

## In a time of scarce public money, Europe's centre-left parties now face a growing resistance to redistributive policies.

by Blog Admin

*As Europe's population ages and inequality increases, inter-generational distribution and redistribution are at the heart of many of today's pressing policy problems. **Michael McTernan** looks at the challenges posed by austerity and the eurocrisis to the redistribution policies of Europe's centre-left parties. He argues that they must take advantage of the public's increasing conviction that market capitalism cannot place itself above notions of fairness, as illustrated by the recent Starbucks tax case in the UK.*



The increasing build-up of distributional conflict is shaping the political environment for progressive politics in Europe. The recent UK budget and Conservative chancellor George Osborne's strategy of supporting "strivers" over "shirkers" is the latest skirmish in a wider battle over who should pay most to alleviate the significant overhang of public and private sector debt and take the brunt of the adjustment burden.

Three key overarching trends set the backdrop for a pronounced period of distributional conflict. Firstly, flaws in the capitalist settlement have created widespread economic insecurity, which significantly now affects the middle-class base of society. Living standards are under strain and economic insecurity is high in an environment shaped in the short-term by fiscal pressures and low growth, and in the long-term by demographic change and the challenges of a more competitive global economic era.

Secondly, and as a knock-on-effect, solutions to the erosion of living standards must be advanced in an economically insecure climate of "*sauve qui peut politics*" – a politics in which people, worried about clinging on to what they have, become more resistant to measures that redistribute resources to others, both vertically to other groups within the income distribution, and horizontally to other generational cohorts.

Inter-generational distribution and redistribution are at the heart of many of today's pressing policy problems, such as ageing and pension policy, the national debt, funding for education and training, and climate change. Most EU countries are experiencing rising Gini co-efficients (representing widening inequality), while evidence indicates that younger generations have been most acutely affected both by the crisis itself, and the consequent squeeze on public spending. The emergence of a substantial creditor-debtor political conflict in the EU further hampers debate about the need for redistribution at the supranational level.

Thirdly, the long-term challenges of demography and a more competitive global era necessitate the expansion of some government programmes, which in turn requires public money, but public money is already scarce and the redistributive model of the state is under severe strain.

The difficult challenge for European centre-left parties is formulating a political strategy which can



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navigate these dilemmas. Many traditional progressive socio-economic reforms tend to fly in the face of a political climate shaped by falling support for redistribution and the centre-left has thus struggled to find convincing ways to engage with the politics of austerity. Asking voters to approve of more government borrowing in the short-term is easily construed as more debt, which is counter-intuitive to how the majority of people manage their own personal finances.

As Andrew Gamble of Cambridge University has argued, the right has been much more adept at portraying the left as the careless actor that has irresponsibly abused the household credit card. In a stroke “the public household is equated with a private household (which must subordinate everything to balance its income with its expenditure) or to a corporate household (which subordinates everything to the bottom line and the pursuit of efficiency).”

The strategic focus must therefore be on setting-out a distinctive centre-left political economy of capitalism within the idea of a public household, which, not only focuses on budgets but also on a new set of socially and politically constructed rules for private and corporate actors and for the market order itself. The recent public furore in the UK over tax avoidance, and the subsequent decision of Starbucks to pay more tax than it is legally bound to, is testament to an increasing public conviction that corporations and the market economy cannot place themselves above broader public notions of fairness.

Fairness is thus the cornerstone that Labour and other social democrats need to continue to hammer into the public consciousness. In describing the climate of *saufe qui peut* politics at a [recent Policy Network event](#), [Peter Hall](#) of Harvard University maintained that the longstanding principle of social democracy most likely to have popular appeal is precisely its commitment to fairness. ‘Social justice’ comes with overtones of redistribution but ‘fairness’, understood as equal treatment, fair dealing and equal opportunity, has cross political appeal in the current environment.

Fairness dovetails with the need for a new set of socially and politically constructed rules and regulations in the market economy and the rebuilding of the “public household.” Fairness also speaks to the need to tackle inter-generational inequalities and emerging distributional conflicts. The underlying thread has to be a determinism that politics, working with broad coalitions of actors, can return as an effective counterweight to markets and finance. Starbucks’ unprecedented move might be the start of some change and movement.

*This article is based on the Policy Network paper “[Distributional Conflicts in the US and Europe](#)”*

*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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