

# RESPONSES

## The IPPR's *Condition of Britain*: an exchange

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### Howling in the wind

Nick Pearce and Graeme Cooke

Our former colleague Howard Reed does not pull any punches in his review of the IPPR report, *The Condition of Britain* (Reed, 2014). He argues that the book is a 'complete and utter failure in terms of offering an alternative to the Coalition government's neo-Thatcherite small-state model for government' and amounts to 'a colossal betrayal of the British left'. To those of us who know and like Howard, this ill-tempered and sectarian tone jars with his warm and generous personality. But, beyond the rhetoric, he outlines a serious critique of our position. Moreover, given that Howard has built a strong and richly deserved reputation as an economic analyst over a long period, including at IPPR, his perspective is one that demands proper engagement.

To summarise, Howard lodges three main complaints against *The Condition of Britain*. First, he claims that we adopt the current Coalition government's fiscal strategy; acquiescing to its programme of cuts to public spending and taxation more or less wholesale. Second, he suggests we have learned all the wrong lessons from the Blair-Brown years; rejecting the best and remaining silent about the worst of New Labour's period in office. And third, he points to a series of major policy areas we neglect to address; ranging from wealth taxes and collective bargaining to climate change and the putative Transatlantic Trade and Investment Partnership (TTIP). Overall, Howard's accusation is that our book offers no vision, no radicalism and – worst of all – no alternative.

In response, let us immediately clear away the third objection so we can focus on the main disputes. It is true that *The Condition of Britain* does not cover every policy challenge facing the country. It was not intended to be a comprehensive prospectus and the report makes that clear early on (see p. 5 'scope of the report'). It is centrally

about social policy, covering a substantial canvass: childcare, youth unemployment, welfare, housing, criminal justice and ageing (among others). If the reader is interested in IPPR's analysis and ideas on climate change, globalisation, workplace democracy and much else, they can draw on a voluminous output elsewhere, starting at [www.ippr.org](http://www.ippr.org).

The issue of scope also relates to one of Howard's core criticisms. *The Condition of Britain* does not set out an overall fiscal strategy or preferred fiscal path – so it is totally inaccurate to claim that we endorse the government's approach. In fact, since 2010, the IPPR has argued that the path of deficit reduction should be far more sensitive to the strength of the economy than has been the case. We have also argued for progressive taxation (in particular of unearned wealth) to bear a greater burden of budget consolidation relative to spending cuts, while aiming to reduce the ratio of debt to GDP over the medium term (Dolphin and Lent, 2011).

Contrary to Howard's suggestion, the collection of reforms advocated in our book is revenue neutral, with proposals requiring additional resources matched by suggested spending cuts or tax rises. The latter include exactly the kinds of steps – such as increasing capital gains tax and reducing higher rate pension tax relief – that Howard accuses us of neglecting. It is therefore ludicrous to suggest there is no difference between our revenue neutral approach and the kinds of policies required to deliver an additional £37 billion in fiscal tightening between 2016/17 and 2018/19 implied by the Coalition's stated deficit reduction pathway (Whittaker and Corlett, 2014).

Of course, in practice, economics is just as much an art as a science. And reasonable people can disagree on the demands of sustainable fiscal policy. The mistaken focus it is given in Howard's review actually obscures his other, much more important dispute with the arguments embodied in *The Condition of Britain*. Leaving to one side its plausibility, Howard identifies greater redistribution through the tax and benefit system and increased investment in public services as emblematic of an authentically progressive agenda. He accuses us of 'spitting in the face' of these achievements by the last Labour government – and, by extension, of 'surrendering social democracy'. As elsewhere, Howard misrepresents our view. But there is an important difference of opinion here that is worth trying calmly and clearly to illuminate.

We wanted our book to contribute to the long tradition of revisionism within British social democracy (and indeed its close cousin, social liberalism). This demands a process of ideological self-criticism and honest engagement with changes in society

around us. Among other things, this led us to question the dominance of a ‘tax and transfer’ strategy for social justice. This rests on a narrow notion of material equality where everything of value is reducible to a distributional chart. And it sub-contracts the task of pursuing a more equal society to the benevolence of the politicians and officials who govern the central state. Our conclusion was that this model of managerial statism is both intellectually bankrupt and politically exhausted.

