



‘When the dust settles, people see the truth’

Ed Balls, Gordon Brown’s former right-hand man, is now a visiting professor at King’s College London and a fellow at Harvard. He talks to **John Morgan** about Labour’s legacy and re-entering the academic realm

“**W**hen we started out in the Treasury back in 1997, our thinking was...” So runs the opening to one of the points that the former chief aide to chancellor Gordon Brown and now part-time academic Ed Balls is making. The fact that this “we” trope recurs throughout his interview with *Times Higher Education* might be seen as revealing two things. First, that Brown, who went on to lead the Labour Party to defeat in the 2010 general election, is still so problematic a figure that his presence must be left unspoken. Second, that Balls’ role at the Treasury, where he was officially chief economic adviser, was so influential that it really did match his unofficial title of “deputy chancellor”.

During his time there – which ended in 2004 with his election as an MP – Balls was a driving force behind many of the policies he picks out as successes of the period: Bank of England independence, the five tests for euro membership that kept the UK out of the single currency and the pairing of the minimum wage and tax credits.

Labour’s 2010 defeat came in the wake of the financial crash, amid Conservative claims that Labour overspending was to blame for the deficit. But for all the Tories’ talk around his party’s economic record, Balls also derives considerable satisfaction from the fact that current chancellor George Osborne, his great political foe during his time as shadow chancellor in the last Parliament, continues to run the Treasury in the way “we” shaped it.

“From the very beginning [of Labour’s time in government] the Treasury’s role was about the stability and the finances, but also about growth and poverty and the underlying structure of the economy and how we could reform it,” says Balls, who served as secretary of state for children, schools and families in the three years prior to Labour’s defeat. “We were as interested in competition policy and apprentices as we were in interest rates and financial regulation. If you look at the way in which George Osborne is doing the job, he’s *very* much in that tradition. He’s as interested in housing and infrastructure...and that’s the right way for the Treasury to be.”

Perhaps that will be one of the messages that Balls conveys in his university teaching. After the famous loss of his Morley and Outwood seat by 422 votes in the 2015 general election, Balls was appointed in October as a visiting professor in the Policy Institute at King’s College London. He has also taken up a post as a senior fellow in the Harvard Kennedy School’s Mossavar-Rahmani Center for Business and Government.

He is no stranger to the academy. After studying politics, philosophy and economics at the University of Oxford, he studied for a master’s in public administration at the Harvard Kennedy School and then, in the late 1980s, became a teaching fellow in Harvard’s department of economics,

before leaving to become a leader writer at the *Financial Times*.

Life in the classroom must be more harmonious than Balls' last workplace. As shadow chancellor, he became known for his continual attempts to wind up Osborne and David Cameron in the House of Commons with a hand gesture indicating that the chancellor's austerity measures had produced flat-lining growth. During one acrimonious exchange, Cameron dubbed Balls "the most annoying person in modern politics", and later told *The Sunday Telegraph* that sitting across from him in the Commons was like sitting opposite "someone with Tourette's".

That dislike was matched at the other end of the political spectrum. In a tweet that got him into trouble when he later became an aide to current Labour leader Jeremy Corbyn, Andrew Fisher, the left-wing political activist, said of Balls' ejection from Parliament that it was "fitting that the architect of Labour's miserable austerity-lite economic policies should lose".

At King's, Balls is co-teaching a master's module titled "The Treasury and Economic History since 1945" alongside Sir Nicholas Macpherson, the Treasury's permanent secretary, and veteran economics commentator William Keegan. The fact that those two figures "have personally lived through many of the most important events in the last 50 years" is one of the main reasons Balls felt unable to turn down the opportunity to teach alongside them once a week.

Indeed, King's has amassed an impressive roster of visiting professors, which also includes former Labour schools minister Lord Adonis, former Conservative universities and science minister Lord Willetts, former Labour education secretary Charles Clarke and former chair of the Public Accounts Committee, Margaret Hodge. Speaking to *THE* in the Policy Institute's offices, Balls says his own involvement originated in an

approach from Ed Byrne, the King's principal, last summer. He already knew Jon Davis, director of partnerships at the Policy Institute, from Davis' time at Queen Mary University of London, where he was director of the Mile End Group, a political events forum with a record of attracting New Labour's leading figures to speak.

The Policy Institute's vision is "really interesting and exciting", Balls says. "That bridging between the practice of policy and academia and the deep study of our society and trends and ideas – that's a really good project." He adds that this "very much fits with what I've been doing at the Kennedy School. [That] has been a school of government and practice in the US for over 40 years. And we [in the UK] haven't had the same kind of place, where people discuss and learn about policymaking."

Of his time at Harvard in the late 1980s, he recalls that there was "a lot of theory in the economics department. Most of the professors I was close to at the time were all economists. They're all still there: Larry Summers [the former US Treasury secretary and former Harvard president], Larry Katz, Martin Feldstein: all doyens of the economic world. But I don't think I appreciated when I was there... how important some of the practitioner courses would be. I didn't understand it and I hadn't had experience of that."

