The Value of Choice in Public Policy

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The Labour governments have pushed a choice agenda in public service provision since a major speech Tony Blair gave on 16 October 2001 (Perri 6 2003). In many areas of public service provision it has been suggested that both to improve service quality, and as an intrinsic part of that service itself citizens should be offered more choice. Despite the agenda there are few areas where greater choice has been created; those that have include dates and times for appointments for elective surgery (if one has been waiting longer than the target), choice over consultants and hospitals for surgery; choice in schools (though that predates Blair), and some choice in welfare services and encouragement to open up some choice in council and social housing. The gains in citizen choice have been limited so far though further enhancement might be possible (see Le Grand forthcoming.)[1]

What is the justification for enhancing choice? There are many justifications for choice in the academic literature, including from one of the foremost defenders of choice who served two years as senior policy adviser to the Prime Minister at No 10 Downing Street, Professor Julian Le Grand. In this paper we examine the justifications for introducing choice into public provision of goods and services. We also examine some arguments that suggest that choice can introduce inefficiencies and inequities into public good provision. Our aim in the paper is to do three things. The first is to examine, conceptually, precisely what choice is, and how it might be measured. At first glance, it might appear that what choice is and how it might be measured is obvious. However, by reviewing some of the formal literature we show that conceptualizing choice and measuring its increase is not a trivial exercise. Secondly, we examine the theoretical arguments for and against enhancing choice. Thirdly, we apply those lessons to enhancing choice in public sector provision. The paper is *not* designed to do a fourth thing. It is not designed to argue that increasing

choice in public service provision is a good thing, nor conversely to argue that it is a bad thing. It seems obvious to us that enhancing choice can sometimes be good and sometimes not. In other words, there are benefits and costs in any choice procedure and both the benefits and costs need to be examined carefully in any area of public policy where choice is implemented. So our aim is to suggest some criteria by which to judge where enhancing choice might enhance public service provision, and in what areas it might not, based upon efficiency and equity criteria. We do not provide empirical evidence about any particular service in this paper, though we refer to extant empirical evidence where appropriate. However, we should note from the outset that it is difficult to judge how well the choice agenda works through empirical evidence. In part this is because that, so far, little empirical evidence has been provided. More importantly, however, where there is some evidence it has proved illusive in judging whether choice or other factors have proved most important, particularly where choice interacts with other, not necessarily compatible government objectives, such as command and target-setting. Furthermore, the specific implementation of the choice agenda may be as important as any erstwhile theoretical problems that this agenda might have in specific policy domain.

What is Choice and How Might it Be Measured?

In the social policy literature increasing choice is not normally thought to be problematic. Perri 6 (1998, p. 404) defines choice in this context as 'the opportunity to make decision expressing preferences between options' and distinguishes between 'consumer choice schemes' where people can make applications that may not be successful, and voucher schemes where the government pays some amount that can be spent by the consumer on a provider of their choice. Le Grand (forthcoming) uses

choice more exclusively in the second sense. However, before considering the practicalities of implementing choice schemes might consider the concept of 'choice' itself. Social choice writers have contributed a large literature formalizing the conceptualization and measurement of freedom of choice (Arrow 1995; Pattanaik and Xu 1990, 1998, Van Hees 2000, Kreps 1979; Sen 1988, 1990, 1991, Sugden 1998, 2003 Carter 2004 Dowding 1991, Bavetta and Del Seta 2001; Bavetta and Gualla 2003). The advantage of formalization is that it can make clear problems or even contradictions in the way we theorize and apply concepts that are not obvious to less formalized analysis. The central question in the formal literature was set by one of the early contributions by Pattanaik and Xu (1990). Their 'flavour of an impossibility theorem' is fashioned by three axioms which intuitively seem plausible and produce a simple counting rule for measuring choice. However, the 'flavour' of their impossibility result occurs because the simple counting rule has counter-intuitive implications. In their presentation Pattanaik and Xu (1980) present three axioms:

1. ***Indifference between no-choice situations****: opportunity sets consisting of only one alternative yield the same amount of freedom*

The justification of this axiom is that an opportunity set of only one item yields no freedom at all hence we should be indifferent between opportunity sets that offer no choice.

2. ***Strict monotonicity****: for all distinct alternatives x, y, the opportunity set consisting of both x and y yields strictly more freedom than one consisting of only x or only of y.*

The justification seems obvious. A set where I can choose from two items surely yields more freedom than with only one of those items.

(3) ***Independence****: for all opportunity sets A and B and alternatives x which belong to neither A nor to B, A gives at least at as much freedom as B if, and only if, the union of A and {x} gives at least as much freedom as the union of B and {x}.*

The idea here is that adding or subtracting the same element from any two opportunity sets should not affect their evaluation with respect to each other. That is, if we prefer set A to set B, then we should still prefer set A to set B when element *x* is added to each of them.

