A left trilemma

Progressive public policy in the age of austerity

Peter Taylor-Gooby

policy network paper

Policy Network
Third floor
11 Tufton Street
London SW1P 3QB
United Kingdom

t: +44 (0)20 7340 2200
f: +44 (0)20 7340 2211
e: info@policy-network.net

www.policy-network.net

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Policy Network
11 Tufton Street, London, SW1P 3QB
Tel: +44 20 7 340 2200
Email: info@policy-network.net
Website: www.policy-network.net

Editor: Michael McTernan
Design and layout: Alan Hunt, alanhunt1@mac.com

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About the author

Peter Taylor-Gooby is professor of social policy at the University of Kent's School of Social Policy, Sociology and Social Research. He is also chair of the British Academy New Paradigms in Public Policy Programme and was previously was an adviser to the UK prime minister's Strategy Unit between 2009 and 2010.

Introduction: A left trilemma

Why is it so hard for the left to produce a coherent and progressive response to the crisis, when markets and private enterprise have so obviously failed? One answer is that the left faces a trilemma in public policy. It must respond adequately to the economic crisis to be seen as competent, it must address the established themes in public opinion to be electable, and it must develop generous and inclusive policies, to be progressive.

This paper identifies conflicts in all three areas: low public sector productivity growth and demographic shifts tighten already harsh spending constraints. Entrenched public suspicions of higher taxes for any but the distant rich and a public discourse which makes rigid distinctions between those who are deserving and undeserving of state welfare conflict with egalitarian or redistributive policies. Both spending constraints and the key themes in public opinion conflict with generous and inclusive policies. The UK coalition strategy, by contrast, rests on private enterprise-led recovery, work-ethic values and policies that exclude less deserving groups. It does not face the same problems. This paper analyses a range of policy programmes suggested by commentators and thinktanks on the left in the light of these points. It concludes that a progressive strategy must draw on multiple themes, and must seek to shift public discourse in a more supportive direction.

1. Economic pressures: current challenges and future proofing

The UK coalition government's cuts from the 2010 emergency budget onwards can be looked at in two ways: on the one hand the 2010 programme and its extension in the 2011 autumn statement to 2016-17, in view of weak economic performance, represents the largest and most precipitate cuts in public and in social spending at least since the "Geddes Axe" infamous drive for retrenchment in UK government expenditure in 1921-2.[1] Various commentators argue that it will increase poverty[2] and homelessness[3], unfairly damage opportunities for women[4] exert further pressures on the 'squeezed middle'[5], severely undermine the NHS[6], erode public health provision and weaken child and elder care services.[7]

On the other hand, it is also true that the cut-backs simply return spending to a level close to the overall post-war trend level of slightly below 40% of GDP.[8] Indeed, the sharpest departure from the post war trend was the 2001-10 increase to 47% under the then Labour government. Another way of looking at it is to point out that Labour plans in their May 2010 budget accepted cut-backs to stabilise public spending but limited their extent, applied them more gradually and recouped more of the deficit through taxation.[9] The UK Coalition's 2010 plan simply takes spending levels (though not the distribution of spending) to where they would have been under Labour's 2007-8 plans by 2010-11, but does so four years later.[10]

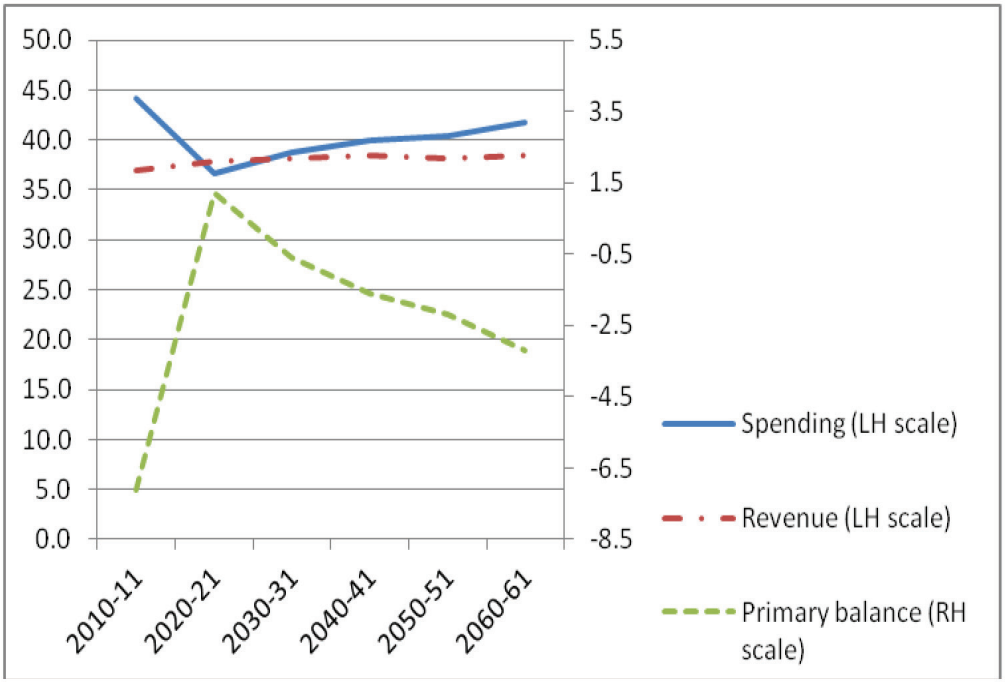
Both these viewpoints are compelling. The recession and sluggish growth cost the UK at least 6% of GDP between 2007 and 2011, compared with what might have been achieved if the previous trajectory had continued. On the Office of Budgetary Responsibility (OBR) November 2011 projections, growth will not return to 2007 levels until 2016-7.[11] By then, output will be some 13% below what had been predicted in 2006.[12] The response to the recession cost real money in spending on unemployed people, bailouts and 'quantitative easing.'[13] Any political economy plans must accommodate the dual pressures of fewer resources and extra spending. This implies measures to stimulate growth, cuts in public spending and increases in taxation.

