

**Tim Phillips [00:00:00]:**

Welcome to VoxTalks Economics, recorded live at the PSE CEPR Policy Forum at the Paris School of Economics. My name's Tim Phillips.

In this episode, how we can make sure that economic research influences the policy debate, in the words of two of the people who could be the influencers. All week we've been having policy conversations to close the day at this conference. But economics only becomes policy if research inspires someone in power to act. In the U.K., for 50 years, the most respected research institute has to be the Institute for Fiscal Studies, the IFS and either director of the IFS, Paul Johnson, he's here today. Paul, welcome.

**Paul Johnson [00:00:56]:**

Hello. Thank you.

**Tim Phillips [00:00:58]:**

In France, the IPP is much younger, only a decade old. It works on the same model. But we also have the director, Antoine Bozio. Antoine, welcome as well.

**Antoine Bozio [00:01:09]:**

Hello.

**Tim Phillips [00:01:09]:**

Antoine, first of all, it's no coincidence that the IPP has the same model as the IFS. Is it because you did some work with the IFS before?

**Antoine Bozio [00:01:19]:**

Yeah. After my PhD here in PSE, I joined IFS and I discovered how wonderful that model was for actually conducting high quality research with policy impact. And in all my years at IFS, I thought, well, there's one country I know well that could benefit from having an institute like the IFS. And luckily, I was offered the ambitious task of trying to set up something like IFS here. And the result was IPP, the Institut des politiques publiques, which you can translate both in English and French. Institute of Public Policy IPP, the same acronym, which is very useful.

**Tim Phillips [00:01:57]:**

That is very useful. What was it about the IFS that you thought, this is good, this is something we could use in France?

**Antoine Bozio [00:02:05]:**

Clearly to me, the two things were first of all, a linkage with high quality academic research. Science based. Trying to build on the best data, the best method, trying to do something established among international methods, peers, peer reviewed journals, publication and being timely with the social demands, with the news, with the policy demand to be right on time, to be able to communicate when people need some answers or some explanations about how policies can or could work. This was this truly balance that IFS was achieving and that we wanted to reproduce here in France.

**Tim Phillips [00:02:45]:**

For anyone who doesn't live in the UK, the IFS does have a strong media presence. It's unusual for me to hear Paul's voice and for me not to be sort of eating breakfast, something like that, because you are the go to person for journalists who want to make sense of what is going on with government policy. What I said at the beginning, that for research to be useful, it has to be translated into some kind of policy action. Is that fair? Is it sometimes just enough for you to do the numbers?

**Paul Johnson [00:03:16]:**

Everything we do at the IFS, we try to, as Antoine was saying, really, make sure that it's both high quality, serious academic work based in empirical analysis and interesting and useful for public policy. Now, some of what we do is more on the academic end and some of what we do is more on the try to impact public policy end. But the purpose of the IFS in the end is to use that really high quality research to try and inform people, partly through informing people, partly through engaging directly with policymakers, to have some influence on policy. Now, look at the mess that quite a lot of policy is in in the UK, and arguably we haven't had an enormous amount of success on in some of those areas. But without question, there is a demand for independent, high quality analysis and people that journalists and politicians, others, can go to and trust them to be able to some extent translate some of the academic work, to some extent be able to communicate what we know in the areas that we work in.

**Tim Phillips [00:04:12]:**

Being independent, being objective in that way, must be quite difficult to maintain because you have to still have an opinion, you can't be neutral, you have to say some things are working, some things are not working, some things are wise decisions, some things are not. Do you have a set of rules, principles?