Pattanaik and Xu (1980) show that these three axioms yield a unique cardinality rule that freedom is measured simply by the number of alternatives in an opportunity set. In other words all we need to do to measure choice is to count how many alternatives there are open to the chooser: a very simple notion of choice and a nice simple measure. However, some very straightforward examples demonstrate that this simple cardinality rule surely does not correspond to our intuitions about what constitutes an increase in choice. In their example adding the alternative 'blue car' to the set {red car, train} does not seem to add as much choice as adding that alternative to the set {bicycle, train}. Intuitively therefore the simple cardinality rule fails. It appears that the simple counting rule fails because some alternatives that we might add to our opportunity set are more valuable than other relative to the opportunity set we are considering. The obvious answer seems to be introducing some notion of relative value of the alternatives to be added to or subtracted from the opportunity set under consideration (Sen 1990, 1991). In other words, since the potential value of a differently coloured car is lower when the set is {red car, train} than it is to the set {train, bicycle}, including that relative value of that alternative into the calculation of the measurement of the choice that the two sets provide, will avoid the problems with

the simple cardinality rule. However, it turns out that bringing in content-evaluation of alternatives creates it own problems.

There have been several attempts to measure diversity of alternatives within opportunity sets (Bossert 1997, Bossert *et al*. 1994, 2003, Sugden 1998) which display various degree of technical ingenuity. However, Martin van Hees (2004) demonstrates that that they are all doomed to failure. It is impossible to combine the cardinality rule with diversity without one rule dominating. The impossibility result can be illustrated with a simple example. Imagine measuring diversity along a single dimension. In Figure 1(a), the two items *w* and *x* are closer together than the two items *v* and *z* than in Figure 1(b). It appears therefore appears that 1(b) seems to provide greater diversity and so we might argue that 1(b) provides greater (diversity of) choice. Of course it might be countered, even in this figure that someone might prefer the opportunity set of a moderate socialist and a moderate conservative, than a radical communist and a radical libertarian so it might not be *obvious* that 1(b) provides more choice than 1(a) let alone greater utility. The point is made even more manifest when 1(b) is compared to 1(c). Here we have three items *w*, *x* and *y*. They are still contained within the broader set (b) but there are now three items. Does (b) or (c) contain the most choice? Do we value three alternatives closer together or two alternatives further apart? Our answer might depend on where we locate our ideal or bliss point on that dimension. Do we want more options or fewer that our further apart?

If we believe that what matters is how much we value the options then we are suggesting that the degree of choice is defined by the amount of utility we would get from each of the alternatives we gain from the choice we would make. Thus freedom of choice is defined by indirect utility. Some writers have suggested that freedom of

choice should be defined by the indirect or potential utility we would gain in this manner as it provides 'flexibility' for choosers (Kreps 1979, Arrow 1995); or the possibility of different choices remaining open increase freedom for a community enabling autonomy and diversity which is good for a community (Sugden 2003; Bavetta and Gualla 2003). Van Hees's (2004) result shows however, that any measure of freedom of choice must either allow number, or diversity to dominate the calculation. Either way of counting the amount of choice is open to critique because of counter-intuitive examples and they cannot be combined in any manner which avoids these counter-intuitive examples. In short it is not at all clear how, theoretically, we can possibly measure an increase in choice even in relatively simple cases.

[Figure 1 About Here]

We should not however, that these 'impossibility results' do not demonstrate that we can never be sure we have increased choice in any policy domain. Social choice impossibility results demonstrate only that any axiomatic decision rule cannot be applied to *all* cases. They do not show that they cannot, non-controversially, be applied to each and every case. Often we can be sure that the change from situation A to situation B has, non-controversially, increased choice. Thus the results do not demonstrate that public policy cannot be adopted that will non-controversially increase choice: simply that such difficulties might emerge and these difficulties will be non-trivial. So governments can increase choice, but any government claim to have done should also be examined carefully. However, beyond the mathematical or logical difficulties there are other problems in measuring choice.

