recent shuffle such that children and schools are in one department and higher education, research, and science in another. It therefore makes sense for us to take education and science in adjacent chapters. Then follow other domestic functions – smaller in budget but not in political or policy importance. These include law and order, housing, transport. We have taken defence (a big budget item) and foreign affairs (a small budget item) together, followed by diversity and extremism, and media (very small in budget, but with large public visibility). The book is then finished by our chapter on the constitution – trivial in budget terms but obviously vital in setting the options open to future governments. There has been huge constitutional change since 1997, more than we (or anybody else) anticipated in 1996.

Social protection includes both cash transfers to individuals (such as pensions, unemployment benefit and incapacity benefit) and the provision of social services. In 1996 we had chapters on unemployment, the welfare state, and family change. We thought it should not be difficult to reduce unemployment, providing we avoided blind alleys we then identified as ‘cunning demand-side policies ... reducing labour supply ... cutting employment protection ... profits sharing and related pay structures’ (Nickell, in Halpern et al 1996: 67). Rather, an incoming government should target the long-term unemployed, and the unskilled; improve education and training for the bottom half of the ability range; reform benefits to maintain the advantage of working over not working; and encourage employers to coordinate their labour market operations. On welfare policy, we discussed the growth in income inequality in the UK, which was most notable in the 1980s, and the difficult trade-off between universal benefits (expensive) and targeted benefits (which can lead perversely to high marginal rates of taxation as people move out of poverty and cease to qualify). We looked at trends in family formation and break-up. Married couples have been delaying the start of their families; but there was an increase in pregnancy among (mostly low income, low education) teenagers. Divorce and increasing longevity had both led to a sharp increase in single-person households. We noted the interaction between family structures and patterns of crime, unemployment, and housing demand.

In this book, Peter Kenway particularly focuses on the Labour government’s poverty-reduction policies on children. Furthermore, Labour followed the Adam Smith–Gordon Brown route of insisting that work was the best way out of poverty. Hence the national minimum wage (which most commentators believe has worked, in a modest way) and tax credits (not so successful because of administrative costs and glitches). Kenway regards Labour’s ‘Sure Start’ programme (subsidized childcare centres for under-fives) as successful and notes that commentators across the political spectrum welcome the principle of means-tested anti-poverty measures. The main problem now seems to be in-work poverty. The recent focus on means-tested benefits leads directly to Kenway’s most uncomfortable observation: that those emerging from poverty face

an effective marginal [tax] rate above 70%. For those receiving Housing Benefit or Council Tax Benefit, this rate can be as high as 95%. (below, p. 62)

How that high marginal tax rate might be reduced is a large question as is the question that Jo Blanden considers: social mobility. By comparing the life chances of two big cohorts of British children as they get older – those born in 1958 and those born in 1970 – it seems that there is no increase in social mobility in the UK, and there may even be a decline. (The figures have to be treated with care because of fuzziness in the data.) She implies that

social immobility is deeply rooted in the structure of UK society (Strategy Unit 2008).

Martin Evans and Susan Harkness discuss worklessness, which, as they point out, is a broader concept than unemployment as it includes those out of the workforce for other reasons such as sickness, being a full-time carer or being a student. They point out that the structure of employment has become strongly gendered – more so, perhaps, than in 1996. Manufacturing employment has continued to fall; the growth has been in services and public administration – in the public sector and predominantly female. Labour has prioritized ‘making work pay’; the national minimum wage has played a part in this. One downside is that, as benefits for the unemployed have become harder to get and with more conditions attached, so the incentives for a second family member to work in a household where there is already one working member have become very weak. Evans and Harkness recommend that an incoming government should be more relaxed than in the past about short-term temporary – and perhaps ‘cash in hand’ – jobs at the bottom of the occupational ladder.