Instead, we advocate the pursuit of a more active, democratic equality, drawing on recent egalitarian political philosophers, such as Elizabeth Anderson (1), Pierre Rosanvallon (2014) and Roberto Unger (2013). In their different ways, these thinkers recognise the significance of power, esteem and standing, in structuring relationships across society and enabling people to live well together, which the existence of significant material inequalities renders impossible.

We also draw on insights from realist political thinkers, such as William Galston (2010) and Bonnie Honig (2013), who caution against the overly utopian flavour of much orthodox liberal egalitarianism. Drawing on this work, we reject the notion of a definable end state for society, against which any policy decision can be objectively judged. Instead we suggest that the pursuit of social equality is ongoing, with the energy for social democratic politics emerging from real life hopes and struggles, not abstract metrics or ideal theory.

From this standpoint, the question of agency in politics comes strongly to the fore. Victories won by people themselves, working together, are more valued and more likely to endure than those which are handed down from on high. This, in turn, prompted our search for new fronts for an egalitarian project and new ways in which the political energy needed to build it can be mobilised and sustained. Hence our support for decentralising power to cities, towns and counties; building civic institutions beyond the reach of market and state; and cultivating the social bases of reciprocity.

To be clear, at no point in *The Condition of Britain* do we suggest that income and wealth redistribution or properly financed public services are unimportant. Both are vital to tackling inequality and making social equality possible. But it is intellectually lazy and politically blinkered not to question the limits of New Labour’s statecraft. It too often suggested that there was a public spending or government programme solution to every social problem. In doing so, it neglected the kinds of institutional and emancipatory reforms capable of mobilising civic resources, nurturing democratic support and transforming the distribution of power.

Failure to acknowledge any kind of self-criticism on this score leaves social democrats vulnerable to the charge that they are not just 'too hands on with the state' but 'too hands off with the market' as well. Much of the best new work in political economy has been addressed precisely to the question of restructuring market economies to tackle the rampant instabilities and primary inequalities of resources and power they generate, not simply ameliorating these with transfer payments (2). This work is in the best traditions of social democracy and progressive liberalism, the lessons of which were arguably lost from sight during the 'great moderation' of the pre-crash era. Returning to these insights promises to be much more fruitful, if more intellectually demanding, than spinning the wheel again on the managerial state.

Sadly, Howard fails to engage with any recent developments in political theory or consider any revisionist imperative, beyond suggesting that the last government did not spend enough money. For instance, he simply dismisses our proposal for shifting resources over time from cash benefits to childcare services as 'robbing little Peter to pay little Paul'. His substantive objection is a dry, economist's answer about efficiency of spending, when we are concerned with the conditions for generating a popular and resilient welfare state. In this case, we argue that sustainable reductions in child poverty are best advanced through a social investment strategy which prioritises universal services and collective institutions, rather than further income transfers.

As a thought experiment, if Nye Bevan had introduced a health tax credit in 1948 – as opposed to a shared institution that now borders on a social movement – would the NHS have become so universally cherished and resilient from political attack? If the contributory principle is no longer worth defending, as Howard argues, how else are we to sustain collective support for working age social security? Social democracy has a much richer tradition, deeper intellectual resources and far greater political imagination than Howard's review suggests.

Unfortunately, engagement with either the messy realities of politics or the long term challenges facing those seeking new routes to social equality is not Howard's strong suit. He prefers the glib denunciations and betrayal theses long practiced by the self-styled 'transformative' left to any plausible political strategy. His strategy appears to be to advocate for what Roberto Unger calls the 'vulgar Keynesianism' of income transfers, while denouncing the feebleness of the Labour Party as a vehicle for achieving them. Consequently, his 'progressive forces ... crying out for a blueprint' will be howling in the wind – or more likely pissing in it – for a while longer yet.

