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Long Term Policy Pressures on Social Democratic Governments

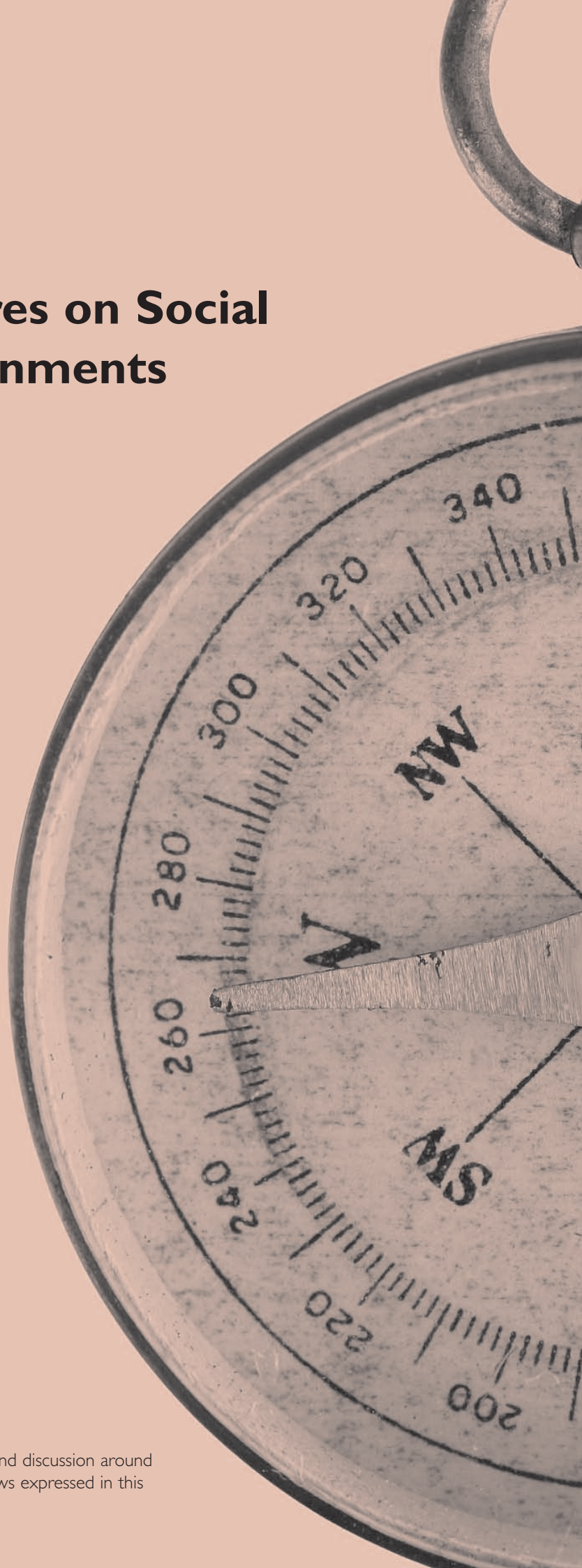
By Hugh Compston



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Long Term Pressures on Social Democratic Governments

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Why is this important?

If we can identify the main long-term pressures on public policy, and therefore the directions in which public policy is likely to be pushed over the next 20 years or so, we should be able to distinguish those of our preferred policies that are likely to be relatively easy to introduce and sustain, because they are in line with these long-term trends in public policy, from those that are likely to be difficult or politically costly to introduce and sustain because they run counter to these trends. For strategic thinkers about public policy this must be an advantage if plans are to be realistic.