Our 1996 analysis of options in health policy explained how from its inception in 1948 until the mid-1970s the National Health Service was divided into three sectors: centrally planned hospitals; self-employed GPs; and a (weak) local authority sector responsible for public health. The Conservatives elected in 1979 promised an NHS that was both more decentralized and more strongly managed. When this did not prevent a financial crisis in the winter of 1987–88, the government turned rather to the idea of ‘internal markets’. NHS purchasers were separated from NHS providers. The former, such as GP practices, bought services from the latter, such as acute (i.e. general) hospitals, for their patients. In 1996 it was too early to judge the success of this experiment. On coming to office in 1997, Labour announced that it would abandon it. That proved short lived. Furthermore, the concept of rationing is inherent in the NHS, financed as it is out of general taxation rather than out of either public or private insurance. Financing the NHS in any other ways is outside the range of practical political options for an incoming UK government of any complexion. Where does that leave us?

John Appleby and Adam Coutts remind us that one of Labour’s main promises in 1997 was to ‘End the Tory internal market’. Before long, the party had substituted a Labour internal market. By 2002 the government proposed to ‘introduce stronger *incentives* to ensure the extra cash produces improved performance. Primary Care Trusts will be free to purchase care from the most appropriate provider – be they public, private or voluntary’ (below, pp. 90–1). Under Labour, the proportion of GDP devoted to health care has risen massively; health outputs have improved, but at a disappointing rate, and little at all in the area of ICT (always an intractable problem for governments). Productivity per unit input has declined. Nevertheless, in England waiting lists and waiting times have shortened massively. In Wales, Scotland, and

Northern Ireland which forwent the pain of NHS reform, waiting times have not shortened at the same rate (Greer 2004). Overall, health outcomes have improved, but they have worsened for some conditions, including diabetes (which is linked to obesity). Health inequalities have stubbornly failed to improve. Although smoking and unhealthy diets have declined, they have declined as much or more among the rich as among the poor, and therefore the relatively worse health of the poor remains a feature of the landscape.

Under future governments demand for health care will continue to increase, especially as the proportion of very elderly citizens continues to soar. On the supply side, new treatments and technologies will continue to offer hope to patients and put pressure on resources. Labour has created agencies (such as NICE – the National Institute for Health and Clinical Excellence, whose acronym has drifted away from its title) to distance politicians from the inevitably unpopular choices that result, but politicians find it very hard to avoid being sucked in. To improve health, government should perhaps concentrate on improving lifestyles – and if they could crack the nut of improving the lifestyles of the poorest, they might achieve the long-wished goal of reducing health inequality.

On education, in 1996 we noted that the UK performed poorly on some international league tables. It had low pre-school participation and weak results especially in mathematics and science, although results were improving as the then Conservative government put increasing stress on targets and grades. Among rich countries, the UK had one of the lowest proportions of teenagers staying in education after the compulsory school-leaving age. The UK also had a weak record at intermediate-level training for skilled occupations. However, the UK had successfully expanded the proportion of the age-group entering higher education. Other problems identified in 1996 were the poor quality of teaching, especially in subjects where it was hard to recruit teachers; an uncoordinated maze of qualifications; weak provision for lifelong learning and training; and a perverse funding formula which sometimes offered more funds per pupil in rich areas than in poor areas of England. We did not consider the Scottish education system, which had always done things differently to England.

Devolution has indeed led to a natural experiment, where policies on education, health, and the other devolved services – which add up to most domestic policy – have begun to diverge in the four countries of the UK. In the tight word-limit for this book, we have had limited room to address this issue, though it is discussed in a special linked issue of *Political Quarterly* which will discuss this and other intergovernmental issues. We have not forgotten the Scots, Welsh or Irish. As one of us is Scots and another half-Scots, we would never dare to.