**Paul Johnson [00:04:33]:**

I mean, you're right, in the end, no one can be purely objective. I mean, the things that you decide to say, for instance, or the results that you decide to communicate, say something about what you think is important. I mean, very often we will try and frame what we say along the lines of if you want to achieve this, then this policy will or won't get you there. So not making a judgment about whether you want to achieve that. And in some areas we are much more careful than I think some others are. So we don't have, I think it's fair to say, a view about what is the right level of inequality, for instance. But we will say that if you're worried about inequality, here are some things that would work and here are the costs of achieving that. And here is what the impact of what government policy would be. As we were discussing just before this podcast, Tim, some of the areas where this becomes most difficult, I think, for a group of people working on economics has actually been where there have, as people will know, been a couple of referendums in the UK over the last decade or so, one on Scottish independence, one on Brexit. The economics is really very straightforward in both of those cases, it seemed to us that wasn't a statement of what we thought about the rights and wrongs of Scottish independence or the rights and wrongs of Brexit. But when we were talking about the economics and what the economics told you about that, it did come across as though we weren't being independent, actually. We were being independent because we felt it was right to communicate what was the accepted and clearly correct view of the economics.

**Tim Phillips [00:06:05]:**

Antoine, how careful do you have to be in France? I've noticed that some government policy decisions seem to have upset quite a lot of people in the last few years.

**Antoine Bozio [00:06:15]:**

Yes, well, the environment in France is quite different in the political environment from the one from the UK. And there is a long tradition in France of intellectuals being engaged, politically engaged as something really positive and trying to be neutral, not being seen as something very positive. So it was not completely obvious in that environment to say how we want to present IPP. In trying to contribute to the policy debate, being nonpartisan and being impartial in all communications. I was extremely careful and I'm still extremely careful in the way we communicate. I was trying to remember what I've learned from IFS and exactly what Paul was saying, that if you want to achieve this objective, these are the options. But I realized that although we had that long tradition in France of being politically engaged, there was also a very strong social demand for some groups or an institution that will come up with something which doesn't tell you what you should vote for, what you should have a view on, whether it's good or bad, but saying, what are the underlying facts? What do we know and what do we don't know? Which is also very important to stress.

**Tim Phillips [00:07:27]:**

But I remember covering a couple of years ago some work by Stefanie Stantcheva at Harvard

where she's done work about people have different polarized political opinions. And it's not so much that they don't agree on the interpretation of the facts anymore, it's that they don't agree on the facts even. Do you get pushback from other people who are trying to influence policy and you're not saying things that make them pleased? Do they criticize you?

**Antoine Bozio [00:07:54]:**

So often we get pushbacks and we get criticized. But one thing that I realized was very important is to make sure that on average it's not the same people because it's never always on the same side that we end up to be criticized, receive pushbacks or criticism or applause when it goes in the direction of what people expect. What I've tried to push is that what we here for is not to change your objective of your political views, but to arm you with facts and understanding that help you, whatever your political objective, to achieve better policy. And I think it's by stressing that it's never black and white in terms of the result, the subtlety of the result. Anything which I find the difficulty for communication in a press environment in the media is trying to be able to be subtle enough so that it doesn't appear as a taking sides.

**Tim Phillips [00:08:51]:**

Paul, you have a long, long, long career in navigating your way through this? Again, there are many special interests in the UK, things like the health service, what we do with education, public ownership, they're all very hot issues. How does it work out that you manage well to offend everyone, equally I guess?

**Paul Johnson [00:09:19]:**

I guess it's very much, as Antoine says, it is quite important that we're not upsetting the same people all of the time. And actually, we're not. I mean, we do get quite a lot of criticism from the right. Who we say what we think is true, which is that if you want a welfare state of the type that we have at the moment, then we will have to raise taxes over the next few years, for example. That's one thing that people don't want to talk about, for obvious reasons. That goes down very badly among some people, though, actually, as we are seeing at the moment, taxes are rising to their highest level in history in the UK, pretty much essentially, as we projected that they would. So that makes us very unpopular. But equally, when you point out that if you want to, as people on the left often want to do, spend a great deal more on whether it's health or education or what have you, then there is a cost to that and it's not a free lunch. And of course, politicians, in fact, all of us human beings, will want a free lunch, don't we? And afraid we're often in the miserable position of pointing out that actually there really aren't any free lunches out there. And that annoys people, as does pointing out some of the realities about the problems about funding the NHS, or the way in which you've got choices over how much you pay doctors and nurses, which is a very big issue in the UK at the moment. We have significant shortages of teachers which are associated with decisions over pay and the incredibly tough trade offs you have in designing a social security system or a pension system. And one of the things that I think is very common