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## A genuine alternative

**Howard Reed**

My former colleagues Nick Pearce and Graeme Cooke have responded to my review of their report (with Kayte Lawton) *The Condition of Britain* with admirable force, although perhaps at the expense of precision. In the course of their reply I am simultaneously criticised for being a member of the ‘self-styled “transformative” left’ specialising in ‘betrayal theses’, *and* for being a doctrinaire defender of Blair/Brown New Labour orthodoxy – two positions which seem mutually exclusive to me, but maybe I just lack the political imagination to square this circle!

Fortunately, in addition to these scattergun attacks, Nick and Graeme make two very important points to which I will reply briefly. Firstly, they criticise me for supporting a ‘tax and transfer’ strategy for social justice on the grounds that it ‘sub-contracts the take of pursuing a more equal society to the benevolence of the politicians and officials who govern the central state.’ This would be a valid criticism in the former USSR, but (at least until TTIP is implemented!) our politicians operate not through benevolence, but through a democratic mandate (albeit one produced by a deeply flawed UK electoral system). If one starts from the premise that it is futile to pursue social justice through policy measures enacted by central (or indeed local) government because a future right-wing government might reverse those measures, the inevitable conclusion beckons: why bother running Labour candidates for government at all?

The right certainly doesn’t think like this. The Coalition government has been ruthless in using legislation to dismantle progressive institutions and infrastructure while muzzling dissent. To take two key examples, the Health and Social Care Act 2012 opened the floodgates to wholesale privatisation of UK healthcare, and criticism of government policy from charities and NGOs has been largely silenced in the run-up to the 2015 general election by the Lobbying Act 2014. If a future Labour government or left-of-centre coalition is to fight back against the attempt to legislate any avenues for progressive statecraft out of existence, *every* tool in the social justice ‘first aid kit’ needs to be available and used to the maximum. Radical reforming legislation must go *hand in hand* with a strong extra-parliamentary organisation

through trade unions, NGOs, community activists and other groups. The two are complements, not substitutes, for one another.

Similarly, I agree with Nick and Graeme that redistributive tax and transfer policy can never be a sufficient condition on its own for achieving social justice – the distribution of political power matters just as much as material resources. Interventions to boost pre-tax earnings at the bottom of the distribution are also crucial, as I have made clear in previous work (Reed and Lansley, 2013). But redistribution will always be a *necessary* prerequisite for equality, and ignoring or downplaying it imposes substantial costs on the very people Labour should be trying to help – low income families, whether in or out of work.

This brings me to Nick and Graeme's second point, which is that *The Condition of Britain* 'does not set out an overall fiscal strategy or preferred fiscal path', and so does not endorse the Coalition government's overwhelming reliance on spending cuts for deficit reduction. My view on this is that, given the consensus among all the main UK-wide political parties (except the Green Party) in favour of sticking with the Coalition's current deficit reduction strategy, or something close to it, through the next Parliament to 2020, unless Nick and Graeme can point to other recent work by IPPR which argues for a *much* greater reliance on tax increases relative to spending cuts to close the deficit – and indeed, preferably argues for reversing many of the spending cuts already made since 2010 – I take silence or fence-sitting on this issue as an implicit acceptance of the status quo. The tax increases specifically outlined in *The Condition of Britain*, while welcome, raise only a small fraction of the revenue required to undo the damage that spending cuts have already done – and will continue to do – to the social fabric of Britain.

Luckily, some of us are working to fill this gap: in early 2015 Compass plans to publish a report by the tax expert Richard Murphy and myself which will show how an ambitious 'tax-and-spend' economic programme can provide a genuine alternative to 'Osbornomics' and help Britain reshape itself as a born-again social democracy. I thank Nick and Graeme for this healthy exchange of ideas and hope they will enjoy reading my forthcoming report as much as I enjoyed reading theirs.

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## References

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## Notes

1. Including her landmark essay 'What is the point of equality?' (1999) and her forthcoming book on the history of egalitarianism, which she spoke about at IPPR last year: <https://soundcloud.com/ippr/a-history-of-egalitarianism>.
2. For a primer on some of the best new thinking on political economy, see *Juncture* 21 (1).