The problem of adequacy under these circumstances can speedily be made more onerous by including three further considerations: demographic pressures, low state sector productivity growth and rising inequalities. A fourth concern, the cost of managing climate change is omitted from this discussion.[14]

Long-term demographic pressures

The OBR Fiscal Sustainability Report[15] attempts to project future government spending and revenues over a fifty-year period. Such projections are subject to considerable uncertainty, since it is impossible to predict growth, interest rates, economic and productivity growth, migration and other factors with certainty. A number of different scenarios under differing assumptions are developed. The basic finding is that 'public finances are likely to come under pressure over the longer term, principally as a result of an ageing population..Government would have to spend more… on…pensions and healthcare. But the same demographic trends would leave government revenue roughly stable.'[16] The central (and optimistic) assumption (Figure 1) shows that the 8% gap between spending and revenue in 2010-11 is removed by 2020-1 as a result of stringent cuts that bring spending as a proportion of GDP to 1998 levels, assuming a return to pre-crisis growth. Spending then returns to long-term trend levels and the balance deteriorates, with a gap of 0.6% of GDP in 2030-1 widening to 3.2% by 2060-1. This implies net borrowing of 7.7% of GDP and a debt of 107% of GDP.[17]

Figure 1: OBR Central long-term projection: Spending, revenue and the balance (%GDP)



Three points should be noted. Firstly, the report generally assumes current UK Coalition government plans will be realised, except that short-term benefits will be uprated by earnings rather than CPI, the latter being the current policy. Maintaining CPI uprating would cut spending by about 1.6% by 2030-1, with further cumulative savings.[18] This would resolve the problems of the spending gap, at severe cost to very poor people, by reducing benefits for those of working age by about 14% compared with general inflation and nearly three times that compared with projected earnings.[19]

Low state sector productivity growth

Secondly, the projections assume real improvements in productivity across the public sector in line with those in the rest of the economy. If such improvements are not achieved and public sector workers do not have their pay cut compared to others (perhaps through privatisations), the real cost of maintaining standards in the public sector, and the proportion of GDP it absorbs, rises.[20] Productivity is hard to measure in the public sector, mainly because outputs include qualitative as well as quantitative aspects (for example the dignity with which patients are treated as well as the mortality rate). Improvements have proved very hard to achieve.[21] NHS productivity has fluctuated between 1996 and 2009, with a very slight net fall, mainly due to increases in the drugs bill and staff pay.[22] For education, productivity also fluctuated, mainly due to changes in the school population, but it has shown no overall improvement.[23] More recently efforts to improve productivity have redoubled. A drive to generate 4.4% annual savings between 2010 and 2015 for reinvestment and to meet spending pressures has so far achieved cost-efficiencies at about half that rate, half of which are not permanent.[24]

The NHS is probably a particularly difficult area in which to achieve cost-efficiencies because standards are so politically salient, high-skilled staff are needed and other costs such as drugs and medical technology may also rise. An alternative possibility analysed by OBR considers NHS productivity rising at 1% below the whole economy. This would require a further 1.7% of GDP to be directed to health care spending by 2030-1 and an extra 5% by 2060-61 to maintain standards.

These points make clear that there is considerable uncertainty in the public spending predictions, but that real pressures are likely to continue beyond the current period of austerity. Adjustments to spending in such areas as pensions, bus passes, fuel allowances and military procurement, and to revenue in energy taxes, vehicle duties, inheritance and capital taxes are possible.[25] The problems which are likely to emerge over a half-century are not insuperable. However, a progressive programme, which does not envisage the kind of cuts in living standards for working age claimers and state sector workers with which the current government implicitly plans to balance the books, and which expects to achieve real improvements in healthcare and elsewhere, must respond to these pressures.