On education, Alison Wolf reviews the changes made since 1997 and the issues still facing an incoming government. She notes that Labour inherited a regime of ‘centralized control plus parental choice’ – and kept it in place,

sidelining formerly-powerful interests such as local authorities and teachers' unions. She notes that a number of *Options I* suggestions were pursued by Labour ministers. Of the problems and priorities identified in 1996, she notes that early years education has vastly expanded. Labour ministers are particularly proud of their 'Sure Start' programme to expand early years provision in poorer parts of England, though Wolf is sceptical whether it has actually broken the cycle of deprivation – indeed markedly less positive in this respect than Peter Kenway in relation to employment (see above). Labour ministers have intensified the target-driven standards programme they inherited from the Conservatives, with mixed results. Some improvement is genuine; some a result of gaming. Goodhart's Law states, in its original form, 'any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes' (Chrystal and Mizen 2001). C.A.E. Goodhart, who gave it its name, was thinking of the efforts of governments to control the money supply by targeting a particular measure of it. But the lesson is much more general. If schools are rewarded for achieving a certain benchmark and punished for failing to meet it, then they will strain every nerve to achieve *that particular* benchmark. As Wolf drily notes, the phrase 'GCSE or equivalent' is especially significant for the government's own self-imposed targets and for schools (below p. 125).

The gaps between the best and worst schools have remained stubbornly wide and, as with health, these gaps probably owe more to pupils' environment than to anything schools do. In Wolf's opinion, the most successful New Labour education policy was one that actually contradicted a manifesto promise. The Higher Education Act 2004 was bitterly contested in and out of Parliament, and passed only on the votes of Scottish Labour MPs whose constituents were unaffected by its most controversial section. It introduced student fees, initially capped at £3,000 a year, and an income-contingent loan to pay both those fees and some maintenance costs. In Wolf's view this has rescued English universities from decades of underfunding and helped them to maintain their world-class position. On intermediate skills and Further Education, however, Wolf rates Labour's initiatives much more harshly, suggesting a powerful lesson for the role played by the educational customer and market in HE in contrast, and its absence in FE.

Wolf concludes with a menu of options for an incoming government. Unsurprisingly, they relate closely to things that previous reformers (including the authors of *Options I*) have pressed unavailingly on governments. She considers that centralized targetry has run its course and recommends a system where funds follow the pupil – much as health reformers have tried to make funds follow the patient. Barriers to entry for new schools should be lowered, and governments should try to reintroduce the incentives or 'vouchers' for sub-university students to stay in education and power a more responsive sector.

In 1996 we did not have a separate chapter on science and technology policy. We should have done. As it turned out, it was one of New Labour's successes. Jonathan Grant and Joachim Krapels recur to Brown's (or Balls') post-neoclassical endogenous growth policy. Brown and Balls recognized that scientific research was a public good, which the market would undersupply. Under New Labour, real expenditure on science grew by 63%, largely overseen by a committed (and unpaid) science minister, Lord Sainsbury. Unlike with education, there is objective international evidence of the quality of British science in publications per researcher and citations per paper. Concerns remain around the balance of British students and school-leavers qualified to do world-class science in particular subjects, though this is partly offset by a 'brain gain' from other countries.

Grant and Krapels refer to a centuries-old tug of war between scientists and government. Scientists want to be given money without strings for pure research. Governments want to set research priorities. '[N]either position is tenable' (below, p. 148). Scientists must expect public auditors to be interested in how public money is used. Governments cannot expect to know better than scientists where the next advance in science will come. There are signs that this battle is being fought to a draw, with the research councils becoming less prescriptive on what scientists should do, while scientists accept that some audit of their activities is reasonable.

Technology transfer from universities to spin-out companies has been broadly successful, though the equivalent 'spin-outs' of knowledge to the public and social sectors have been less so. Nevertheless Grant and Krapels are among the few of our chapter authors who can say 'if it ain't broke, don't fix it' in their recommendations to policymakers. Among possible options, however, are a greater use of government procurement policies to advance science and a more consistent support of scientific evidence in policymaking. They point to the example of how health research is transferred and applied in Canada as a possible model that we might borrow from in other areas. Perhaps other areas where an incoming government could make more robust use of science include genetically modified organisms and nuclear power (in both cases, compared to the safety of *not* using them).