One problem is individuation (Dowding 1992, pp. 308-312). People value objects under different descriptions and so bringing in some evaluation of an object in an opportunity set requires elucidating a description that is the relevant one for the chooser.[2] Consider choice of schools. Imagine a situation where parents could nominate any set of schools in some relevant school or education district. If there were too many subscribers for any particular school, the final entry would be chosen by lottery, and those not attaining their first choice would then enter the lottery for their second choice and so on. For parents whose main concern was to try to ensure the school that had the best GCSE results, such a system might seem best. They get to order the alternatives and if they over-subscribe at least they stand a chance of getting their child into their second choice school and so on. However, parents who want their child to go to the nearest school would lose out. If the nearest school was also the school that had the best GCSE results, their ability to choose the local school for their child would be reduced. So this way of implementing a choice structure might increase choice for some parents, but reduce it for others, and the reason is that parents would have different criteria for valuing choice. Enhancing choice under one criterion (description of the alternatives) reduces choice under another criterion or description.[3]

Thus pinning down 'increasing choice' is problematic. Offering choice in one domain might reduce choice in another. The experience of one of the authors of this paper is that the way in which one health authority *implemented* the choice agenda of the Blair government over health care for a given minor operation, reduced choice over the date on which the operation could take place. When the author had the operation prior to choice being introduced he discussed with surgeon a precise date that fitted the slots in the surgeon's schedule with the authors own schedule. After the

implementation of choice, the surgeon was not allowed to discuss such dates as the patient had to be asked which surgeon he wanted, and once that choice was made was simply assigned a date. It might not be impossible to lose choice of dates over choice of surgeon/hospital but since this was not a part of the governments choice target, the specific manner of implementation of choice in the health service in this region resulted on one choice being substituted for another. As it happens the author was indifferent over choice of hospital (or rather wanted his local hospital which he would have got anyway pre-choice) but was much more interested in having an input into the day of the operation that fitted with his busy schedule. Of course, a simple anecdote does not demonstrate that the implementation of the choice agenda overall reduced choice for patients, but it does illustrate that implementing choice procedures in one domain may have knock-on effects in other domain. Beyond the measuring problems increasing choice might, simultaneously reduce choice. One's evaluation of to the trade depends upon one's attitude to the choices gained and lost; and what is gained and lost depends upon the targets set for implementing the choice agenda and the precise details that the implementation strategy developed by the street-level bureaucrats.

The Value of Choice

Choice might be valued instrumentally: for what it brings; or it might be valued intrinsically: for what it is. The instrumental value of choice is that it provides signals for providers that increase both allocative and productive efficiency. Market efficiency is driven by choice. If there are multiple providers and a large number of consumers then consumers can pick and choose the products and firms that produce those products in terms of the type of goods they want, and also in terms of the quality

and price of those goods. With heterogeneous tastes a large number of different types of product – such as cars – can be produced and some firms can specialize in certain types of car, say, sports cars whilst other firms specialise in, say, family saloons. The variety of products produced occurs due to the signals that consumers provide through their buying activity. Furthermore, such allocative signals can also drive productive efficiency. Consumers will tend to purchase the type of product they want at the cheapest prices. If some firms produce the product more cheaply than other firms then those other firms are forced to find more efficient production processes themselves in order to stay in business. Thus consumer choice drives both allocative and productive efficiency.

Why might choice be intrinsically valuable? On the face of it there seems no reason at all. If one prefers alternative *x*, to all other alternatives, why would one prefer the set {*x*, *y*, *z*} to {*x*, *y*} to {*x*} (Dowding 1992). Add in any costs that choice might have then surely the preference revelation is likely to be other way round. Indeed a *Which?* survey suggests people prefer 'value access and quality' to more choice in the areas of pensions, health and education (recounted in Le Grand forthcoming).[4] And as Le Grand points out this can only show that people do not *intrinsically* prefer choice to quality, since choice may be the process by which quality is enhanced. The only reason is that people might prefer more to choice to less if they end with the same product anyway is that they *enjoy* choosing. After all, many people seem to enjoy shopping for its own sake, considering shopping exhibitions where they purchase little or nothing as long as they feel they now have a feel for the range of product on view.[5] And this is surely the major reason why choice might have some intrinsic value. We discover our preferences through a choice process. It is only by having a menu alternatives {*x*, *y*, *z*} in the opportunity

set that we discover that we prefer *x* to the others. Without the larger set we would not know that it is *x* that we would choose. By having the opportunity to choose we can find out. This type of 'intrinsic value' might be thought to be at least quasi-instrumental. It is, after all, a process by which we discover we prefer *x*, but it is not instrumental in the sense that the choice process itself increases the quality of the any of the alternatives in the opportunity set. It is simply an evaluative process itself.