One further point: current policies involve a profound restructuring of public provision which requires extra upfront spending and additional longer-term commitments.[26] Would it be possible to square the triangle of rising demand, diminished resources and weakened capacity to meet needs by directing cut-backs differently? The Government provides estimates in relation to NHS reform of £1.7bn (rejected by the HoC Health Committee, 2011, para 92, who suggest a figure closer to £3bn, see also Walshe 2010). The Universal Credit reforms are estimated at £3bn by OBR and the student loan system at 30% of loans written off, or about £3bn at current prices.[27] In the first two cases, the plans simply assume that restructuring will deliver NHS efficiency savings faster than ever before and that benefit reforms will increase employment. For student loans, spending will not be recouped within the 30 year time-horizon examined, and possibly never. However, these sums amount to less than 0.3% of public spending annually over the period. They are unhelpful, but abandoning the plans would not resolve the problem.

Rising inequalities

Society has grown more unequal during the last three decades. The distribution of incomes and wealth seems likely to fan out further. The modest post-war trend towards greater equality of opportunity may well be in reverse.[28] These points matter, because greater inequality appears to reduce willingness to support social provision, because of the impact on interests and on social values: those who hold the majority of resources are better able to meet their own needs privately and have less interest in provision for the poor[29]; inequality undermines collective solidarity and public trust in state institutions.[30] Progressive social policies will have more to do, with lower public support.

A helpful analysis distinguishes between the trend to greater fanning-out of incomes for the mass of the population (as better-off groups improve their position relative to the median, while that of lower-income groups deteriorates) from the tendency of small very rich minorities to gain large relative improvements.[31] The first trend seems to apply to most developed countries during the past three decades. The latter is more a feature of the Anglo-Saxon world, most notably of the US and the UK.[32] Public policy in the UK appears to have arrested the deterioration of the relative position of those at the bottom during the early and mid-2000s (Hills et al. 2009, 28). How easy it will be to pursue similar strategies in the future is unclear.

Overall the general tenor of debate is that there are likely to be real but not insuperable additional costs to maintaining welfare standards, even when stable growth returns. Current estimates of those costs are, if anything, on the low side. This raises the bar for any attempts to develop a more progressive policy approach than that pursued by government. Satisfactory policies must avoid the damage of the current cuts, which bear very heavily on those least able to cope. They must take into account the real resource losses outlined in the first paragraph. They must set a course that will meet needs in the longer term at least as well as they are met at present, and do so in a way that accommodates the shift to greater inequality. They cannot rely on assumptions about sharp improvements in the cost-efficiency of the restructured services.

2. Further constraints: Electability and the promise of social progress

There are at least three further criteria for progressive policies.[33] First, any reform programme must mobilise support from voters. The recent debate between those who believe Labour in 2010 may have alienated traditional working-class voters[34] and those who stress the importance of retaining middle class support strengthens this concern.[35] Secondly, an electable programme needs to reflect at least some of the main directions in public opinion and also must fit within the parameters of discourse established by the UK media and by opinion-leaders. Thirdly, it must be capable of development in a way that leads public opinion in a progressive direction. Here that is understood as inclusive and generous.

Traditional vs. aspirational Labour voters

Middle-class Labour voters are often seen as more aspirational and concerned with greater opportunities, while the core working-class values basic public services and policies to address inequalities, but at the same time endorses work ethic distinctions between deserving and undeserving groups. New Labour succeeded in attracting votes from both middle-class and working-class people from 1997. In 2010 support declined among most social groups. One interpretation of election polls by current Labour party leader Ed Miliband supports the view that the loss of support was most marked among semi and unskilled working class voters.[36] Prominent commentators refer to statistics from Ipsos-Mori which shows a striking collapse of support among the groups most likely to vote Labour in 2005: an 11% fall among C2s and 8% among the semi and unskilled DE core working class group.[37]

However, these statistics are generated by amalgamating all Ipsos-Mori polls taken during the six-week campaign period to produce a combined sample of 10,000 (Table 1).They may reflect events at different stages in the campaign, the changing contexts in which questions were asked and the problems of mixing and reweighting poll data. It is noteworthy than a second Ipsos-Mori poll taken after the election and given in alternate columns of Table 1 in italics, shows a different picture: the collapse in Labour support was about half that estimated in the widely-quoted combined polls among the DE group and more evenly spread across middle-class AB and C1 groups. Labour voters in the C2 group are often the focus of concerns about how well Labour appeals to 'aspiring' people on lower to middle incomes. Support among this group fell by only 1% as against the 11% shown in the earlier combined surveys.