"What we're doing in this course [at King's] – and what I'm doing at Harvard now – is talking with students about the processes of policymaking: understanding why things happen in the way they do, making sure that you are always challenging the conventional wisdom and making sure you don't get behind the curve."

Balls' vision of politics as a profession – borne out by his own career trajectory – would not go down well with critics of New Labour. It is perhaps a reaction against the rise of an elite class of adviser-turned-professional-politician that, in part, has led Labour



members to turn to Corbyn in search of something they perceive to be more honest or authentic. But Balls refuses to be drawn on the subject of the new Labour leader – or, indeed, the new shadow chancellor, John McDonnell. "The last thing people doing jobs need is a running commentary from the people who did the jobs before. Obviously I've got my views, but I'll let them get on with it," he says.

On the day of his interview with *THE*, Balls is due to teach the period 1993 to 2004, which includes his time in the Treasury. He argues that many of the successes listed above were "controversial at the time" but "became consensual, because in the end they were clearly the right thing to do".

One example is the conviction that "the only way to deal with inequality in the labour market is through a combination of the minimum wage – which was controversial because it was new – and in-work support through tax credits... The minimum wage became consensual and, looking at the current debate, I think tax credits have turned out to be rather more consensual than some people thought." That, of course, is a reference to Osborne's highly controversial plan to cut tax credits, which was defeated in the House of Lords last October and was eventually abandoned in the spending review.

He also says: "Twelve, 13 years ago, it was controversial and debated in Britain whether the NHS could survive as a taxpayer-funded universal service – and I think that argument was won."

But Balls admits that "clearly we got some things wrong" too. One mistake was the abolition of the 10p starting rate of income tax.

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That move was criticised as a tax raid on the poor and Balls confirms that "we were all worried about [it] at the time... Whether you're in a government or a company, if you make decisions that jar with people's underlying perceptions of your values... then, in the end, people don't understand that and they don't like it."

On the 2008 financial crash, he dismisses as a "red herring" the argument that "the structure of the Bank of England" was a major cause of it in the UK. In his view, the principal reason was a global failure to accurately perceive economic reality.

"You have to be continually challenging yourself not to simply look at what everyone else is looking at [but] to keep standing back and asking: 'What is really going on?' That is quite a difficult process [that was not] happening all around the world."

Although Balls is proud of Labour's Sure Start childcare and education programme, aimed at giving all children a good start in life, he laments the party's failure to prioritise prevention in the criminal justice system.

And the final "blot on Labour's copybook" he picks out is that "we clearly didn't find a sustainable way forward for the financing of higher education".

Balls is a long-standing advocate of a graduate tax. He remembers being on BBC One's *This Week* programme in 2010 with former Tory Cabinet minister Michael Portillo: "Portillo said the reason why he was against a graduate tax was it would make it much, much harder to have variable fees – different for each institution. And I said the reason why I was in favour of a graduate tax was I absolutely thought students should make a contribution, but I was very wary indeed of where allowing variable fees set by different institutions would take us."

As shadow chancellor, Balls was at the heart of Labour policymaking in the lengthy deliberations over the £6,000 fee cap policy that the party eventually took into the



election. His concerns over how it would be paid for were, reportedly, the cause of wrangling with Ed Miliband, who was Labour's leader at the time.

"We came up with some proposals before the election which clearly didn't win universal support," says Balls. "They were never, ever presented as a solution. They were a step along the way. But you have to stand back and say: 'We need a system of higher education that really finances excellent institutions for the UK, which means that those students with talent go to universities to do what they want to do regardless of its affordability and [their] perception of affordability and which is fair to the taxpayer. And [I don't believe] the current system... is succeeding on any of those fronts.'"

The write-off on student loans, which will eventually be paid by the taxpayer, has been subject to fluctuating estimates of up to 45 per cent of all lending since the £9,000 system became policy in 2010. Balls calls this system "a random and unprincipled way to finance higher education. And the fact it's so untransparent at the moment... is very flawed."

In terms of the future, how does Balls think Labour should address the Conservatives' damaging accusation – which appears to have resonated with the public – that Labour overspending created the deficit?

"First, the electorate is always focused on the future, not on the past. If they think you've got the answers for the future, they'll support you... Second, I think the nature of contemporary history is that [when] the dust settles, people see what the truth is."

But when Osborne proclaims that he won the economic argument and that Balls was wrong to predict that austerity would choke off growth, does he ever wish he could have a shot back? Can he ever see himself returning to frontline politics?

"I think George is grateful we have a very credible independent central bank," Balls replies. "I think he's grateful that we didn't join the single currency. He's reflecting on the importance of minimum wages and tax credits. And I'm really pleased that he's become taken with the importance of investing in infrastructure, with an independent infrastructure commission to be chaired by Lord Adonis. These are all good things."

"There's always going to be disagreement in politics. But generally, societies make progress through consensus. So the more you can reach a consensus about the way forward, the better. Put the noise aside... the places we succeeded were where we built that consensus. The areas where the current government will succeed are the areas where they carry on that consensus."

So, is he finished with frontline politics, or could he return in the future?

"You never ever say never because you don't know what the future's going to hold," Balls says. "But that's not my plan at all."

And, with that, he is off to the classroom. ●

