

Tullett Prebon Research, a blog by Dr Tim Morgan

Superbudgethiththerich (andisn'tallmendacious) – Mary Poppins economics and the fairness delusion

by Tim Morgan on March 6, 2012

It's a good bet – indeed, it is such a certainty that no sane bookmaker would offer odds against it – that the budget debate will be dominated by issues of “fairness”. George Osborne and his colleagues will argue that the budget measures are “fair”, and opposition critics will contend that they are not.

The view expressed here is that the “fairness” or otherwise of the budget, though important, is the wrong test. Instead, politicians, the media and the public should ask not whether the budget is fair but, rather, whether it is effective. Such is the scale of the British economic and fiscal malaise that the test of policy should be pragmatism, not sentiment. “Is it fair?” is the wrong question. The right question should be “will it work?”

Just as the economy has been in uncharted waters since the financial crisis, so politics has entered into a new era. For most of the post-War years – when growth was the norm – the task faced by policymakers was the equitable apportionment of expansion. Since 2008, the very different (and far more difficult) challenge has been the sharing out of hardship.

A by-product of this fundamental change has been an elevation of the concept of fairness almost to the sanctity of Holy Writ. No policy, it seems, can be accepted unless it can be deemed to be “fair” against very subjective criteria of fairness. By declaring that “we're all in this together”, David Cameron conferred the imprimatur of official sanction onto the concept of fairness. The government's critics needed no invitation to jump onto a “fairness” bandwagon which had long been promoted by a Labour administration which paid lip-service to “fairness” whilst at the same time professing itself “intensely relaxed” about a small minority becoming “filthy rich”. This inconsistency may have had limited relevance in a period of apparent prosperity, but it is all-important now that the focus of government needs to be on the delivery of growth. This is no time for woolly sentiment.

In my view it's important that policymakers set their compasses by pragmatism, not by emotion. There is nothing at all wrong with increasing the tax burden on “the rich”, so long as this boosts receipts to the Treasury whilst not undermining the outlook for the economy. The problem arises when hitting the rich neither raises revenue nor boosts economic output. “Fairness” is at best a vague and subjective concept, whereas practical policymaking needs to emphasise the benefit for all over the punishment of a minority.

In any case, “unfairnesses” in British society are so extensive that a policy agenda wholly geared to a righting of inequity would require complete reconstruction.