Table 1: Ipsos-Mori combined re-election and post-election poll statistics*

	Con		**Lab**		**Lib Dem**	
	Pre-election combined	*Post-election*	Pre-election combined	*Post-election*	Pre-election combined	*Post-election*
AB	39(+2)	40 (+3)	26 (-2)	23 (-5)	29 (0)	31 (+2)
C1	39 (+2)	40 (+3)	28 (-4)	28 (-4)	24 (+1)	28 (+5)
C2	37 (+4)	25 (-8)	29 (-11)	39 (-1)	22 (+3)	28 (+9)
DE	31 (+6)	29 (+4)	40 (-8)	42 (-6)	17 (-1)	22 (+4)

The poll figures are not conclusive, but indicate that concerns about alienating either middle or working-class Labour supporters may be misplaced. This is confirmed in the available analyses of the academic 2010 British Election Survey: those in the 'working class'(supervisors and manual occupations) were slightly more likely to vote Labour … the decline [between 2005 and 2010] was no larger among manual than among routine non-manual and professional workers'.[38]

*Note:
(1) Change since 2005 in brackets

(2) Pre-election combined amalgamates allIpsos-Mori polls between 19.3.10 and 5.5.10 (10,211 adults). http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oItemId=2613

(3)Post-election: 12-13th May national survey (1023 adults) http://www.ipsos-mori.com/Assets/Docs/Polls/NoTW%20Post%20Election_website.pdf

Compatibility with public discourse

Quantitative and qualitative attitude studies and analyses of media discourse point to five general patterns in public opinion:

First, some groups and some service areas are more highly valued than others.[39] There appear to be two main dimensions to this division, between mass and minority provision (the NHS, pensions and education vs. working age benefits and social housing) and, of particular importance, between provision for deserving as against undeserving groups, favouring those who are not responsible for their dependence on benefits (children, disabled people) or those with demonstrable commitment to a work or family ethic.[40]

Secondly, reciprocity emerges as a theme in much analysis, favouring as deserving those who are seen to make a contribution in return for entitlement.[41]

Thirdly, there is support for redistribution from rich to worse off, but it diminishes as the threshold of wealth is brought closer to average incomes.[42]

Fourthly, most people fail to make any link between the capacity of government to finance public spending and the tax that they and others pay. When pressed they tend to suggest that efficiency savings can reconcile better services with lower taxes.[43]

Fifthly, poverty is consistently understood in absolute and minimal rather than relative terms.[44]

In addition to these five directions identified in attitude surveys, a sixth current in ideas is also relevant. This is to do with a growing sense of disillusionment with or distrust of the state and the public sector.[45] It emerges in the growing political disengagement termed 'anti-politics'.[46]

These points indicate difficulties in promoting an inclusive and generous programme. They also imply real opportunities. The fourth point makes it hard to address inequalities as opposed to basic need, and the first is particularly powerful in limiting the scope of progressive policy. The second and third constrain the capacity to raise revenues and to redistribute, leading to a policy bias towards cut-backs that is strengthened by concerns about the deficit. The fifth creates further difficulties in marshalling support for progressive change.

The opportunities lie in the possibility that notions of desert may be expanded to cover a broad range of needs (point one), that the possible linkage of entitlement to contribution legitimates contribution-based policies (point two) and that growing inequalities may strengthen the appeal of redistribution (point three). The task of developing policies to cope with continuing pressures will be easier if basic trust in government returns (point six).

The uncertainty over election polls adds to these concerns. The more commentators emphasize a distinctive collapse of core working class support, the more they are inclined to place weight on the issues of desert (point one) and of tax resistance (point three).

