

LIBERALISM IN A RECESSION

If a serious recession develops, the Liberal Democrats must learn to communicate differently, warns Simon Titley

British politicians have got used to prosperity. Poverty hasn't gone away but, for the majority, material prosperity has never been better. Unemployment rates, interest rates and inflation remain low. Many people seem to take second homes, third cars and fourth holidays for granted.

But what if this were to change radically? What if unemployment and homelessness were to soar and many people were to lose the trappings and security of a comfortable middle class lifestyle? The political climate would alter dramatically and the Liberal Democrats would have to campaign and communicate differently.

No-one knows whether the current global financial crisis will cause a serious recession in Britain. It could be a relatively mild economic downturn, with a full recovery within three or four years. Or it could be comparable to the deep recessions in Japan and Argentina in the 1990s, an economic trauma lasting a decade or more. All anyone can say with any confidence is that events will probably lie somewhere between these two extremes. However, any recession now, irrespective of its severity, will be qualitatively different from previous ones.

The main economic factor that will make the next recession different is the high level of consumer debt. This is not necessarily a problem while people believe that things will improve for them economically. When that belief changes, the level of debt magnifies the changes in economic behaviour. Every recession is accompanied by a collapse in consumer confidence. In an economy such as Britain's, where the recent boom has been sustained by debt-fuelled consumer spending, the pain will be greater than in most Eurozone countries, where people have tended to save rather than borrow.

Consumer confidence is a psychological phenomenon. We tend to think of recessions primarily in economic terms but the next one will be essentially psychological in character. The recent boom has been based on faith, optimism and trust. Once people lose those beliefs, they will lend and spend less.

But the psychological effects will also be exaggerated by the way in which society has changed. The depression in the 1930s caused greater material hardship than any recession now is likely to cause, yet people today may find it harder going. In the 1930s – and even in the 1980s when manufacturing industry collapsed – there were systems of social solidarity available. Despite the hardships, people could fall back on the support of their extended families, settled geographical communities and trades unions.

These social relationships have badly corroded as society has atomised. People will not enjoy the same degree of social support in the next recession because they have increasingly seen themselves as consumers rather than social animals. They want it all and they want it now – even when they have no use for it. An ICM poll published in the Guardian (30 September 2004) revealed that “Britain's homes... are bursting with some £3bn worth of gadgets which nobody ever uses. Top of the list comes the foot spa. According to ICM, the total value of unused foot spas in British homes is around £450m.”

The resulting spiritual poverty and lack of social cohesion is bad enough in the good times. When retail therapy is no longer an option, many people will feel bereft. The damaging effects will be more psychological than material because of the extent to which people have invested their identities in the things they buy. One wonders, for example, how the venal crowd addicted to ‘property porn’ such as *Cash in the Attic* or *Location, Location*, *Location* will cope.

Most British people have little or no experience of the four horsemen of the apocalypse. No-one much under 70 has any memory of total war or a world without antibiotics. No-one much under 60 has any memory of rationing. Most people have experienced an unprecedented era of material comfort and have lost the capacity for deferred pleasure. They will find it much harder than previous generations to endure even moderate levels of discomfort or to accept personal burdens for the good of others.

The housing market is where the effects will be most keenly felt. In the UK, a mortgage is a major commitment that is as much emotional as it is financial. It seems to consume not only people's money but also their souls (as any middle class dinner party conversation will demonstrate). A slump in house prices will therefore have a significant effect not only on people's economic welfare but also on their identity and sense of self-worth. These psychological factors are the ones to watch.

Once consumer confidence collapses, people's spending habits change. They switch to spending more of their disposable income on staple goods at low prices. As a recession takes hold, this spending pattern is accompanied by rumours of shortages in such goods. This last happened in the UK during the 1973 oil crisis, when shops were stripped clean by panic buying of basic commodities such as sugar, on the basis of the flimsiest of rumours.

The difference between now and 1973 is that, this time, the phenomenon of rumours and panic buying will be fuelled by a high tech grapevine supplied by the internet and mobile phones. Rumours will spread much faster and

will not be confined to one locality. Shortages will also be exacerbated by more anti-social behaviour, experienced recently in the nasty black market in mineral water that sprang up during last year's floods in Gloucester.

The loss of social cohesion will mean that, in a recession, there will be not only more anti-social behaviour but also a more generally intolerant climate. Traditional forms of social cohesion exposed people to different interests and other points of view. People instinctively grasped the need to reconcile competing interests. Nowadays, people are more likely to select their own peer groups and acquire an increasingly one-eyed view of the world, as 'narrowcasting' and the internet make it possible to filter out different voices and listen only to like-minded views.

