

The party that wins the next election and which gets the economy moving will be the one which can fashion certainty, peace of mind and fairness

*The pervasive uncertainty which has come to dominate social life has been compounded by a government seemingly intent on the systematic erosion of trust in the state. **James Lloyd** argues that action must be taken to restore trust in institutions and that the party which can fashion certainty, peace of mind and fairness will win the next election.*



The economy flounders in and out of recession. The Chancellor's deficit reduction plan has failed. The coalition parties may or may not be punished at the next election. To get the economy moving, infrastructure investment funded with cheap government borrowing is touted as the only game in town. The aim is for a short-term economic stimulus that will both unlock private sector investment and bestow long-term competitiveness.

However, few potential infrastructure investments are 'shovel-ready', and in the short-term, companies are driven by the mood of the public, not a few large construction tenders being circulated from Whitehall. The private sector will never invest the population out of recession. Business sentiment trails that of households, not the other way around. New infrastructure investment will not be enough. To get the economy moving, we need to think again about uncertainty and society. If the global financial crisis and 'great recession' has had a lesson for households, it is this: you cannot rely on anything – jobs, economic growth, institutions. Tomorrow could bring disaster and perilous incompetence abounds.

The current government has arguably compounded these effects. It responded to cataclysmic private sector and market failure by saying: "now discard the trust you have in the state." In some parts of government, there has been a systematic attempt to talk down the strategic capabilities of the state. This has occurred at a time when households really needed to believe in the ability of government to protect them and achieve growth. Rather than offer households a route through uncertainty, the government has served up more.

This left economic growth highly vulnerable to events in Europe. By the time the Eurozone debt crisis arrived – as it was always predicted to – the government had given itself no narrative on the economy's survival, and has been left gazing with the population over the abyss. These failures reflect a fundamental misjudgement made after the 2010 election. The central mission of this government should not have been eliminating the structural deficit in one parliament: it should have been helping households transition from the "era of endless growth" to the "era of uncertainty". The opportunity to deal with the structural deficit would have followed.

So what is to be done? In this new age of uncertainty, people need to know what they can expect, what they will be protected from, and what they have to do. First, trust is the basis of all economic activity, so give people trust and confidence in institutions. This means recognising and talking up the ability of the state to deliver, be reliable and provide a safety-net for people's lives. It means getting appropriate macro and consumer regulation of banking in place, as well consumer sectors that have let down consumers. But, then, we all need to move on. Second, the crisis has woken up households to the 'protection gap' they face: the difference between the support they will get from the state if calamity arrives, and what they actually need. We need imaginative new ways of fixing the protection gap with the state and private sector working together, giving people reassurance and helping them face up to uncertainty. Third, build expectations. After the boom of the noughties, the new era of uncertainty means the government needs to set out what people can expect – and hope for – from their lives going forward. It means getting them excited and engaged about what society and government can achieve.

Finally, deficit reduction must cease to be the story: it should unfold quietly in the background, not be the government's first topic for engaging the public. Precautionary saving – not investment and entrepreneurialism – result from repeatedly telling people things are going to be tough. Both the government and the ballooning number of fiscal forecasters need to stop defining the state in terms of fiscal problems.

None of this should be read as a call to enlarge taxation and the size of the (welfare) state. It is not 1948, and there is no 'baby-boom' to fund a 40-year 'demographic dividend' and generous welfare transfers. The party that wins the next election and which gets the economy moving will be the party that can fashion certainty, peace of mind and fairness, and set out what households, politicians and society want to achieve. The world in 2012 – and the future – appears scary, confusing and uncertain. Growth and votes lie in showing a route through this.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

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