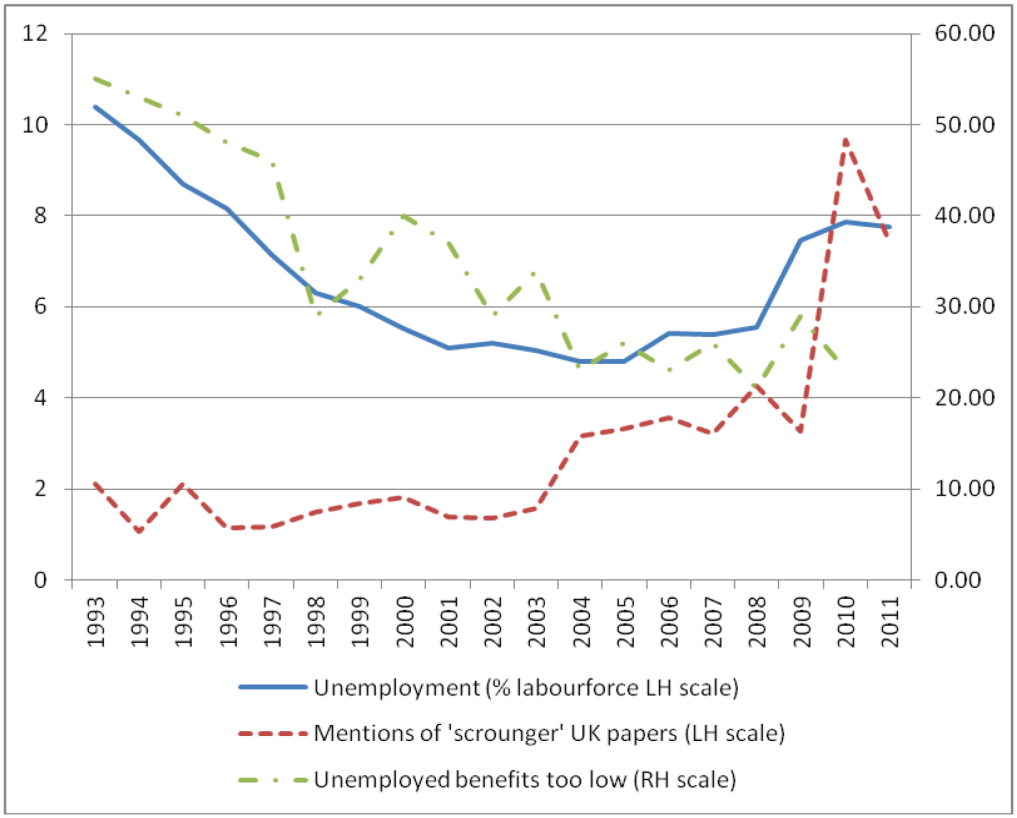
Leading in a progressive direction

As well as gaining public acceptance, progressive policies must help lead the way people understand welfare towards more inclusive and generous provision. Inclusiveness relates to the identification of net recipients and net givers and to reciprocity between them. A strong tradition in social psychology and sociology stresses the power of in-group and out-group cleavages.[47] To overcome these barriers, services should endeavour to include as many as possible and should seek to ensure greater

recognition of the needs and capacities of others. Complementary work in social anthropology[48], political science[49], decision theory[50] and social policy[51] demonstrates the importance of reciprocity in social relationships. This may strengthen links between those able to help each other, but confirm divisions between those engaged and those defined as non-contributors.

Generosity concerns recognition of need and willingness to address it. Analysis of opinion surveys and media discourse indicates a shift in the established pattern of greater generosity in hard times occurring about 2007-8. Figure 2 shows that for most of the 1990s and early 2000s agreement with the statement that 'benefits for unemployed people are too low and cause hardship' from British Social Attitudes surveys, and media references to 'scroungers' tended to mirror unemployment rates. Higher unemployment was associated with greater concern about benefit levels and fewer references to scroungers. However the tendency to greater punitiveness across the period of declining unemployment appears to continue as unemployment starts to rise after 2007. The suggestion that public sympathy for poor minorities is fading is supported by a recent YouGov survey for *Prospect* magazine: '74% of people think that Britain spends too much on welfare and should cut benefits'.[52] Whether the apparent shift is simply an attitudinal lag or indicates a secular change in attitudes is currently unclear. If it is the former, public opinion may move slowly to accept greater redistribution, as unemployment rises and poverty increases. If the latter, the currentcampaign to label claimers as undeserving will have produced a real shift in attitudes, creating further problems for progressives.

Figure 2: Unemployment as % labour force (WEO Harmonised rates), Media Discourse (Nexis) and Benefit Generosity (BSA)*



* BSA Question: 'Which of these two statements comes closest to your own view … benefits for unemployed people are too low and cause hardship, OR benefits for unemployed people are too high and discourage them from finding jobs?' Data is % choosing the first option

Media Discourse is measured as the number of mentions each year in UK National Newspapers of the word 'scroungers' (divided by 100).

3. Current centre-left proposals

Current proposals for progressive reform may conveniently be divided between those that operate at a macro level, directed at reform of the economic system or the social structure as a whole, and micro-level reforms, concerned with improving the lives of individual citizens.

Macro-level

At the macro-level the main themes are to do with slowing or deferring cutbacks to maintain the level of demand, expanding infrastructure spending, especially on environmentally friendly projects and tax reform. All the programmes that include a macro-economic element mention these themes with different degrees of emphasis.[53] The underlying concern is to create the conditions for real growth. The UK Coalition government argues that private enterprise will generate growth provided intervention is limited. Progressives follow Keynes in pointing to a major role for the state during the downswing of the economic cycle, although they differ on the extent of intervention during an upswing.[54]

The "Plan B" presented by the pressure group Compass probably puts the strongest emphasis on the importance of maintaining demand, followed by the Institute for Public Policy Research (IPPR) with reports such as "10 ways to promote growth", but the theme also emerges in recent pamphlets including "Red Labour", "Purple Labour" and "What Next for Labour".[55] All these programmes include a substantial state investment bank with a bias towards environmentally-friendly projects in such areas as energy generation, public transport and home insulation, and towards projects that boost employment. The Compass "Plan B" again develops the case most strongly with estimates of the return on such investments and details of the environmental case. The brief Policy Network pamphlet "In the Black Labour" expresses the greatest concerns about how commitments on public spending will damage electoral perceptions of fiscal responsibility, but supports infrastructural spending.[55]

"Plan B" also argues for international financial regulation and management of banking and a tax on financial transactions. It provides a detailed account of income and wealth inequalities and argues for more progressive taxation and plans for a gradual redistribution of wealth. Many of the programmes also stress the importance of making the tax system more progressive but this is not generally worked out in detail. The Glasgow Media Group estimates that a 20% tax on the wealth of the top 10% would raise some £800bn and be sufficient to pay off the national debt.[56] It points to 80% support for such a measure in a YouGov poll, reflecting public endorsement of redistribution from the distant rich. The plan is briefly stated and does not consider the obstacles to levying such a tax, the extent to which it would involve retrospective changes to legislation in relation to pensions, trusts and other areas and might influence the behaviour of potential payers.