So long as everyone's material needs are met, social atomisation does not necessarily spill over into political conflict. The problems arise when isolated groups compete for scarce resources. The economic tolerance that is the hallmark of growth will disappear. The quality of political discourse is likely to deteriorate and become more vituperative, because it will be taking place between mutually uncomprehending groups.

The greatest of these conflicts is likely to be generational. The 'baby boomer' generation, disgruntled that its private pension schemes are not delivering the expected levels of affluence, and reluctant to release the capital tied up in its property, will use its voting power to demand that a greater share of state resources is used to make up the shortfall. The younger generation still actively engaged in creating wealth may resent that such a large proportion of this wealth is going to an older generation that raped the planet, got rich quick and created for itself a nice little earner that somebody else must pay for.

A political consequence of such economic conflict will be a growth in pressure groups representing the various parties in these disputes. People's immediate economic welfare will take precedence and there will be a corresponding decline in the fortunes of pressure groups representing more altruistic goals. One major effect will be a decline in environmental concerns. The fuel tax protests in 2000 are a sign of things to come. There may be mileage in environmentalism where it can be seen to be of direct benefit to people struggling to make ends meet, such as measures to promote fuel economy. But on the whole, it will be thin pickings for the organic alfalfa sprout brigade.

Economic conflict will rapidly give rise to the 'blame game'. For example, signs are already emerging of a populist movement opposed to 'fat cats' in the boardroom (and it is significant that the Daily Express, Britain's most right-wing daily, is in the vanguard of this movement). Meanwhile, there is a heightened public sensitivity to corruption in politics, even though British politics is relatively clean by any objective standard. Given that these trends have been evident in times of prosperity, it is easy to see how much more vicious it could get when people believe they have been deprived of what is rightfully theirs.

This perception – of rights deprived – will lead to a desire to apportion blame. The view will gain ground that those in power did well for themselves financially during the good times, but have left others to suffer in the bad times. The stage is set politically for the emergence of populist movements based on blaming others – the 'fat cats', immigrants, foreigners or any other scapegoats that are readily to hand. The recent TV drama series *The Amazing Mrs Pritchard* provided one scenario of a more

volatile political climate. The emergence out of nowhere of a charismatic, right-wing populist leader, such as Pim Fortuyn in the Netherlands, is perhaps a more instructive model.

A key political demand of such populist movements is protectionism. Gordon Brown's statement last year about "British jobs for British workers" shows that the prime minister recognises a political bandwagon when he sees one. But the experience of protectionist policies in previous recessions is that they always make things worse.

Brown was simply demonstrating the reluctance of most politicians to tell people home truths. The replacement of a capacity for deferred pleasure by a desire for instant gratification has created a political culture devoted to satisfying and sanctifying that desire. People are reluctant to believe that there might be limits to their good fortune. They are also increasingly reluctant to cope with the complexity and judgements needed for the rational assessment of evidence, encouraged by the deliberate rejection by feminism of rationalism, and the corresponding exaltation of 'feelings' and personal testimony. In this atmosphere, it becomes imperative for politicians to reassure the public that nothing bad will happen. The culture of 'spin' is what happens when all communication must be attractive.

If the experience of the 2004 Euro elections is anything to go by, in a recession, Nick Clegg will face considerable pressure from Cowley Street to subordinate policy to short-term tactical considerations and engage in a pissing contest with the other parties to pander to a populist agenda. Nick should resist such demands.

This is the time to say something honest and distinctive, not leap aboard the next bandwagon. The first thing the party must do is tell some home truths. This practice has been the hallmark of Vince Cable's statements about consumer debt, the housing market and Northern Rock, and his moral clarity has served the party well. The Lib Dems should leave the spin and the pandering to unreasonable demands to others.

Second, at a time when the other parties will be rallying to the cause of pulling up the drawbridge, the Lib Dems should renew their commitment to internationalism. They should not be afraid to support free trade and oppose demands for tariff barriers or drastic cuts in immigration. This is not some woolly-minded Liberal sentimentalism – the fact is that, in a recession, the country needs more trade and more skills, not less.

Third, given that the UK will suffer more in a global recession than its continental neighbours because of its levels of indebtedness, the performance of the Eurozone will continue to improve relative to the UK economy. Before long, Britain's decision not to join the euro will look like yet another of its 'missed chances'. When the gloating about the economic difficulties of Germany and France stops (and it soon will), and Britain starts to look ruefully at its neighbours' success (as it did in the 1970s), the Lib Dems will be better placed to promote a hard-headed case for their pro-European policies.

The market is there for a party that is honest about what it stands for and 'tells it like it is'. If the Lib Dems decide instead to leap aboard the populist bandwagon, they will be wiped out in the rush.

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