Choice might be valued intrinsically in another sense: because it allows autonomy or at least lead people to believe that they are autonomous (Sugden 2003; Bavetta 2003). In the formal literature it is generally assumed (for the sake of the model) that individuals have opportunity sets, and their choice (set) is derived from the opportunity set. The underlying assumption is that people have preferences, which are then realized as they make choices from their opportunity set. However, it is not the case that people have pre-ordained preferences already existing in some hypothetical opportunity set that might never be actually realised. As we have suggested rather people discover what they prefer from the choices they make themselves.[6] However, beyond the value in discovering one's own preferences, there may be a value in the autonomy it appears to bring. That is, people would prefer to be consulted by their GP on the type of treatments they might receive and what specialists they might see. They would prefer to be given the set of possible alternatives by their specialist or surgeon once it has been established that surgery might be a possible solution to their problem. Rather than simply be assigned a treatment by their GP, be told that they need an operation by their surgeon. Treating people as autonomous beings who are able to make decisions for themselves, once the alternatives, the risks and possibilities are laid open to them, might be preferable for most people than simply be told what is to happen. That is one way that choice, or

autonomy might have intrinsic value. People might prefer to be treated as autonomous beings who can make decisions over the treatment they want, *even if*, they recognize that through their choice they might end up with a treatment that brings less welfare – say in the form of pain relief – than if the doctors simply assigned a treatment to them. And if choice is to have any intrinsic value above and beyond instrumental welfare gains, then there must, at least in theory, be examples were we prefer choice even if it brings lower value as judged by the outcome provided by the alternative that might otherwise have occurred.

Another argument might be that people are more attuned to have more alternatives to choose from in the private sector from television stations, to holidays, to types of camera, phones, types of bread, sweets and so on. In virtually every area of the private sector more alternatives are on offer in the domain of every type of good and service. This may lead people to expect choice from the public sector too. It is not so much a question of what they *value* but what they expect. On consideration someone might agree that television, in some ways, was more fun when there were fewer options, but still be surprised and complain when they find only five channels on their hotel TV set. Not being satisfied with a service has as much to do with expectations with the service on offer, as much as the quality of the product one eventually enjoys. Thus choice might be *indirectly* valued. A person might give no intrinsic value to choice – she would not swap one opportunity set *A* for another larger set *B* if her top alternative in *A* was only fractionally more valuable to her than her top alternative in *B* – but would still be disappointed (her expectations for choice unfulfilled) if *A* did not have the range of choice she was expecting. In terms of choosing opportunity sets, prior to knowing the value of the alternatives she would always prefer the larger set (with the caveat on size given below).

The Costs of Choice

So much for the potential benefits of choice: what are the costs? There are three types of costs we might identify: (1) welfare costs, (2) information costs, (3) psychological costs. Welfare costs we have already encountered. Doctors may make patients feel more autonomous by allowing them the opportunity to have a greater input into their treatment, but it is possible that leaving everything up the professional might bring greater welfare over-all in terms of, say, quality adjusted life years. Similarly having greater choice over pensions might make some better off, but others might choose badly, so having a single state or company pension rather than lots of alternatives might bring overall welfare gains. We might simply look at the costs and benefits of increasing choice to see if the efficiency and autonomy gains outweigh potential welfare losses.

The second is information costs, which can be so high that increasing choice in the sense of adding alternatives to an opportunity set actually makes choice impossible. Imagine an opportunity set {.} of infinite size. How could one choose the alternative one most prefers? A set that big is too big even to comprehend, let alone find out information about each alternative to distinguish them let alone decide which is preferable. All that a person could do would be to sub-divide the set in some manner and then make a choice between the alternatives in the sub-set. Dividing in this manner is usually called 'picking' (Ullmann-Margalit and Morgenbesser 1977). One does not usually 'choose' a match from a matchbox, since there is rarely anything of relevant difference between the matches one simply picks one and uses that (and the easiest way to discover a bum match is to try to striking it). So one would pick a subset and then rationally choose amongst the alternatives. Thus adding

an alternative to a set that is already as large as one could rationally spend finding out about the alternatives does not add instrumental value to choice. Indeed it might subtract instrumental value, since it might mean the chooser having to subdivide through picking and then choosing amongst the alternatives in a sub-optimal subset.

We can think of practical examples of rational 'non-choosing'. Recently one of the authors saw a lunchtime consumer programme where an analyst stated that too many consumers are 'not rational' since they insist on sticking long-term with their utility providers: 'By shopping around the average consumer could save themselves £40 a year on their gas and electricity bills'. Now assuming that this 'shopping around' exercise would need to be done annually to ensure that one does not stick too 'long-term' with one's current provider, is not itself enjoyable and it would take around four hours to collect the relevant information (by making telephone calls, asking for information etc) and then working out the best deal (given that the rates are not all given in readily comparable prices) then it is only irrational for a consumer not to shop around as the analyst asserted if the marginal value of their time is less than £10 per hour.