Micro-level

At the micro-level the range of initiatives is greater. Five major themes may be identified in the debate: social spending as social investment; building social solidarity; responding to the deserving/undeserving distinction; the importance of engaging users directly in service provision; and the logic of pre-distribution as against redistribution.

Social investment

The clearest and most developed argument for social investment is contained in IPPR work on returns from child care.[57] This shows a possible return of £20,000 over four years for each women returning to work after one year's maternity leave, reducing to £5,000 when income figures are based on the pay-rates of women returners rather than workforce averages. In either case the

return is impressive. Plan B refers generally to social investment, giving the uncosted examples of obesity reduction and other behavioural changes to reduce pressures on the NHS.[58] The returns on investment, for example in improvements to the quality of social housing or in public health, are often diffuse, long-term and dependent on factors outside the state sector. Previous research shows that the most impressive returns on social sphere investment are found in education[59], but that it is more difficult to establish a clear picture in other areas.

Building solidarity

A substantial Fabian Society stream of work on the factors that have contributed to successful redistributive and integrative welfare in the UK, drawing on historical analysis, cross-national comparison and attitude surveys, concludes that welfare policies must be inclusive if they are to succeed in meeting the needs of the poor.[60] Highly-targeted provision typically fails to enlist the support of the mass of the population and leads to a downward spiral of increasing restriction and exclusion. This work entitled "The Solidarity Society" seeks to reconcile commitment to universalism with the realities of deserving/undeserving distinctions through a welfare system that incorporates as many groups as practicably possible. It proposes a range of measures, including a combined housing benefit that incorporates subsidies to all tenure groups and reduces the divisions between them; a merged tax-allowance-and-benefit system which effectively uses tax-allowance credits to support-lower paid groups; a self-conscious basing of benefit entitlement for working age claimers on social participation; and real sanctions for claimers who refuse to engage in activities that make a social contribution.

The objective is to ensure that the welfare state includes citizens and does so by reinforcing relationships of reciprocity rather than moralistic divisions or individual interest. One problem lies in ensuring that all groups can engage in activities that will be realistically understood by most people as making a social contribution. The Fabian Society research indicates that full-time caring for children or frail elderly or sick and disabled relatives, full-time studying for useful qualifications and some kinds of full-time voluntary activity are recognised in this way. These activities would form the basis of an inclusive welfare state.

Responding to social divisions

An alternative response to public opinion is to seek to devise policies that work with existing divisions. This is attractive to those who believe that the Labour party became detached from traditional working class roots during the early 2000s.[61] The resulting logic of 'something-for-something' welfare is designed to link the notions of reciprocity and inclusiveness to the theme of desert.[62] Social contribution justifies the receipt of benefit. Many proposals centre on the idea of social insurance, a theme which has had some success in protecting welfare systems in corporatist European countries.[63]

This approach is attractive in many ways. One problem is illustrated by the National Salary Insurance scheme proposed by James Purnell, a former UK Labour secretary of state for work and pensions, which is often seen as a key example.[64] This scheme allows those whose employment is interrupted by illness or redundancy to claim a relatively high benefit which will then be recouped through a supplement to tax when they return to work. This is essentially a loan system underwritten by the state rather than a benefit or insurance. As analysis by the social policy academic Ben Baumberg points out, the approach is of limited application.[65] It cannot address the needs of those who have a weak employment record, who face extended periods of unemployment or who are low-paid and unable to finance their own benefits. In short, it entrenches a deserving/undeserving distinction among claimants, the issue that recognition of a wider range of socially-desirable activities seeks to address in the Fabian "Solidarity Society" model.

User engagement

User engagement emerges in a range of ideas from co-production, where services users are actively involved in providing, managing and sometimes financing the services they use, through to the expansion of mutual and co-operatives. The Compass "Plan B" draws heavily on the work of the New Economics Foundation in its discussion of co-production.[66] Current work in this area has applied the idea with some success in health and social care.[67] How it would be extended to other areas, especially those involving substantial professional inputs or cash transfers, is not worked out in detail. Co-operatives are discussed in a number of the essays in the Progress collection "Purple Labour". Provider co-operatives would operate to stabilise firms and to moderate pay inequalities, a theme that has recently been taken up by mainstream politicians.[68] Co-operatives that included users in the areas of social care for example, might lead to more responsive services and a stronger trust in social provision. If co-operatives succeed in engaging the public, they may help to rebuild trust in the state that will facilitate further progressive reform.