From the heights we turn to the depths, or at least from science to crime. In 1996 we opened by noting that 'Crime is inescapably, and rightly, a political issue' (Halpern et al 1996: 207). We noted the perennial problem of judging the 'true' level of crime when different measures tell very different stories. Crime reporting is another victim of Goodhart's Law. Crime had risen since the 1950s; but beyond doubt, Britain in 1996 was much safer than in the eighteenth and nineteenth centuries. It was also well known that most crime was committed by young men – about half of all crime that could be traced to an offender was committed by men under 21. Crime was heavily associated with illegal drug use, though that association proves nothing about causation. We argued that the best long-term measure against crime was a set

of social norms in support of the law. It was not easy to see how these might be deliberately induced. Crime policy was (and is) peculiarly vulnerable to populist sloganeering. The slogan 'Prison works' (associated with Conservative Home Secretary Michael Howard) is true to the extent that prisoners can't normally commit further crimes; however, at any one time few criminals are in prison, and increasing the prison population by 25% would produce a fall in recorded crime of only 1%.

Mike Hough (one of the authors of the 1996 chapter on 'crime and criminal justice') and Julian Roberts now note that some things have changed radically, and others not at all, in this policy domain. One issue that has not changed is the dilemma for policymakers:

[T]he next government will have to choose between populist criminal justice policies or a more nuanced – and hence less politically attractive – approach to responding to crime and disorder. (below, p. 156)

A smart government could (and perhaps should) do both. Crime is down since 1997, though most people believe it is rising. A smart government should clearly address those crimes that both have a high media profile and are a serious threat to public peace. The two circles overlap but are not the same. Knife crime among socially excluded young males is an issue of grave public concern, though it directly affects relatively few, while chaotic and persistent drug-induced lifestyles arguably affect far more people, such as through the acquisitive crime they drive, but tends to have a much lower public profile. Hough and Roberts imply that a third tabloid preoccupation, city-centre binge drinking, is more a public health than a crime issue, the social order aspects of which could be addressed by local authorities robustly using their licensing powers.

Any government must address the fact that the prisons of England and Wales, despite a massive expansion in their size, are full. Hough and Roberts recommend clearer and more binding sentencing guidelines, perhaps combined with greater use of early release. To address the gap between perception and reality, they stress the need for trustworthy independent crime statistics. The public tend to believe the tabloids, and they completely disbelieve government ministers. This can be galling when it is the latter who appear to be telling the truth. One machinery-of-government move that has occurred since 1997 is the greater independence of official statistics. However much ministers enjoy spinning statistics to fit their story, their long-term interest lies in not being allowed anywhere near them. This observation applies to many policy domains, perhaps nowhere more so than with crime.

In 1996 we identified the main problems of housing policy as 'encouraging unsustainable levels of home ownership ... creating dependency [among social housing tenants] on Housing Benefit and fierce disincentives to work ... concentrating and segregating poor and disadvantaged households on council

estates' (Best, in Halpern et al 1996: 273). We warned against stimulating the housing market. We stressed the need to restore the private rented sector with public support. Surprisingly (from a 2008 perspective) little was said about land-use planning.

Stephen Nickell opens by pointing out that the real price of houses for owner-occupation doubled between 1997 and 2008. On the supply side, housebuilding has nowhere near kept up with the increase in the number of households: a problem that will only have got worse with the 2008 credit crunch and shut-down of the building industry that has deepened since Nickell's chapter was written. The number of households continues to increase faster than the population, with more family breakdowns and single pensioners in the population. Furthermore,

real incomes are steadily growing and ... richer people tend to demand more housing services. The historical evidence suggests that the income elasticity of demand for housing exceeds the price elasticity of demand. In other words, as real incomes rise, house prices will rise more rapidly than incomes even if there is a perfect match between house building and population growth. (p. 173 below)