Now we must note something in passing. The example shows that there is nothing irrational in an individual consumer not shopping around for the best utility provider. It shows that there may be no individual advantage for a consumer to spend time explicitly making a choice between utility providers even if, costs of making the choice aside, the consumer would be better off switching providers. It does not show that opening up utility provision to market forces does not bring advantages to consumers. Schwartz (2004, p. 25) uses a similar example and claims 'the problem is that state regulators aren't around there anymore to make sure that consumers don't get ripped off. In an era of deregulation, even if you keep what you've always had,

you may end up paying substantially more for the same service.' Well you might. But equally, de-regulation might bring competitive advantages which drive down prices over-all as companies become more efficient in a competitive market. But hang on, the critic says, 'how can the gas-market be efficient if consumers cannot "rationally" choose between companies?' Well the example only shows that it is not rational for consumers who value their time more than £10 per hour will not rationally choose to collect the information. And their might be plenty who value it less than that. Furthermore, markets do not need to be driven by 'rational' consumers. Companies often have market drives to persuade people to switch to them, and some do – perhaps because there are initial price advantages even if these disappear as their original supplier fights back and reduces their prices so the consumer would have been better off in the long-run not switching.[7] But what matters for the market over-all is that there are some switchers – rational or not – and the companies see that they are fighting for their market share and the companies rationally fight by becoming more efficient.[8] In doing so, all consumers, even those who stick with their long time utility providers may gain through market processes. It is the market which has provided the efficiency gains; and the market requires there to be choice. But no individual may value choice in itself, and no individual need gain instrumental value *through their own choice* (that is all 'switchers' might have been better off sticking with their initial provider had the market operated as it did with all those who switched), even though everyone has gained through the operation of the market.[9] More simply, choice can be instrumentally rational for a community, even if it is not instrumentally rational for any one member of it. We might all simply randomly pick from the supermarket shelves the nearest 'wiffle' to where we happen to be standing at the time, but 'wiffles' might be efficiently produced and marketed as long as the producers think

we are choosing by price and quality. Wiffle producers have reached equilibrium where they all produce precisely the same product at precisely the same price.

Third we have 'psychological costs'. There are many ways in which we might bear psychological costs of greater choice. Some may simply be a result of information costs. Schwartz (2004, pp. 19-20) recounts an experiment where in a gourmet food store the experimenters displayed a set of exotic jams. Customers were invited to taste the jams and received a coupon for a dollar off if they bought a jar. Under one condition the consumers were offered a choice of six jams; in another a choice of 24. In both conditions customers could spend their coupon on any of the 24 jams. The larger display attracted more people, and about the same number tasted about the same number of jams. However, around 30% of people bought jams who faced the array of 6, only 3% who faced the array of 24. A second experiment in the laboratory involving chocolate produced similar results (Iyengar and Lepper 2000). Why these findings? We might speculate that there are greater costs involved in working out which jam one prefers from the larger array. Furthermore, choosing from the larger set might diminish one's enjoyment of the alternative one has actually chosen. Consumers might feel regret or have doubts that they have chosen rationally when they know there is a larger set available that they could not properly choose from: in other words being forced to pick leads to regret that one cannot rationally choose. Schwartz (2004, p. 122) suggests that if 'we assume that opportunity costs take away from the overall desirability of the most-preferred option and that we will feel the opportunity costs associated with many of the options we reject, then the more alternatives there are from which to chose, the greater our experience of the opportunity costs will be. And the greater our experience of the opportunity costs, the less satisfaction we will derive from our chosen alternative'.

What does this type of psychological cost mean for the introduction of choice into public services in the UK? Not very much. After all choice over hospitals means that rather being sent to the (nearest) suitable hospital patients now have a choice of three or four. This is more like the array of six than 24 jams. It might have some relevance for other choices. The Conservative government in the 1980s encouraged the growth of choice in pension plans by encouraging employers to close down simple company schemes, open up private schemes and offer a wider variety. Here people faced a much broader set of alternatives. Moreover, pension schemes are notoriously difficult to understand (do you really understand your scheme?). Here the psychological costs of choosing might be great, not only because of the variety, but also the complexity and the importance of the decisions. The shift away from state or company-provided schemes to a mix of company, state and private schemes also places much greater responsibility upon people. There can be much greater stress upon people if they feel they have to take full responsibility and might feel that stress when making the decision in both pre-decision and post-decision regret for what they cannot or have not chosen. As evidence for this stress, Schwartz (2004, p. 116) reports that of those who did not have cancer 65% reported that they would prefer to choose their treatment; but of those who actually have cancer 88% said they would prefer *not* to choose their treatment. When it comes to the crunch, people would sooner not take responsibility for a decision that brings pain and might make an important difference to their chances of survival.

In complex decision there are many dimensions that need to be traded off. Making those trades can bring regret: even when a person has made a choice they may feel regret for having had to trade advantages in some dimensions. In fact, it has been shown that when making complex decisions if people take their time they tend to

concentrate upon one or two dimensions but if they have to make immediate decisions they take into account all of the dimensions. In that sense, thinking about a complex issue might make for worse decisions.