to what we say, and if I may advertise my book at this moment that I've recently published called Follow the Money, the only theme through that book unlike most books which are offering you sort of simple answers of one kind or the other, only theme through it really is these are really hard questions. Wherever you look, there are trade offs. You can have some of this, but if you have some of that, then it's going to cost you over there and right the way through everything that we work on at the IFS, what we're in the end, I think really trying to do is point out that the seriousness of these trade offs, that actually it's not that there are policies which will make everyone better off. You're going to upset someone with whatever you do, and you have to make those trade offs. Our view, my view, is that we have made, from an economic point of view the wrong trade offs for quite some period. And that's one of the reasons why we've ended up with such poor economic performance.

**Voiceover [00:11:36]:**

Paul Johnson is director of the Institute for Fiscal Studies. Morning, Paul. Morning.

**Voiceover [00:11:36]:**

Morning, Antoine Bozio the director of the Institut des politiques publiques.

**Voiceover [00:11:54]:**

I'm Paul Johnson. I'm director of the IFS. Welcome.

**Voiceover [00:12:02]:**

Antoine Bozio the director of the Institut des politiques publiques, IPP.

**Tim Phillips [00:12:09]:**

There are probably people working in economic research listening to this now, thinking, well, I could put those points across. Why does it need an organization like the IPP, the IFS, to do it, rather than individual university departments or even individual professors of economics to do it? What advantage do you have in that?

**Paul Johnson [00:12:30]:**

Well, one advantage organizationally is a degree of autocracy, if I'm honest, in a university department, quite rightly, people have academic freedom, but my colleagues don't. I don't allow them to say things that are not going to be objective and clear and backed up by the research and very much nonpartisan. That's a serious point, because actually, if you're a journalist and you've got hundreds, thousands of academic economists out there, how do you identify? Well, you can't identify, I don't think, a department where everyone is going to toe the line, as it were,

in terms of being clear and objective and all those sorts of things. Now, there are a small number of individual academics, and it really is quite a small number in the UK who have got themselves that position, and that's fantastic. But what the IFS does is, partly journalists, everyone knows what they're getting when they come to the IFS. They know that not only do we know the economics, but we also put a lot of work into understanding the institutional frameworks and the political background and the context to all of that. Our staff are trained in communication alongside the economics training that they get, and that is terribly important. And of course, if you're an academic, particularly trying to get tenure, actually the only thing that matters for your career is your academic research outputs. And so anything else can be a little bit of a distraction. Again, if you're independent from that, then you can and we do reward people for different aspects than just the academic. Academic publications are important to us because we do want to be having our work peer reviewed and published in the top places. But it's not the only thing that matters. We also reward staff for their excellence in communication and impacting policy.

**Tim Phillips [00:14:16]:**

Yeah, that's one I've been able to meet this week, Esther Duflo, Thomas Piketty. These are people with a very strong view about the world. Again, are views like that better channeled through something like the IPP?

**Antoine Bozio [00:14:30]:**

I don't think that the views of really top academic scholars who have big innovations in the field change the views or understanding. It's not really worthwhile to be expressed in the media and to be read in books. And I think this is great. This is fantastic. What I find institution like IFS or IPP in a much more modest way trying to do is to be able to have staff and an organization that is able to respond to the social demand in a more timely manner. Because there is organized work throughout the year, years, I should say, that allow us to be able to respond to this social demand in a timely manner, which is impossible for an individual scholar, even if that scholar is brilliant in its communication and research skills. But I think this is one thing that makes it possible for IFS or IPP to be able to bring to the social demand and the news timing results of the research. One example for that, which I was always very impressed at IFS, and I don't think we still able to do that IPP is the way to react to budget announcements. That IFS...

