

suggested cuts in square brackets []

The *Guardian* leader of 9 September draws attention to several complicated government schemes which have ended up as catastrophic failures – family tax credits, the Child Support Agency, the NHS's inability to ensure that the same drugs are available everywhere. My view is that these types of policies not only rarely achieve their aims, but are susceptible to exactly this kind of collapse. The leader argued that these examples provided strong support for my view.

But the leader went on to offer three quite different policy responses. First, even more activity and schemes from central government. Second, for government to recognise the limits of central control and management and, third, to look for simpler policies such as the flat tax.

[Quite rightly, the leader argues that] the choice between these is at the heart of the matter for any progressive government. But the leader leaves open which should be preferred. This was a mistake. The first of these alternatives would be the worst possible response. It would simply guarantee yet more spectacular failures in future.

Social democrats need to recognise that the reasons for the recent failures of complex schemes are not confined to the specific design of the schemes themselves. Rather they are a deep and inherent feature of *any* scheme of such complexity

The social democratic model involves active government. An unexpected problem arises. They do all the time, despite every effort to foresee the future. [They are what Harold Macmillan described as 'events, dear boy, events'. ] The government acts to fix that problem, which may be small. Gradually, these fixes make the whole system more and more complicated, to the point where the risk of a [complete collapse], a complete failure, rises sharply.

The social democracy of the second half of the twentieth century, [both here and ]throughout the EU, has become bound up with policies involving greater and greater complications. And with these have come more and more failures. For a long time,

the 'fixes' worked. But increasingly, as the system becomes more complex, the chances of them so doing falls, and the probability of large, unexpected failure rises.

We have now had the social democracy of the post-war settlement for 60 years, time enough to solve any problems one would think. But [as the *Guardian* leader points out,] income and wealth inequalities have increased not decreased. The record of unemployment in the first and second halves of the twentieth century is virtually identical. Social mobility has not increased despite 60 years of the welfare state, and may even be falling.

This is not an argument for Thatcherite *laissez-faire*. Government still has an important role. But it should be as simple as possible. [Frank Field and I argued in favour of the flat tax in this newspaper in 1988 (88!) and we stand by this view.]

Above all, government should be devolved and flexible, not centralised and rigid. Local areas should be given much greater freedom to experiment with policies. Why not, for example, a local sales or income tax? Why not much smaller police authorities to deal with the petty crimes which upset so many people, with the chief constable directly elected? The state needs to experiment much more. Most experiments will fail, but if each is at a local level the costs are not great. And, through this evolutionary approach to policy, we stand a much better chance of discovering what works.

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