

1. Introduction

At the time of writing this introduction, in early 2018, the world seems an uncertain place. There is a new US president who has promised to build a wall to keep immigrants out of the country. He aims to bring jobs back to the ‘Rust Belt’ of America, which is experiencing industrial decline and falling wages for those who are able to find work. President Trump is trying to repeal the Affordable Care Act (‘Obamacare’), which, although being far from perfect, extended health insurance coverage to tens of millions of Americans who otherwise had to attend emergency rooms or find the cash to pay for care themselves. In the UK, the vote to leave the European Union in 2016 appears to have been fuelled by much of the same anger that led to Trump’s election – of communities being left behind and blaming immigrants for their problems. A general election was called on the grounds that it would help the Conservative government better negotiate ‘Brexit’, but which instead left them weakened and having to enter into a coalition with another political party to retain power.

It is ten years since the financial crisis began. Looking back, it is hard to see what we have learned from the experience of watching banks come close to driving our economies into the biggest depression since the 1930s. Talk of ‘rebalancing the economy’ or of restoring the balance between ‘Main Street’ and ‘Wall Street’ appears to have been mostly that, talk. There has been some re-regulating of the financial industry, but with President Obama putting what looked like Wall Street insiders in charge of the response to the financial crisis, it is perhaps unsurprising that the response ended up being less than radical. Meanwhile, in the UK, the most vulnerable in society, who did nothing to cause the crisis, have borne the brunt of government policies designed to try (so far, unsuccessfully) to rebalance government budgets through policies designed around ‘austerity’. While marginal tax rates for the richest have been reduced, benefits have been subject to caps, and funding for local government services reduced in real terms by upwards of a third.

The world appears to be in a fragile and angry state. The individualistic, finance-based, marketized approach that has dominated economic and social policy governance since the 1970s seems to have failed us, and yet our governments keep pursuing the same policies. We have been told

that there is no alternative to them – that we will just have to put up with finance dominating our economies and with the increased inequalities and stagnant economic growth.

This book is an exploration of how we have got into this mess in terms of economic and social policy governance, making use of a revised version of an important framework presented by Bob Jessop for understanding that topic, and bringing it up to date in the light of the financial crisis and what it has taught us. The book also considers what we have learned about human behaviour in the light of research examining human rationality through the work of Kahneman, Ariely and Sunstein (amongst others), and which has shown that the rational individual model we often place at the heart of our ideas about how the economy and social policy should function, needs replacing with something more empirically grounded and so be likely to work in the real world. It presents alternatives to the current policy grounded in the hugely important work by researchers such as Stiglitz, Marmot and others who show us that we need to rethink the way we run our economies and societies to try to construct a new approach to economic and social policy governance.

The book begins, as the paragraphs above suggest, by suggesting that our current approach to the economy and society is failing us. Our economies have not delivered sustainable growth or improved lives for their citizens, but rather have concentrated wealth in the hands of an elite who run our corporations (especially those in financial corporations). The main function of social policy has become to alleviate the more extreme forms of poverty and to support corporations in the economy, with any claims that it should do more than this being dismissed as ‘unaffordable’. The book argues that we need to rethink our approach to running our economy, not only to achieve real sustainable growth, but also because if government is to achieve the goal of actually improving well-being, then it cannot do this without a fairer and more productive approach to economics and economic policy. Our welfare services are under increased strain while at the same time expenditure in areas such as health continues to rise, and there is voter resistance to increasing taxation. However, improving our social policy is crucial – there is a strong evidence that our health is remarkably socially determined rather than being the result, as we tend to assume, of our individual choices, and so addressing the social problems that lead to inequalities and premature mortality is not just good economics, but is also crucial if we are serious about improving people’s lives.

The book begins its task in Chapter 2, which presents a diagnosis of where social democracy went wrong in the 1960s and 1970s before moving on to explore where we are now and, in Chapter 3, presents a development of Jessop’s framework of the governance of welfare to consider the

problems that we face today. The book then considers how insights from behavioural science have challenged our notions of who we are, and that we need to incorporate those ideas if we are to better learn to govern ourselves (Chapter 4). As such, the book is international in scope in that it draws from theoretical perspectives that explain what Jessop referred to as 'Atlantic Fordism'. It will draw most specifically on cases from the UK and US as the two economies that have come to exemplify the financialized, individualized model of economic growth that is at the root of most of our economic and social problems, but clearly has significant implications for other countries that are treading the same path as those two countries, or have substantial links with them.

Chapter 5 then presents the book's framework by combining the understanding gained from the previous two chapters to consider how social democracy can develop across a range of different areas, before focussing on the specific areas of the economy (Chapter 6), healthcare (Chapter 7), education (Chapter 8), and social security (Chapter 9). Chapter 10 concludes by outlining the book's argument, and by presenting a revised version of Jessop's framework that brings together its recommendations into a new ideal type that shows there is a clear alternative to where we are now and how we are being governed.

The book therefore builds from a diagnosis of where we are now, to a framework that helps explain it, to an alternative approach. As Chapters 6 to 10 are designed to be free-standing, building on the framework of the first five chapters, there is necessarily some overlap between them, but hopefully this does not occur to an overwhelming extent for those that want to read all the chapters. The book begins then with an account of how we have got to where we find ourselves today.