**Tim Phillips [00:15:42]:**

Yes, I was going to bring this up. Yes.

**Antoine Bozio [00:15:44]:**

I was really impressed every year when I was at IFS, how IFS was able to come up really quickly with top notch analysis. But actually, the important lesson is not that they do that

overnight. This is the result of hard work during years that all models to be ready, that analysis, to be ready, to know how to interpret, to know how to present. This cannot be done overnight. This is the result of this long term construction of work that is done every day. And this can only be done at an institute level. You can't do that on an individual level.

**Tim Phillips [00:16:19]:**

I would imagine budget day is a day you look forward to, Paul, when every single person wants to get your reaction, literally. As these announcements, these fiscal policy announcements are being made.

**Paul Johnson [00:16:33]:**

Look forward up to a point, yeah. I would like to just echo what Antoine said. The importance of institutional memory, of institutional knowledge built up over a long period here is vital, we're using the descendants of models and data sets that were put together decades ago by completely different people. And again, I think that's very hard to achieve in an academic department, for instance. But coming back to your question about the budget yeah, budgets are they're quite fun for us fiscal nerds. And they happen potentially twice a year now in the UK. And generally speaking, almost immediately the announcements have been made. I'll be asked to give immediate responses. But we will then work through the night, really, to analyze in much more detail what has been said, such that we're in a position within 16 hours or what have you, of the actual announcements to have an hour or 90 minutes of really detailed presentations with dozens of graphs and charts and numbers showing this is what the consequence of the public finance is. This is what's wrong with this tax policy. Or that's why this tax policy makes sense, or this is the incentive effect of the changes to the welfare system that are being made here and it's really important to do that fast because if you don't do it within 24 hours, everyone's forgotten. No one's interested in it.

**Tim Phillips [00:17:48]:**

Yet the news moves on.

**Paul Johnson [00:17:50]:**

The news moves on ridiculously fast. I mean, it is ludicrous actually that the media will get very very excited about it for 24 hours and it really will be top of the pops. If you produce something 24 hours after that, no one's interested. And I don't think that's a good world, but it is the world that we live in. We have to respond to it.

**Tim Phillips [00:18:08]:**

Is it the same here, Antoine?

**Antoine Bozio [00:18:10]:**

It's slightly different, I think a number of respect in a sense that until we started to do budget analysis, there was really no other external independent analysis, no way. The budget the government was saying here are the numbers, this is the Finance Ministry's numbers. No one can question that. MPs didn't have much resources either for discussing elements of the budget, its impact on. So I think we were in an environment where there was a lot of social demand for actually independent analysis. Do these numbers add up? What does it mean trying to translate basically the documents sent by the Ministry? So this environment was very different. What I think we are also very different because we are very different positioned from IFS in the sense we don't have yet all the experience and expertise on all the issues that a budget can touch upon. So we end up not be able to do it in a 24 hours response. We do, oh, we have some stuff, then later we'll say we need to work on some issues because we're not ready to be able to give an analysis yet. But still one month down the line, when we publish all sort of analysis, there's still a lot of media coverage because the social demand is extremely high. There is not so much other analysis around, therefore the demand is really high. And I think to my view there is actually too high demand, social demand to us compared to what we can today offer in terms of analysis. And to me, basically one of the key sort of looking forward, sort of objective is to be able to get more of that type of permanent funding that allow us to better prepare ourselves with analysis, work in the model and so on so that when the need comes to produce analysis, we can do that quicker and we can be more reactive and also in a more comprehensive way. One of the issues I have is that sometimes we are only able to do a partial analysis because some important bits of the budget, we don't have the tools to assess them. And sometimes the key elements of the budget are in these part of these announcements, which are not the ones we can cover well. And thinking about impartiality here, all limitations make us shy in our analysis because we don't cover fully all the announcements that actually matter. We need to be more comprehensive in our analysis. For example, we're good on taxes, not very good on spending. And if recently there's been a lot of decision on spending, then we will say nothing happened in the budget, where actually a lot happened in the budget.