On the demand side, real interest rates have been at a historic low and there was a bubble (now burst) in the buy-to-let market. The 2008 crunch will worsen the housing market further. Although prices are falling rapidly, that is no consolation to first-time buyers because mortgages have become hard to get. And new construction in the market sector has stalled. Nickell sees the long-term problem as being the unaffordability of housing for new entrants, which implies 'a large transfer of wealth from the young and the poor to the old and the wealthy' (p. 175). The main solution, he suggests, is to revive market housing which will relieve the pressure on social housing. Like Crafts, Nickell sees land-use planning as the principal villain in this melodrama. As local authorities no longer control business rates, they have lost the incentive to be pro-development. Those who would benefit from releasing land for housing do not yet live in the area. Everyone acts rationally, including through NIMBYism and voting in local elections, but the net result is far from optimal. Nickell's solution is deceptively simple – local authorities must (once again) receive an incentive to unlock the planning gain that will accrue if they permit large-scale housebuilding, especially in the South of England, where demand is most acute. This is one of the awkward truths that this book has uncovered. Like some others, this truth is moderately well known among public policy specialists, but you look in vain for discussion of it in most political manifestos or media (even heavyweight media) treatises.

In 1996 we treated transport and the environment together. We noted that there was substantial but erratic public concern with transport-generated threats to the environment, but that nobody wanted to curb their use of

transport in a way that would actually help (Taylor and Taylor, in Halpern et al 2006). *Options I* argued that the most urgent environmental priorities at the time were to reduce urban air pollution (probably relatively easy, e.g. by encouraging cycling) and to reduce the need for new roads (tougher). *Options I* also noted and endorsed the policy of the Royal Commission on Environmental Pollution to double fuel prices by 2000. When that target was actually reached, a populist revolt against fuel taxation caused the government to abandon its policy, inherited from the Conservatives, of deliberately increasing fuel taxation faster than inflation (McLean 2008). It has not been reinstated. Transport policy – both today and then – presents some tough choices. *Options I* advocated urban road pricing as a ‘first best’ policy option, though this faced issues both around technical feasibility and public acceptability. Since we wrote, this has been introduced in London, rejected in Edinburgh, and was recently under discussion in Manchester. We did not expect Mancunians to vote for it. They did not. We, the public, have proven ourselves over and over again to be cheap-talk environmentalists.

In this book, Richard Wellings first notes how Labour took on even more ambitious pollution-reduction targets than we anticipated in *Options I*, where we failed to anticipate just how rapidly global warming would move to be *the* environmental issue. Labour quickly adopted Kyoto global warming targets (discussed below) and committed itself in 2000 to a transport policy that would lead to rapid reductions in greenhouse gas emissions. This policy has comprehensively failed. CO₂ emissions from transport have remained stable – perhaps praiseworthy in itself, but not even close to the pollution-reduction targets Labour set itself.

Part of the public’s cheap-talk environmentalism is to say, whenever they are asked, ‘Let there be more buses and trains’. If a government provides those, the public then fails to use them in a way that makes any serious impact on pollution. Although passenger rail travel has soared, it is still a trivial proportion of passenger travel, and one which absorbs the lion’s share of passenger travel public expenditure (one reason for this being the collapse of Railtrack after the Hatfield crash of 2000). Meanwhile air travel has soared because of the eruption of low-cost carriers, a development we failed to anticipate in 1996. This is good for the UK economy and for people’s travel plans, but bad for the environment.

On policy options, Wellings speaks a truth that usually dare not speak its name. The only feasible policy intervention with much chance of success in the short run is road pricing. Every serious transport expert knows that; the editor and readers of the *Daily Mail* do not. A future UK government needs a Secretary of State for Transport as robust as the much-reviled Ken Livingstone, Mayor of London from 2000 to 2008, who introduced the only successful road pricing scheme in the UK. Ken for Secretary of State? (Our suggestion, not Wellings’.)