Of course, people can feel regret even when they do not make choices. One may regret choosing one cancer treatment over another. But one may also regret not having one cancer treatment over another, if one gets to hear about it later: whether one's regret or anger is better or worse for one depending on whether the choice is made for you or by you is a moot point. However, one should remember that 'introducing choice' into public services generally speaking is not 'introducing new alternatives' it is merely enabling people to have some input into which of the alternatives that are possible get chosen for them. In that sense, bringing choice into public services is not necessarily introducing regret, it may simply be changing its character. Having said that, there is a great deal more stress involved in choosing a hospital or treatment, or school, than is involved over a choice of jam. Sampling is not possible, expert knowledge is required and some people may find stress even thinking about trying to compare league tables for hospitals or surgeons.

Introducing Choice into Public Services

There have not been a great many quantified attempt to measure the effects of choice on citizen satisfaction with public services, and those that have been conducted have not attempted to control for other factors affecting the quality of output to any great extent.[10] Parents have had greater choice over school for their children since 1988. Its introduction has been generally popular and it would almost certainly be controversial to attempt to reverse this process. A survey of parents of children at Level 5-7 found that 90% of parents were satisfied with the outcome and 70%

satisfied with the process of choosing the school choice (Flatney *et al*. 2001: 15). Satisfaction with the outcome of the choice process is certainly due to 90% of parents getting their first or second choice of school for their children. The lower scores for satisfaction with the implementation of choice procedures varies greatly depending upon the complexity of the process as implemented by different local education authorities. Also lower rates of satisfaction were found among parents in London areas where there are shortages of secondary school places (Flatney *et al*. 2001: 15).

Whilst there has been some examination of choice in the health market, it is not at all clear how generalizable these results are. There is little evidence about the introduction of choice over hospitals has been successful. The study of (Dawson *et al*. 2005) of the London Patient Choice Project showed that choice was welcomed, but this was a special initiative for patients who had been waiting for more then 6 months for treatment and involved help with the costs of getting to and from the hospital of their choice and patients were provided with Patient Care Providers (PCA) to advise them. These findings show that if the costs of going to hospitals farther afield are defrayed, and that the waiting time can be drastically reduced, choice is much welcomed. It does not show whether it is welcomed when these conditions do not obtain. It may only show that when more resources are put into a service, satisfaction increases. Furthermore, evidence from abroad shows that the referring doctor's advice is more important than the patient's (Thomson and Dixon 2004), though this may simply be a result of patients heeding expert advice in areas where they feel they are out of their depth. Patients in Manchester were more likely to make their own choice if advised by a PCA (Barber *et al*. 2004), and those in London who did not take up the offer of choice on the whole were less satisfied (Coulter *et al*. 2005) – though the causal path is not obvious here. It is also not obvious if the doctors 'choice' is

actually being replaced by the PCAs. Providing information is a key element of patients taking up choice opportunities however (Barber *et al*. 2004; Le Maistre *et al*. 2004; Coulter *et al*. 2005). On the other hand, litigation in the US has led to fears that doctors will not advise patients and simply list the options (Le Grand, forthcoming). Furthermore, crude measures of 'success rates' for surgeons might be misleading and lead to a 'gaming' process (Hood 2002) where doctors will choose not to operate on high-risk patients in order to keep up their success rate.

Choice in health care should be more about discussion with doctors and care professionals about the types of treatments available and what patients might choose. An international study found that amongst six countries the UK was poorest at involving patients in choice (Schoen *et al*. 2004). Some doctors may underestimate how far patients are capable of making choices and rather manage choice procedures themselves (Farrell 2004). The choice pilot scheme in London found that under a third of patients eligible were actually offered a choice by their consultant (Coulter *et al*. 2005). Another study found that out of twenty-four users across four localities, 60% were given no information about the options presented to them and of those who received domiciliary care none were offered a choice of provider or sector (Knapp *et al*. 2001). Medical training now teaches patient involvement (Modernising Medical Careers 2005) though obviously this implies that the continued introduction of choice in ways that enables patients to feel more autonomous is a long-term strategy. The need for information and the complexity of information processing suggests that some patients need more guidance and help than others. Ensuring that professionals are rewarded for helping those most in need rather than punished by crude productivity measures is necessary in order to maintain equity.

The Nursery Voucher scheme introduced briefly between 1996 and 1997 allowed parents with four year olds to choose between local pre-school care providers funded by a voucher paid directly to the provider. The scheme only ran for one year and the implementation costs were high. The scheme was not appear that popular – largely because of the parents finding difficulties locating nursery and childminders who tended to be oversubscribed. A MORI poll of 605 parents found that 75% thought the scheme made no difference to the number of places available whilst over 80% said it made no difference to their ability to exercise choice of provider (Education and Employment Committee 1997).