**Tim Phillips [00:20:42]:**

To be fair. Antoine, you've not been at it long compared to the IFS, so there is time yet. Looking ahead now, there are a lot of difficult policy decisions that are going to be made. Where do you think you are going to have most to say when you're talking about them? Paul?

**Paul Johnson [00:20:59]:**

Blimey, there really are an awful lot in the UK context. Look, we are beginning to think about an election which we're expecting in the autumn of 2024. Yeah, I think this is going to be quite an interesting election and I won't go through all the sort of the politics of that, but one reason is that we kind of know a year ahead, roughly where it's going to be. And we haven't known that



since 2015 because the last two elections have been rather sprung on us. So one of the things I think we're very keen to do is really to try and actually begin to set the context and the agenda for the big choices that are going to be coming up. The economy is clearly growing very slowly. Taxes are rising pretty fast, partly because of that slow growth, partly because of high interest rates. The projections are that there's almost no money for spending increases over the next four or five years against a background of very, very high demands for spending, particularly in health, particularly reflecting some of the demographic changes, but also because we've had a long period of spending on things like education being held down. So I think one of the things that we're really going to be talking about is the really tough choices that are facing the electorate and the political parties as they come through to the 2024 election. If we are serious about dealing with the problems in the NHS and some of the issues that we've got with teacher recruitment and so on and so on, that's going to cost money. If we're going to be serious about spending money, then that will involve increasing taxes. Now, this doesn't make us very popular, it's not a very happy thing to say, but actually the analysis is really very, very clear here. The alternative, of course, is to say to people, if, as some people certainly on the conservative side of politics say, if people are saying we want to cut taxes, then the challenge to them is how are you going to cut spending to match? And the challenge on the other side is clearly a desire to increase the quality of public services. How are you going to raise the taxes to match? Those are the tough questions we're going to put not just to the politicians, but also, I think, put in front of the population.

**Tim Phillips [00:22:59]:**

It's not the last time that I've heard you on the radio and I think that you're going to be on having to deliver some pretty stark news at some point in the next couple of years. Antoine, in this country, what are the main things that you're going to be dealing with?

**Antoine Bozio [00:23:15]:**

I think there are two main issues that will have to be addressed and are difficult ones. First one is the environmental issue and the contribution of France to sort of decarbon and therefore contributes to a fight against climate change. If you may have seen from the news in the UK, when there was an attempt to raise a carbon tax with riots and yellow vests movements to physically to put a halt to that policy, there's a clearly big trade offs on how you want to have policies that then will increase the price of the carbon, but will have that effect. Very heterogeneous effect, very unequal effects, depending on how you live. Where in which type of housing do you live in, what's the distance to your work and your ability to actually change and cope to these change? This is a big policy challenge in the years decade basically that and the second one will be the issue about training, skills and education, which clearly is a big issue both in terms of funding, but also in terms of organizations and policy. And I think this is an additional big issue we'll need to be able to tackle and offer some analysis to the public.

**Paul Johnson [00:24:28]:**

Both familiar in the UK context as well, and both things that we'll also be thinking about, for sure.

**Tim Phillips [00:24:34]:**

I look forward to having more conversations with both of you about that, but for now, Antoine, thank you. Paul, thank you very much.

**Paul Johnson [00:24:41]:**

Thank you very much.

**Tim Phillips [00:24:50]:**

And a reminder that if you want to read Paul's book, it is called Follow the Money. One review said it should be compulsory reading for every MP.

**Paul Johnson [00:25:00]:**

Absolutely. And for every voter. That will get the sales up.

**Tim Phillips [00:25:03]:**

Well, I don't know how many MPs listen to VoxTalks Economics, but consider that a very strong recommendation.

**[Voiceover] [00:25:13]:**

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