As noted above, in 1996 the chapter on 'Britain in the World' focused heavily on the European Union. At the time, this issue was particularly pressing, with substantial matters to decide (such as the looming option of euro entry) yet with John Major's Conservative administration split down the middle between Europhobes and Europhiles. This time – after 11 September 2001, the start (but not the end) of two difficult and unpopular wars, terrorist attacks in London and Glasgow, a global economic crisis, and several other domestic policy issues with global tentacles – it is necessary to say something more extensive about the UK in the world. We do so principally in three chapters: 'Energy, Climate Change and the Environment'; 'Britain's Role in the World'; and 'Diversity and Extremism'.

On climate change, Federico Gallo and co-authors describe global warming and energy security as two of the greatest challenges facing mankind today. By using a holistic, first-principles approach, they identify the fundamental causes of the problem: we are using the wrong technologies to sustain the growing levels of consumption of a vast population. This situation is unsustainable, and there is evidence that we may be already hitting many natural limits of our finite planet. Fortunately these twin problems may share a common solution – i.e. reducing our environmental footprint – and the authors, based on an analysis of the fundamental causes, propose a number of policy options. They call for the UK and the world to account for the social cost of carbon using some mixture of monetary and non-monetary policies. However, in order to fully solve the problem, we will need to seriously improve our energy efficiency and perhaps reassess our levels of consumption. Climate change is a global problem and requires a global solution: although the UK cannot solve this problem alone, it has an opportunity to play a leading role in the solution.

Malcolm Chalmers brusquely summarizes UK foreign policy under Major as insular and mercantilist (below, p. 219). Whatever it has been since 1997, it has not been either of those things. One unsung achievement has been a much greater concentration on foreign aid, especially to the poorest countries. Chalmers lays stress on the role of Tony Blair as a humanitarian interventionist in Kosovo and Sierra Leone. However, when the multilateralist Blair allied with the unilateralist George Bush, these things resulted in the swamp of Iraq. Chalmers is quite forgiving of the Blair administration on Iraq, warning against 20-20 hindsight. However, he warns that the emerging superpower China is more likely to take a 'national interest' than a 'humanitarian intervention' perspective on world politics.

Unlike the Bush administration, the UK government does not regard Islamist terrorism as an existential threat, but nevertheless regards it as more serious than previous terrorist threats to the nation. For Chalmers, this means that defence policy must continue to focus on Afghanistan and Pakistan. Domestically Varun Uberoi and Shamit Saggarr focus on the relationship between extremism and the current rise in hostility towards

British Muslims. The former and the latter are seen as intricately linked and the most salient current challenges that relate to governing Britain's increasingly diverse citizenry. At the time of *Options I* there was no chapter on the policy issues that relate to this area, but since then a lot has happened. Asylum seekers (always 'bogus' in the tabloid press) continued to dominate public discourse about migration until well into the period when a greater number of migrants from EU accession countries had entered the UK. A 'points system' for immigrants that gives priority to the highly skilled but doesn't apply to those who come from the accession countries is the most recent innovation that the authors allude to. They also chart the seeming dismissal and then acceptance of 'Britishness' as an area that public policy should focus on and the UK government's multiple but incoherent responses to the London terrorist bombs of 2005. Clearly, governments need to reduce the feelings of alienation and sense of social isolation among certain young UK Muslims, but how? Uberoi and Saggar show which groups are most at risk of radicalization and thus which groups any incoming government must focus some attention on. They also allude to the difficulties that government faces in this area because it is un-trusted by the very communities that it needs to gather intelligence from, and a means is suggested to help address this issue. Likewise they suggest a way that we can learn more about what attracts some British Muslims to and subsequently repels some of them from violent Islamism.

In 1996 we said nothing about media policy. Since then, the massive expansion of mobile phone penetration and wireless broadband have undermined the traditional pattern of media regulation. Damian Tambini paints a picture of a government struggling to keep up with the pace of technical change. Tambini nevertheless sees the creation of a unified media regulator, Ofcom, as a key change – more important than most of the fluff that passes for a discussion of media policy. To date, the digital switchover of terrestrial TV capacity, which releases bandwidth for other uses, has been a quiet success. Tambini raises questions of the respective roles of the state and the market in communications. The next UK government will have to get beyond endless discussions about the future of the BBC (fascinating though these are to the entire national media, almost all of whom either work for the BBC or would like to). Important though these discussions are, the next government needs clear-headed debate as to how far (if at all) there is market failure in communications in the UK. That outranks the fate of Andrew Gilligan or Jonathan Ross, probably the two biggest media rows since 1996.

