

One More Step to Paradise – or maybe not!

When the global financial crisis began in 2008 and then the Religious Futures network was established, one of the early contributions suggested that the UK economy faced a number of options. Amongst these were the possibility of total collapse of the financial system and a radical reconfiguring of the economy towards more creative and environmentally-based business. Neither of these now appear to be on the cards, but that leaves us with the depressing scenario of an economy that in its attempts to return to “business as usual” will “bump along the bottom” for the foreseeable future. This will mean either low or negative growth, high and rising levels of unemployment, but the hope that emerging markets overseas, particularly China, India and Brazil, will stimulate investment and growth in some sectors. Whether or not this will materialise, or what the economic and political costs will be, remains to be seen. In the meantime, we have to learn to live with a state of economic doldrums, combined now with the consequences of trying to reduce the national debt.

All of this is pretty much clear and it seems to leave little else to be said, which is why perhaps the RFN has gone quiet of late. There is, however, a need for an up-date and a re-consideration of how and where faith groups might be able to intervene in this situation, given that things are as they are. The first thing that needs to be noted is that, in the UK context, the global nature of this crisis appears to have been forgotten or side-lined, largely as a result of the General Election in May 2010. Most of the debate now centres on domestic politics and policies. This perhaps requires further analysis and comment and begs the question of how much individual governments can or cannot do to steer their countries through the choppy waters ahead. In order to present themselves as real alternatives, both major parties claim either that the other was responsible for this mess and/or that they are the ones to get us out of this. Nobody at the moment is questioning whether this is really accurate or, more likely, political “bullshitting” in order to win votes.

I was talking to a colleague well-versed in the political world, who recounted the well-known joke within the system. A new administration takes charge, and the outgoing minister says to his successor that when he starts getting into trouble there will be three brown envelopes that he can open in turn. In due course the new minister finds him/herself in trouble and duly opens the first envelope. It says “blame the previous

government, this will work for a while”. As trouble builds up further the second envelope is opened. It says “blame international circumstances beyond your control: this too will work for a while”. When things deteriorate even further the third envelope is opened. It says “write three brown envelopes”! That just about sums it up I think. I was trying to suggest that governments ought to be banned from blaming their predecessors and to take responsibility for their own actions, but it seems that this is not how the political game is played, nor ever will be. It is human nature to try to shift the blame when things go wrong – and of course to take the credit when things go well! So how much control do governments really have?

That is one issue that we must be aware of. Another is that of the difference between the public positions that parties take over the current crisis and a large degree of consensus behind the scenes. This again is the view of my colleague closer to the system. All three parties are in basic agreement that action had to be taken to be seen to be tackling the large scale of the government debt, and whoever is in power will have little choice but to respond appropriately by making cuts or by raising taxes New Labour – if we can still call them that – had already begun the process of cuts before the election. The differences, as we know, were about timing, scale and where exactly the cuts were to be made. By the way, I think the term “cuts” is misleading. I see a cut as a small incision and relatively harmless, what is being talked about now are more like chopping off whole limbs, or decapitations, much more radical and potentially damaging.

The main point remains however and it is not easy to see alternatives. To rehearse the basic argument: government took the decision to bale out the banks when they got into trouble – even though not all of them were in that position. This added to the large structural deficit already incurred, inflating government debt to supposedly unacceptable levels. They then entered into a period of quantitative easing in order to stimulate the economy and get credit circulating again. What then happened was Greece and the fear spreading through the system that credit agencies would downgrade countries such as the UK given the scale of their debt, thus making it more expensive to service that debt and meaning that more money would be spent paying higher interest rates on that than could be spent on the internal economy. (Note that sovereign debt crises such as these are a familiar component of wider financial crises). Thus the only course of action is to be seen to be tackling the government debt in order to keep the rating agencies and the markets at bay and in the hope that a slow economic recovery will take

hold. Any administration that is seen not to be constructing and implementing a credible plan to address its structural deficit in this way is bound to be punished by the markets. This seems to be the consensus and little counter-argument is presented or taken seriously.