Survey evidence suggests that working class people value increased choice more than the middle class (Le Grand, forthcoming) and the Audit Commission concluded choice might be valued more by disadvantaged groups who previously did not feel they were able to exercise choice compared to more advantaged groups (Audit Commission 2004).

Has choice also helped to improve quality? Here the evidence is even sparser. There is some evidence of progressive outcomes in some services from enhanced choice schemes especially in relation to maintaining a mixed clientele and some gains in efficiency and responsiveness. Parental choice for secondary school selection may have led to more middle class parents remaining within state provision rather than private schools (Flatney *et al*. 2001). The Choice Based Letting experiment in social housing introduced in 2001 until 2003 appears to increase social housing take-up especially among working households and ethnic minorities and was valued as transparent and open, even though the scheme was quite complicated (ODPM 2004).

One large-scale study concluded that more parental choice had increased competition between schools locally, with schools responding to consumer demands

and failing schools closing (Bradley *et al*. 1999). Efficiency gains did occur in many schools between 1993 – 1997, according to Perri 6 (2003), where schools were able to improve exam standards and attendance – both of which are difficult to link directly to parental choice only and are more likely to be the result of a package of reforms that provided many incentives for schools to improve (Bradley *et al*. 1999). The system of regulation within secondary schools does place limits on responsiveness and competition. Only large and well-resourced schools were able to bring large innovations to the curriculum and parents have had limited scope and resources to set up new school. Given that national curriculum standards need to be maintained – issues that the Government's 2005 White Paper highlighted as in need of more flexibility so that parental choice can lead to a more responsive service (DfES 2005). However, many of the improvements in schools can be put down to the regulatory processes, and the closing of failing schools and injection of money into Foundation schools, rather than anything to do with choice itself.

The Nursery Voucher Scheme is an example parental choice in the sense of the ranges of alternatives has been reduced through their making choices to send children to schools rather than nurseries and childminders. Schools with their larger budgets were able to expand in response to higher demand resulting in private and voluntary sector provision declining in some areas. Again however, the effect of regulations in providing the required pre-school curriculum may have been a major contribution (Education and Employment Committee 1997).

Greater student choice in selecting modules to make up their degree programme in higher education has enhanced responsiveness and innovation within the sector according to many studies. More transparency over assessment, standards and procedures are afforded to students, perhaps driven by their and their parents

concerns about investing wisely given the cost of tuition fees and students loans (Perri 6 2003). Popular courses and departments have expanded to such a degree that some critical voices are being raised about educational standards and content *vis a vis* the desirability of responsiveness. Ware *et al.* (2006) found more choice of service providers in community care but little increase in consumer perceptions of choice and little scope for user input in service content.

Conclusions

Examining the success of introducing choice into public services is problematic. As we have seen judging how far choice has expanded is problematic. Judging whether people value choice is problematic. Whilst choice can be costly and may not be desired under certain conditions, it would seem odd to suggest that people think choice is a bad thing. On the other hand simple surveys suggest that people would sooner have better quality than choice *per se*, but choice may be the means of better quality. Hence, rather than examining stated preference evidence about choice itself, we might better look at stated preference evidence about satisfaction with public services; and objective criteria for better services. However, the latter can be problematic because authorities game their services to hit the indicators that are measured, whilst the former is problematic since stated satisfaction is based on expectations, and as objective indicators suggest services are better people expect more and might be dissatisfied with better services if they do not meet their inflated expectations.

Gaming also means that where problems with choice emerge (as in our anecdote about losing choice over timing to gain choice over hospital) may be a result of the implementation of the choice programme due to gaming caused by target-

setting. However, on the other hand efficiency and effectiveness gains that might be measured following the introduction of choice might be due to other procedures that the government is introducing at the same time. Central government has taken a much larger role in setting targets and regulating procedures in both health and education over the past ten years or so. Local authorities have been set many more targets and the means to achieve them than was the case twenty or thirty years ago. Gain in the quality of service provision may well be due to top-down performance management, market incentives (contracting-out and privatization), the efforts of middle- and street-level bureaucrats as much as anything provided by the choice agenda. Figure 2 illustrates these different forces as they are viewed by the Prime Minister's Strategy Unit. What is not clear to empirical researchers how we can go about disentangling these different forces to gauge their relative successes and failures.

[Figure 2 About Here]

In this paper we have examined some of the conceptual and theoretical problems bedevilling the strategy of increasing choice. We have queried whether and to what extent it is always desirable. We have also examined the empirical evidence about the successes and failures of the choice agenda in the UK. And we have noted just how difficult it is to really examine those successes and failures. We will conclude by suggesting some of the criteria that need to be addressed in deciding whether encouraging consumer choice in the public services is to be recommended.