Identifying long-term policy pressures and trends

Simply extrapolating current policy trends without understanding why they are occurring would be rather mindless, and of course empirical evidence about the future is not available. What it is possible to do is to apply the results of research into the dynamics of policy-making to derive theoretically-informed conclusions about the long-term directions in which public policy is being pushed. At present the dominant theory of policy-making used by political scientists is policy network theory. This basically portrays public policy in any given area as the outcome of explicit and implicit bargaining among groups and individuals at national, supranational and subnational levels who take an interest in that policy area and who try to influence public policy as a consequence. These include political executives at national level (prime ministers, presidents and ministers), other politicians, civil servants, judges, firms, interest groups, cause groups, the media and non-government experts. At any given time each of these policy actors has their own policy preferences plus characteristic types of power resources that can be used in political exchange over public policy. Power resources in this sense include legal authority, expertise, money, and the (perceived) capacity to deliver votes in parliament or elections, facilitate or obstruct policy implementation, mount legal challenges to legislation, or take direct action such as going on strike or, in the case of business, redirecting investment.

One implication of this is that if the views and power resources of the relevant policy actors don't change, policy shifts in any given area will remain fairly small because the balance of power within the network will remain stable. This means that for major policy change to occur there must first be changes in the views and/or power resources of network members due to the impact of factors external to the policy-making process, for example election results and economic recessions. Although most of these external factors are difficult if not impossible to predict, it is possible to predict those that constitute long-term trends, such as the internationalization (globalization) of production. This means that policy network theory can be used to deduce the likely impact of long-term trends on the future direction of public policy via ascertaining their impact on the views and power resources of network members. To the extent that the internationalisation of production makes it easier for firms to choose where to invest, for example, their bargaining power increases and we should expect increased pressure for public policy to move in a business-friendly direction, other things being equal.

A look at the relevant literatures reveals that in rich EU Member States such as Britain there are at least 19 trends that are external to the policy-making process and can be convincingly verified, affect large numbers of people in a significant way, and are expected by relevant experts to continue for at least the next 20 years. These I call king trends to flag their significance and to distinguish them from all others:

The development and spread of technological innovation

1. Information and communications technology (ICT)
2. Biotechnology
3. Healthcare technology
4. Military technology

Economic trends

5. The growth and diversification of production and consumption



6. Increasing use of energy
7. Increasing mobility
8. The shift to services
9. The growth of women's employment
10. The expansion of trade
11. The internationalization of production
12. The internationalization of finance
13. The expansion of mass media

Environmental trends

14. Climate change

Social trends

15. Population ageing
16. Rising levels of education
17. Smaller households
18. Secularisation
19. Sexual liberalisation

My examination of the ways in which these king trends are likely to affect the views and/or power resources of relevant policy actors yielded over a hundred findings concerning the policy implications of each king trend considered individually on an 'other things being equal' basis. These were then condensed into 12 points that, taken together, constitute an integrated baseline projection of the net directions in which king trends are pushing public policy in rich EU countries before these pressures are inflected by events, institutions, personalities and other short-term and unpredictable factors. Let's look at each of these in turn.

More assertive security policies

1. More assertive foreign and security policies

European governments increasingly have the incentive and the opportunity to implement more aggressive and interventionist foreign and security policies: the incentive from perceptions that threats to national security are increasing due to factors such as increasing dependence on energy imports and the proliferation of weapons of mass destruction, and the opportunity from the increasing ability to wage war without being punished by the electorate due to the development of so-called precision warfare techniques that enable quick victories with minimum casualties. However this does not apply to major trading partners, as the expansion of international trade and production networks with these countries increases the domestic economic costs of their being disrupted by military action.

2. More intrusive and internationalized law enforcement

Among other things the king trends operating today imply increases in crime in general and in computer crime, illicit trafficking of people and goods, international financial crime and white-collar crime in particular. This implies increasing pressure on governments to step up crime-fighting capabilities by means such as tightening regulation of ICT, permitting law enforcement agencies to increase their use of surveillance, and expanding international cooperation in law enforcement.

More business-friendly policies

3. More favourable policies towards expanding firms and sectors

As time goes on some types of business become increasingly significant for economic growth and employment, thus increasing the economic and electoral incentives for governments to do what they can to assist them. The main types of expanding firms at the moment are hi-tech firms, transnational corporations (TNCs), exporters, international financial institutions and media companies. This implies increasing state assistance for these types of firms in forms such as financial aid and adjustments to regulation to make their lives easier. The growing economic significance of new technology in particular provides incentives for governments to encourage other businesses to use it and to expand education and training in this area.