The co-operative approach offers a management model for such areas, but can only address issues of inclusion if specifically designed to facilitate entry by outsiders. Mutuals which provided services or support for members might be subject to all the in-group biases identified by social psychologists, anthropologists and sociologists and be unwilling to extend the service to new members who did not have demonstrable resources to contribute. This requires careful attention to how co-operatives recruit members and interact with outsiders.

Pre-distribution

The grand tradition of state welfare has rested on redistribution through taxation of the better off or of individuals at life-cycle stages when income exceeds resources, to provide welfare when they are in need. Pre-distribution addresses inequalities at source, through state interventions into the operation of market systems to reduce income inequalities and shift power towards the lower-paid. The most powerful arguments for this approach rest on the claim that state welfare was most successful in the UK when the institutions to reinforce pre-distribution were at their strongest, in the 1950s and 1960s.[69] The American scholar Jacob Hacker points out that the massive increase in inequality in some of the most developed countries is associated with erosion of the protective institutional framework.[70]

Pre-distribution might include institutional changes, such as a strengthening of the bargaining position and influence of workers through stronger trade union rights and representation on works councils, legislative interventions such as enforcement of higher minimum wages or a living wage, better working conditions or shorter working hours, measures to curb wages at the top end through reforms to remuneration systems and possibly maximum wage legislation and interventions to control the prices of items of common consumption such as utilities, transport or food.

This approach is attractive for three reasons: it addresses the issue of redistributing power towards groups that have grown relatively weaker in the market; it increases the influence of institutions that might reinforce solidarity and promote greater reciprocity across groups that may then perceive a stronger common interest; and implementation costs are low. The problems are to do with the impact on the structure of social relationships and on market interactions. Some of the proposals are directed to strengthen the bargaining power of organised labour, while some are directed to those at the margin of or outside work. At various times these groups have failed to recognise common interest and much of the tradition of a deserving/undeserving distinction derives from this division. One contribution is to direct interventions to investments that increase the supply of jobs while strengthening the protection of wages and standards in those jobs, the reverse of the current spending cut plus Work Programme strategy. At minimum, pre-distribution needs to engage with redistribution to protect those outside the labour market.

Pre-distribution confronts the operation of the capitalist market system directly and may affect international competitiveness. This leads to concerns about how well an approach which developed during the heyday of nation state capitalism is fitted to advance collective interests in a more globalised world.[71] This takes the argument in the direction of the greater cross-national regulation of inequalities stressed by "Plan B" in order to ensure that competitive pressures do not damage a high-wage economy.

This brief overview of progressive strategies indicates areas of consensus and of conflict. Consensus is found at the macro-level in relation to a stronger role for the state in moderating the economic cycle and in economic investment to secure growth. Damage to Labour's reputation for economic prudence may constrain willingness to spend. At the micro-level, disagreements are more marked and focus on issues of balance between different policies. This is particularly evident in two areas: first between policies which direct their efforts to working with the deserving/ undeserving distinction (expanded notions of contribution, social insurance-based logics) as against those which seek to side-step it (pre-distribution, social investment); and secondly between those which stress the engagement of ordinary people (co-production, mutuals and co-operatives) as against those which rest on top-down initiatives (child-care spending, progressive tax, better social housing). Social investment and pre-distribution are strongly supported.

4. Coming to terms with the public policy trilemma

The above discussion identified three main criteria for progressive policies. They must enable government to address the immediate budgetary challenges, they must be consonant with public opinion and be electable and must lead discourse in a progressive direction. It also pointed out that they must acknowledge the issue of continuing economic pressures, the productivity constraints public services face and the degree of social inequality that exists.

Macro-level

There is a considerable measure of agreement at the macro-level on the themes of infrastructural spending to encourage growth and of more progressive taxation. The Coalition government introduced a modest £6.3bn infrastructure package in the 2011 Autumn Statement, with the expectation of some £5bn in the longer term and a possible £20bn leveraged from private sector pension funds. IFS calls for a further £10bn and NIESR suggests £15bn. Compass proposes a much larger programme, with a £100bn fund for the Investment Bank.[72] Tax reforms are also not described in detail but include new taxes directed at the reduction of income and wealth inequalities. Similar ideas are included in most programmes.

It is unclear how far these policies would be more successful than current government initiatives in addressing the immediate problems of sluggish growth, mainly because developments in the UK are intertwined with those elsewhere. Apart for the arguments of "In the Black Labour", there is little work examining in detail how spending plans would relate to budgetary constraints. If we assume that these constraints are, at least in the short-term, severe, it is necessary to identify areas for cut-back.

Non-welfare state areas, especially defence, face sharp cuts, which could continue. A generous and inclusive policy would seek to spread the savings burden more evenly. IFS analysis suggests that the cuts and tax changes bear most on those at the bottom and on a small group at the top, facing higher tax rates, and on families and children rather than benefits for older people.[73] Further taxes

on the distant wealthy (a capital value or land tax, perhaps or higher inheritance taxes) would fit with public discourse. One problem is how far it is possible to bring higher taxes down the income distribution, given public resistance to taxing the middle class. A further issue concerns the desire to mitigate benefit cuts. Some resources could be saved in the short-term by terminating the restructuring of benefits and public services. It is difficult to see how far further savings could be made without addressing state pensions. This would affect a large group in the electorate typically seen as deserving.

