

When Brown moves to No 10, he will need his closest ally next door

Forget Darling and Straw, if the next prime minister wants a capable, talented chancellor, he should look no further than Balls

Irwin Stelzer
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If Alastair Campbell can take to the pages of the Times to tell David Cameron how to conduct his campaign for the opportunity to put a windmill on the roof of No 10, it surely is not inappropriate for someone from the right side of the political spectrum to offer a bit of advice to Gordon Brown. Not that I can lay claim to anything like Mr Campbell's long and successful experience as a political practitioner. But as a substitute I offer the ability of a semi-outside observer to see what might escape those involved in the daily hurly-burly of electoral politics.

First, of course, comes the question of staffing the Brown government and, most important, the selection of a suitable successor to a chancellor who managed to stay the course to No 10 for more than a decade by delivering what is generally regarded as reasonably good economic performance. Not perfect - there are those multiple tax increases, and the productivity-killing expansion of the public sector. But, all in all, decent growth, low inflation, a thriving City and, most important, a refusal to allow Tony Blair to scupper sterling in favour of the euro.

Why anyone would want the job of chancellor in a Brown government is not at all clear - working for a micromanager who has been successful at the Treasury, and has rather strong views about matters that fall within the purview of the occupant of No 11 might turn out to be a harrowing experience. But the post must be filled, and the leading contenders seem to be John Reid, Alistair Darling, Ed Balls and, since the Guardian's former editor Peter Preston put him forward on these pages yesterday, David Miliband.

Ronald Reagan, another successful politician, although of a slightly different persuasion to Gordon Brown, once advised his hyperactive colleagues: "Don't just do something, stand there." That would be good advice when considering whether to move Reid to the Treasury. Whatever his weaknesses, the home secretary has learned some of the things it would take a successor a good while to figure out: who on the staff is competent (if any such there be); the dangers of

promising friendly hacks more than he can deliver (the learning process is admittedly ongoing); and the need to divert funds to the construction of prisons.

Then there is Alistair Darling, said by some to be disqualified because it would be impolitic for a Scottish prime minister to turn No 11 over to a fellow Scot, especially if Reid remains in place. One hopes that in an age in which gender, ethnic and every other sort of discrimination are frowned upon, Brown would rise above such considerations if Darling were otherwise suitable. But he isn't. Unfortunately, presentational abilities are not among Darling's many talents. He has a reputation among media types as lacking in such skills - you know, the ones that Cameron is relying on to obscure his lack of policy heft, and that Brown himself does not possess in overabundance. One well-known presenter once told me that he was dreading the next segment of his programme: an interview with Alistair Darling - long answers when short ones would do, responses that varied between contentless and incomprehensible ... The very last thing a Brown government needs is to have the second-highest office occupied by someone whose skills do not complement those of the prime minister.

Jack Straw is another candidate. He is well liked, decent, brave enough to raise the veil on an issue few of his colleagues were willing to discuss; but his understanding of economics is, erm, rusty, and his numeracy as yet undemonstrated. He might make an adequate chancellor, but in an era of economic uncertainty, and at a time when the piper must be paid for Brown's profligacy, mere adequacy just isn't enough of a qualification.

Which of course brings us to Ed Balls, the co-architect of many of Brown's economic policies. He is a more than capable economist; a former journalist whose already good understanding of the press is likely to increase as he comes to realise unyielding advocacy is as unproductive as, say, Peter Mandelson's bullying; a talented representative of the government to the City; and a man who knows his way around not only the Treasury, but the international agencies whose cooperation Brown will need in his fight to end world poverty.

But Balls carries three burdens. The first is that his wife - the housing minister Yvette Cooper - is so talented that she should be given a place in the cabinet. Why this is a strike against her husband I do not know. Only the egalitarians in the Labour party can believe that social justice demands greater sharing of the political spoils, and only those who don't know the Balls family can doubt that they have found what I believe it is fashionable to call a "work-life balance" that allows them to perform both their political and family obligations in high style.

The second problem with a Balls appointment is his age: he might be too old for the job. At 40, he is five years closer to a pensionable age than is his shadow, George Osborne. But the new prime minister cannot let obsolete ageism deny him the talents and advice of the most qualified man for the job.

The third is raised by Preston: Balls is so close to Brown that he will harm the prime minister if he messes up. True. But in my view that is more than offset by that most important of attributes: competence. So Balls it should be.

That done, we come to policy. Brown needs no advice about the crucial importance of mastering facts, mulling before moving, and at times daring to be bold (remember independence for the Bank of England). But he might consider a lesson I picked up while doing a stint as director of a policy centre at Harvard's Kennedy school: get the incentives right.

Almost every policy fiasco in the New Labour era has resulted at least in part from a failure to adopt that principle. Police are promoted on their record in combating hate crime rather than street crime, so they pursue the former while the latter soars. NHS employees have no economic incentive to render efficient service, or to wash their hands, so we get queues and superbugs. Failed civil servants in departments so ineffective that they are for the chop receive large bonuses, so money is wasted on inadequate protection of children and risible efforts to snatch assets from the crooks who snatched them from others. Doctors have no effective incentive to be available at the odd hours when many illnesses strike and many babies decide to be born, and so stay at home while foreigners are brought in at great expense to fill the gap. City academies have no incentive - indeed, a disincentive - to make facilities available to the communities they are supposed to serve. High marginal tax rates are a disincentive to work and risk-taking. Means-testing removes an incentive the ageing population has to save.

If Prime Minister Brown were to instruct Chancellor Balls to devise schemes to get the incentives for all civil servants and taxpayers right, I have no doubt a profusion of useful programmes would result. Ed Balls, after all, has a few good years left in him. And, unlike Preston's candidate, he won't have the new prime minister worrying if that first budget presentation might just have been a little too good for comfort.

• Irwin Stelzer is the director of economic policy studies at the Hudson Institute, and the editor of *Neoconservatism*

stelzer@aol.com