Increasing assistance to exporters and TNCs implies measures to improve national competitiveness by means such as more vigorous steps to open up new markets in foreign countries, boost incentives for inward foreign investment, improve infrastructure, improve education and training, reduce employers' social contributions and corporation tax, reform employment regulation to increase labour flexibility, and reduce the costs to business of environmental regulation.

Some of these measures, however, can be damaging. Competition to cut tax, for example, threatens state finances, while the anti-globalisation backlash reduces the electoral benefits of helping exporters and TNCs. For this reason there are growing incentives for governments to limit locational competition by harmonizing tax systems, investment regulation, and labour and environmental standards, although progress along these lines will be limited by the opposition of current 'winners' in international competition to signing agreements that remove their comparative advantages.

The increasing significance of TNCs also boosts the importance of policies to help business by undermining other economic policy instruments. Their ability to shift profits elsewhere undermines tax revenue and demand management policies. Their currency dealings undermine exchange rate policy. Their capacity to shift production elsewhere undermines industrial policy. And their ability to borrow elsewhere, or transfer domestic borrowings elsewhere, means that monetary policy has less impact on credit.

4. Priority for securing energy supplies over mitigating climate change

The increasing dependence of most EU countries on energy imports increases the economic and electoral incentives for governments to implement more vigorous measures to ensure security of energy supply. At the same time the increasing evidence that climate change is real increases pressure on governments to cut the use of fossil fuels. However since economic growth is vital to the short-term electoral prospects of governments, measures to mitigate climate change are likely to be restricted to those that do not significantly constrain economic growth, such as measures to improve energy efficiency and encourage the development and use of nuclear power and renewable energy.

For this and other reasons it seems unlikely that enough will be done to halt climate change. The increasingly damaging consequences of this will increase the electoral incentives for governments to do what they can to adapt to climate change, for example by improving flood defences.

5. More vigorous measures to increase the size and quality of the labour force

One of the principal implications of population ageing is a reduction in the working-age population as a proportion of the total population, which implies lower economic growth and state revenue than would otherwise be the case. This increases the incentives for governments to strengthen policies designed to improve labour productivity by expanding education and training, and to do what they can to maximize the size of the labour force by means such as raising the retirement age, increasing immigration, and encouraging more women to work while also having more children.

6. More vigorous measures to facilitate structural adjustment

Intensifying international competition is likely to increasingly disrupt employment as firms that lose out go to the wall. This increases the incentives for governments to help displaced workers into new jobs by means such as providing more help with job search and retraining, creating more low-skilled caring jobs in public sector social services, and facilitating the reduction of wages for low-skilled workers to make it profitable for private employers to hire them.

7. More business-friendly policies in general

The growth in the proportion of viewers who watch commercial TV increases the proportion of the electorate that is exposed to media messages framed to favour business and pro-business parties and policies, while the political leverage of trade unions and the industrial working class continues to decline.

More liberal social policies

8. Less church-friendly policies

Secularization in the sense of falling religious affiliation and participation implies less political leverage for traditional Christian churches as more and more people make up their own minds about what to believe. This in turn implies diminishing pressure on governments either to maintain financial and other assistance for churches and church schools, or to enforce traditional Christian morality in areas where this is contested.

9. More women-friendly policies

As time goes on the political leverage of women is increasing. Levels of education are rising faster for women than for men. Increasing numbers of women are reaching influential positions in government and elsewhere. And we have already seen that governments want to improve the capacity of women to combine working and bringing up a (large) family. Together these developments should mean increasingly women-friendly policies in areas such as childcare.



10. More liberal policies on sexuality

As time goes on people are becoming more tolerant of unorthodox forms of sexual activity, such as homosexuality, while sexual behavior is becoming freer in the sense of people having sex earlier, with more people over the course of their lifetimes, and increasingly outside the confines of marriage. This implies increasing electoral incentives to liberalise state regulation of sexual activity and combat sexual discrimination. We should also expect wider availability of contraception and better sex education as governments respond to the tendency of sexual liberalization to increase rates of unplanned pregnancies and sexually-transmitted diseases, as the alternative solution of tightening regulation of sexual behavior is becoming less and less politically viable.