Our final chapter concerns the constitution. In 1996 we examined the case for devolution, suggesting a formula for partial devolution – to Scotland, Wales and London – as well as making the case for mayors in local government (Bogdanor, in Halpern et al 1996). We also had a chapter examining the case for alternative forms of representational reform (Plant, in Halpern et al 1996).

The devolution chapter turned out to be a loose blueprint for that which followed – including urging caution for attempts to extend devolution to a wider set of regions; but subsequent action on representational reform, at least in relation to the House of Commons, was far more limited – though Plant’s warning about the importance of seeing constitutional reform in the round still holds true.

By 2008, devolution had entered its long-awaited second phase with none of the three devolved territories (Scotland, Wales, and Northern Ireland) under the unified control of the UK governing party. But unfinished business of devolution remains, as Guy Lodge and Roger Gough explain. The two most unfinished pieces of business are the financial arrangements for the devolved territories and the nature of their representation in Parliament. In shorthand, these two are known as the ‘Barnett formula’ and the ‘West Lothian Question’ – WLQ to its devotees.

The Barnett formula is fatally wounded. As we write, both the Scottish and Welsh parliaments have appointed committees to review it, and one of us (IM) is a member of the first and expert witness to the second. Although the replacement of Barnett is unknown as we go to press, the direction of travel is towards greater fiscal autonomy for Scotland, and perhaps for all three devolved territories.

It has been said half in jest that the solution to the WLQ is a large Conservative majority. The WLQ addresses the anomalies of asymmetric devolution: *why should a question that affects only territory X be decided by the votes of MPs from not-X?* The most prominent example under Labour has been the Higher Education Act 2004, whose provisions for student fees applied only to students at English universities, but which was passed only on the votes of loyal Scottish and Welsh Labour MPs. If a future UK government, of either main party, rules with a narrow majority in the Commons, the question will recur. Lodge and Gough discuss some suggestions to deal with this knotty problem. These could involve the tempting but difficult idea that has become known as ‘English votes on English laws’, or EVOEL to its devotees. Under EVOEL, Scottish (etc) MPs would not be able to vote on questions which do not affect Scotland (etc). EVOEL is popular with the public and the Conservative Party, but Lodge and Gough explore some of its problems.

As influential as devolution has been, the incorporation of the European Convention on Human Rights into domestic law in 1998 has been arguably even more fundamental. It has led to huge changes in judicial behaviour but not universal political acceptance. Lodge and Gough explore what might lie behind the sloganeering that a ‘British Bill of Rights’ should either supplement or replace the Human Rights Act 1998.

One broken election pledge has been a promise of a referendum on proportional representation for the House of Commons. Now that PR systems are in place for all the devolved territories, London, and Europe, this is less

of a stand-alone issue than it seemed to be in 1996. There has also been a flowering of 'alternative' democratic innovations, with uncertain impacts and relationships to the 'traditional' mechanisms of democracy. Parliament should be considered as a unit. The electoral system for the Commons should be complementary to that for an elected upper house. A 2008 White Paper set out options for an elected upper house, to be implemented only after a general election (to prevent it being blocked by the Lords). That is unfinished constitutional business for the next elected government.

In 1996 we included a chapter on tax policy. We have not done so this time. A massive inquiry, better resourced than us, is under way at the Institute of Fiscal Studies, under the chairmanship of Nobel laureate Sir James Mirrlees. With our limited resources and tight word limit, we have not tried to second-guess Sir James. His progress will be reported on the IFS website, currently at <http://www.ifs.org.uk/mirrleesreview/publications.php>. Watch that space.

We have attempted to give a précis of our chapters. We hope that the reader is intrigued enough to read on.

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