These considerations imply that new policies at the micro-level are essential if the macro-level problems are to be addressed. These policies must at least constrain spending. They must also fit with public opinion and build the public trust necessary to support future progressive reforms.

Micro-level

Social investment is attractive because it offers a return, so that net spending commitments are contained; areas like child-care fit the public opinion constraint because they focus on an obviously deserving need group (young children) and are directed at supporting paid work. They also help support an inclusive solidarism since they can be universal across the group. For these reasons they have been vigorously promoted by progressives in Europe.[74] However the case for investment is only persuasive in a limited range of areas, mainly around education and public health.

Solidarity policies based on principles such as contribution can operate across a wider range of areas, provided that the public will accept a relatively broad range of activities and not simply a social insurance payment or paid work as a relevant contribution. Spending commitments may generate problems, since inclusion is likely to involve extra spending on higher benefits for those who are unable to make equivalent cash contributions. The deservingness barrier creates difficulties in including people, typically from the most deprived groups, who are unable to make any contribution. The Fabian work on "The Solidarity Society" addresses this by postulating activities which might enhance future contributions such as attendance on training and work-readiness programmes for unemployed people. Benefit entitlement for those unwilling to accept these requirements would be reduced. The policies offer a progressive contribution because they build reciprocity and help channel debates towards the idea that citizens contribute and derive benefit from participating in society.

Policies which operate within the constraints of the *deserving/undeserving* distinction, such as National Salary Insurance, are likely to be financially viable, since their range is relatively small. They are electorally feasible and attractive to public opinion, but do not build inclusiveness.

User engagement programmes can use a wide range of techniques, involve little extra spending, are often attractive to a public which feels ignored by remote decision-makers, and may help build trust in public policies to facilitate difficult spending decisions in the future. There are real limits to how far a sense of inclusion and participation can be promoted, for example across a national education system or health service. Identification with, for example, a particular school in a more participative or co-operative system may strengthen social divisions. These considerations may limit participation to the more restricted forms such as personal budgeting.

Pre-distribution is also highly attractive in terms of low direct public spending. It does not obviously involve extra spending and may well have longer-term benefits in reducing inequalities. The approach may encounter electoral and public opinion obstacles if it is seen to strengthen sectional interests. Again it may fail to strengthen inclusivity and solidarity between those in secure work and those in less stable jobs.

This brief overview suggests that none of the proposed policies offers a complete solution to the problems outlined earlier. Any progressive future is likely to rely on a combination, so that issues arise in reconciling conflicts between groups addressed by different approaches. The budgetary pressures require policies that constrain current spending. By the criterion of economic sustainability, social investment, deserving-centred, user engagement and pre-distribution policies seem attractive, because they are cheaper. Conversely, the social contribution approach seeks to offer a way of presenting substantial generous and inclusive welfare so that it is electorally feasible.

The "Left trilemma" reflects a concern to demonstrate economic competence, a desire to gain public support and a commitment to progressive policies that is particularly intransigent when resources are limited. Policies which lead to savings are hard to reconcile with generosity and inclusiveness, which are hard to promote when public discourse is suspicious of the undeserving and lukewarm about taxing the better-off.

One possibility is to shift public discourse. The five themes identified earlier have remained powerful over time but do fluctuate. In general they have moved against generosity and inclusiveness. This may indicate that the Right is more successful in leading public debate. The theme of social solidarity through a broad-based contribution system, reinforced with pre-distribution and social investment policies, may contribute to an attractive electoral platform. If contributory welfare involves increased spending this may limit its practicality, so that it is only practicable through gradual introduction over time. Provided that the systems are designed to foster inclusiveness and to minimise barriers between groups, the potential for leading public debate in a progressive direction is strong.

These policies must be embedded within an overall approach that fosters a return to growth through investment in infrastructure, production and social provision, and seeks higher taxation of the better-off. The resources available will be limited in the medium term, so that some cuts will be necessary to enable support for the most vulnerable. It is hard to see how generosity to pensioners can escape such constraints, because of the size of the programme.

This paper has set out the difficulties any progressive social programme faces as a trilemma between economic viability, public acceptability and inclusiveness and generosity, which does not confront the Right. It shows that no suggested programme is wholly satisfactory on all counts and that there is a conflict at least in the short-term between policies that seem most likely to satisfy harsh spending pressures and an ungenerous public discourse, and those with the strongest potential to generate adequate and solidaristic welfare. This points to a broad and conjoint policy platform, and one which pays attention to ensuring that policies do not reinforce divisions and put obstacles in the path of any move towards greater inclusiveness.

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