11. More liberal policies on the cloning and genetic modification of humans, and on psychotropic drugs

One of the main reasons why human cloning and inheritable genetic modification are illegal throughout the EU is that these procedures are not safe. As technology develops, however, this is likely to change, and more and more would-be parents are likely to want to take advantage of these techniques. It also seems clear that sooner or later human clones and designer babies will be born whatever the legal situation. Both these developments will increase electoral pressure on governments to legalize the cloning and inheritable genetic modification of humans.

A similar argument applies to new types of psychotropic drugs: as time goes on scientists are developing an increasing variety of relatively safe psychotropic drugs that improve mental functioning, which is likely to lead to increasing pressure on governments from individuals and employers to make these drugs legally available.

Increased public spending

12. Quasi-automatic increases in spending on health, social security and defence

Public spending has a tendency to increase by itself independent of discretionary decisions made by governments due to the increasing cost of healthcare technology and military technology, the increasing demand for pensions, healthcare and services for older people caused by population ageing, the increasing demand for childcare and other services caused by more people living alone or heading single-parent families, and the relative price effect: because the scope for productivity improvements in services is less than in industry, over time the relative cost of providing services tends to increase. This implies constant pressure on governments to raise tax rates, cut benefits and services, find ways to provide the same benefits and services at lower cost, or finesse the whole problem by obtaining extra revenue via boosting economic growth.

A final word

It is important to be quite clear what these findings represent. They are not extrapolations of current policy trends but rather the policy implications, according to policy network theory, of major long-term technological, economic, environmental and social trends. And they are not predictions of future trends in public policy but projections of those we would expect if only the 19 key trends were in operation, governments took the line of least resistance, and nothing else changed much, with short-term fluctuations cancelling each other out and no major disruptive events. The actual future of public policy as it emerges can be thought of as a variation of this scenario.

The significance of this is that social democratic policies that are in line with these long-term policy trends, such as measures to reduce unemployment, expand education and training, or improve the position of women, are likely to be relatively easy to implement and sustain. Policies that run counter to these policy trends, such as moves to make employment regulation more employee-friendly, raise corporation tax, significantly cut greenhouse gas emissions or significantly increase public spending (given that public spending is already increasing), are likely to be more difficult to implement and sustain.

What this means is that if policies that run counter to these trends are not to be abandoned as being politically unrealistic, they will need either to be pursued with great vigour and commitment, or recast in such a way as to enable their objectives to be reached using means that are in line with these trends. For example, it should be easier to strengthen employment regulation via strengthening those aspects that are especially relevant to women, such as regulation of part-time work, than via a less targeted approach. And it is likely to be easier to help the disadvantaged – or at least some of them – by including them in education and labour market programmes and providing relatively generous financial support to those who participate, than by redistributive measures as such. Systematic use of this recasting tactic should reduce the range of social democratic policies that can only be pursued with great difficulty and maximize the range of social democratic policies that are actually implemented and sustained.

Looking into the future is an inexact science, but if we are to plan ahead it cannot be avoided. Taking the likely matrix of long-term pressures on public policy into account should help us to plan by enabling us to distinguish those of our preferred policies that go with the grain of the times from those that go against it. This does not mean that we should abandon all policies that go against the

grain. Social democracy is about struggle, not just going with the flow. But taking these pressures into account should put us in a better position to formulate policies in ways that maximize the chances that they will be put into practice by social democratic governments and maintained over the long run.

Hugh Compston is Reader in Public Policy in the Department of Politics, School of European Studies, Cardiff University. His most recent books are *King Trends and the Future of Public Policy* (Palgrave Macmillan, July 2006), and *Handbook of Public Policy in Europe: Britain, France and Germany* (edited) (Palgrave Macmillan, 2004).

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Compass is the democratic left pressure group,
whose goal is to debate
and develop the ideas for a more equal
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