First we need to consider the **nature of choice** being offered. Often giving consumers extra alternatives may also exclude some alternatives. Second, we should

recognize that **market and quasi-market** choice might close down options (as they go out of business) as well as increase them. What is the real objective – efficiency or wider choice? Third, the most important aspect of the choice of agenda is the **implementation process**. For example, patient choice is about offering real alternatives that bring advantages to people, not simple a menu of alternatives. For that reason 'soft' expansion in the form of medical practitioners talking through potential procedures and letting patients have their say in their treatment may well bring much greater benefits than 'hard' expansion with the objective that each patient needing surgery will be offered at least four hospitals in which to undergo the medical procedure. Soft expansion requires training for medics, and requires what Le Grand (2003) calls 'knightly' behaviour, but is much more important than the hard expansion which might actually benefit only a few people. Encouraging knightly behaviour is necessary by ensuring, at the very least, it is not discouraged. GPs and hospitals need to be encouraged to spend time with their most difficult patients, so data on the social and medical backgrounds of patients is required when judging 'throughput'. Similarly, judging schools simply on the basis of the examination results without factoring in the social backgrounds of children will encourage cream-skimming. Advantage Premium would give extra funding for children from a failed school (O'Shaughnessy and Leslie 2005), while Bowles and Gintis (1998) suggest a voucher scheme where the voucher has variable value depending on the socio-economic background of the pupil and the socio-economic composition of the school (see also Le Grand forthcoming).

The **costs and benefits** need to be addressed. Would the money spent on implementing the choice agenda be better spent elsewhere? More importantly what are the costs and benefits to consumers? Choice can be stressful. It is possible that in

some areas – such as pensions policy or major surgery – that the benefits to some of being given choice is outweighed by the stress it causes others. Of course, patients always need to give consent for treatment, but doctors might judge that directing some is preferable to leaving decisions in their hands. Again the choice agenda might best be left soft, where street-level bureaucrats are given discretion to decide how best it can be implemented. The idea that we should not have a public service where 'one size fits all' can be applied to process of offering choice, as well as to the idea of offering more than one alternative.

Most of our thoughts on the criteria for judging choice rely upon the idea that choice is not represented simply by Pattanaik and Xu's cardinality rule. Policies which simply lead to a menu that enables the government to state that consumers now have a choice of possible alternatives whereas once they had none or fewer may add little to the welfare of the public. Indeed, given the costs of implementation there may be welfare loss. Rather, choice must be viewed more broadly in terms of the welfare benefits it might bring, efficiency gains through competition and information and in terms of the feelings of autonomy it enhances amongst the public. These are all to be encouraged, but on the other had one must be aware of the costs that implementing choice brings about. Doctors spending more time with patients, having PCAs to help with decisions all cost money and means doctors will have lower throughput. And choice can be costly for the chooser too. Choice does not come free and those costs need to be examined carefully. However, with a fully rounded analysis the choice agenda might well be welfare enhancing for the British welfare state in the years to come.

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Notes

[1] See also Perri 6 (2003) for consideration of where choice has been introduced in various areas. Most of his examples pre-date the Blair government, and in some cases have been abandoned.

[2] The individuation problem involves the evaluation of the alternatives of course.

[3] Another oft-used example is that a vibrant car market gives choice over cars, but no choice over whether or not to live in a car-free society. Or as Spike Milligan once put it. He thought he was choosing to bring children into the world; it was only later he realized he was actually bringing cars into the world.

[4] The Labour government found this out for itself in research largely from focus groups in the planning to their 2005 election campaign. See 'Voters Turn Against Choice in Public Services' *Guardian* 27th March 2004.

[5] Schwartz (2004, p. 18) reports that 93% of American female teenagers state shopping is their favourite activity.

[6] We would like to point out here, since this is so often misunderstood, that this claim is not inconsistent with formal modelling, even though it is not usually a explicitly an element of it, and some implications drawn by formal modellers might be inconsistent with it.

[7] And not be rational to switch back as they would have to spend too long finding out the precise costs and calculating the respective benefit.

[8] It has never been established, even theoretically, what number of informed consumers are required in order to drive a market. Figures of 10% bandied about by many, including us (Dowding and John 1997), have simply been conjured out of thin air.

[9] More generally speaking economic theory requires economic agents, and actual markets can operate as though there are economic agents. However, human beings are not very good economic agents, certainly not as good as ants or pigeons. See Ross (2005) for a long but brilliant exposition of this difficult-to-grasp relationship between agency in theory and agency in practice.

[10] For some reviews of the evidence see Williams and Rossiter 2004, Farrington-Douglas and Allen 2005, Le Grand forthcoming. YOUR THING WHAT REFERENCE AUTHORS?