So the arguments that remain really do seem to be about timing, scale and direction of “cuts” and this is all that can now be debated. Accepting that this is the case – albeit with many reservations – my feeling about the current administration is that what they are proposing sounds draconian, damaging, and is likely to lead to greater social division and growing inequalities. Is it possible to come up with a more charitable interpretation? One could argue that they are trying to do at least three different, and maybe even conflicting, things at the same time and that it is hard to distinguish one from the other. They appear to be pursuing a neo-liberal agenda of shrinking the welfare state and re-shaping the role of government very much along familiar conservative lines of the 1980s. The current crisis offers them an opportunity and a good public argument for doing so – for the moment anyway, given that a majority of people seem to have accepted that cuts are essential. They are also trying to respond to the global financial crisis now turned into a potential sovereign debt crisis by cutting the scale of government debt – as would any other political party. At the same time, in the shape of David Cameron at least, they are talking up the idea of the “Big Society” and trying to present a more socially aware and enlightened form of capitalism than that of Thatcherism. All of this in the context of a fragile and uncertain coalition where the role of the Liberal Democrats seems to rest on the credibility of Nick Clegg within his party, and against the background that Tony Blair failed to capitalise on his majority in his first term of office in order to push through his real agenda.

This is indeed complex and messy and one can sort of understand where it is coming from even though one disagrees with it. At the moment we also have a “phoney war” until the comprehensive spending review in October when the details of cuts will be revealed. Hence it is difficult to respond to or to evaluate what is being proposed. The different policy strands are almost impossible to unravel and the pace of new policies being announced makes it equally impossible to keep up with what is being “put on the table”. I have described this as the “Ernie Wise” approach to politics – i.e. here are another 3 new ones I have written today – and even a Laurel and Hardy approach – “this is another fine mess you have gotten me into”. The problem is that the consequences of what is happening are deadly serious and will have implications for the country for a generation at least.

What else can be said? Well, I do wonder just how much of what is being announced is actually “bullshitting” and playing to the galleries of the markets and rating agencies. This is because previous regimes that have attempted such massive cuts have found these difficult if not impossible to deliver. Apart from the political risks involved when it comes to the crunch, once one is talking about such substantial reductions in funding, one is potentially changing the nature of the enterprise in question. Take 25-40% off your own household budget and just see what is left! A problem is that this scale of re-shaping requires more funding rather than less in the short to medium term – getting rid of something already in place will cost in terms of redundancies and re-organisation and even create new levels of bureaucracy in the meantime. Given that many welfare state and government agencies are already struggling to provide adequate services, what will happen to quality of service, staff morale and capacity to deliver when the next round of cuts hits home? There will be controversy, resistance and no little political flak and unrest one might predict. So how much can actually be delivered in terms of these cuts?

Then one has to consider the social costs and consequences of what is being proposed. The Institute of Fiscal Studies has come up with research that argues that the poorest families will be hit proportionally harder than the wealthier ones (August 24th). This is what Tory opponents would expect, but it also damages the credibility of the coalition’s claims to make this process fair across different sections of society. Another report suggests that the north of the UK will be facing 10% unemployment by 2015 although the south will fare much better. Does the coalition really believe its own rhetoric here, have they miscalculated, or can they convincingly challenge these findings? There is no doubt that the country – or certain parts of it – is facing higher unemployment and that cuts in the public sector are also going to feed their way through into the private sector. Those most dependent on public services and the welfare state are going to be at the forefront of the “collateral damage” created by the cuts. As in any recession, those most able to “ride out the storm” will be those with substantial private means. All of this is hardly “rocket science” and adds to the general picture of a country in which social inequalities will grow and become more deeply embedded. Is there really “no alternative”?

Of course there is, even with “cuts” in that they could be made in the areas where Tory party supporters and funders are to be found – but just how likely is this? So existing differences and inequalities will be

simply confirmed and consolidated as the “softer targets” will bear the brunt. If there is to be a faith-based intervention it surely has to be in this general area, presenting arguments about the damaging and costly consequences of growing inequalities to human wellbeing. But these may also have to be fed into the other Tory debate about the “Big Society” in order to gain a hearing, and that is difficult and complex. There is of course a wider tradition of interest in the non-governmental sectors of business and civil society in Christian circles, with Archbishop William Temple, for instance, having been concerned with the role of intermediate associations. Another major concern is what is happening to environmental concerns whilst all this is going on. They seem to be sinking well down the agenda, and, according to many in that field, time is already running out to put in place appropriate policies and encourage changes of practice and attitude. There is therefore cause for pessimism and concern over how the current administration is tackling the tasks ahead.

One supposes that their main hope is that some form of economic growth will develop which “heads these problems off at the pass” and prevents the worst social and economic consequences of their actions. This is well beyond their control though, as I am sure they well know but could not admit. It is probably beyond any government’s control, given that there is such limited room for movement.

Are we “one step closer to paradise” then, or two steps further away? Perhaps the jury is still out and we must wait to see and give the current administration the benefit of the doubt? In the meantime though we face the prospect of a new generation of workless youngsters and the fear of communities “left behind” even if there is some economic recovery. This is surely an issue that faith groups must take up and respond to, even if they choose to shy away from the more radical political and economic debates.

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