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**How sustainable is the welfare state in the context of an economic, fiscal and environmental crisis?**

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***For Almut Büchsel***

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**List of Abbreviations**

DEFRA Department of Environment, Food and Rural Affairs

DWP Department of Work and Pensions

EIA Energy Information Agency of the United States

EU European Union

GDP Gross Domestic Product

GNP Gross National Product

HDI Human Development Index of the United Nations

IMF International Monetary Fund

IPCC Intergovernmental Panel on Climate Change

NEF New Economics Foundation

OBR Office of Budget Responsibility

OECD Organisation for Economic Cooperation and Development

ONS Office of National Statistics

SPD Sozialdemokratische Partei Deutschlands

TUC Trade Union Congress

UN United Nations

UNDP United Nations Development Programme

UNEP United Nations Environment Programme

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**Abstract**

The economic, fiscal and environmental crises evident in contemporary political economy carry a set of interconnected, profound and largely unacknowledged sustainability challenges for the welfare state. This is particularly the case if the environmental crisis constitutes a severe set of limitations upon further economic expansion or demands that post-industrial societies begin to normatively question the primacy of pursuing ad infinitum economic growth. The crisis narratives identified are conceptualised here as a triple crisis afflicting welfare state sustainability, and this more holistic and innovative understanding of the current conjuncture is the starting point of an analysis which interrogates the tensions and inter-dependencies between the fiscal and environmental sustainability of the welfare state. This research agenda prompts a dialogue between two literatures which have largely remained segregated from each other up to this point, despite them both being embraced by progressives. The first is the literature on the fiscal sustainability of the welfare state, which is invariably predicated upon assumptions of future growth either to manage demographic changes or to rationalise counter-cyclical spending during economic downturns. The second is the scholarship on post-growth, which has enjoyed a notable resurgence in recent years due to its environmental and social critique of societies dedicated to pursuing economic growth. Bringing these literatures together has implications for the study of welfare state sustainability. On the one hand, if the fiscal sustainability of the welfare state is predicated upon the public expenditure extracted from an environmentally-unsustainable growth dynamic it is surely necessary to problematise the concept of sustainability conventionally used in the welfare state scholarship. Meanwhile, the prospect of pursuing environmental sustainability through challenging the economic primacy of economic growth would mean a suppression of monetised economic activity, severe fiscal implications for the capitalist state and an uncomfortable degree of welfare state retrenchment. The post-growth literature’s assertion that growth no longer impacts positively on wellbeing, therefore, is challenged by highlighting the potential effects of the absence of growth on the institutions of the welfare state. This constitutes a paradox for welfare state sustainability, and it is only complicated further by the evidence suggesting that welfare states can potentially be conducive to environmental governance more directly through facilitating decarbonisation strategies, maintaining monetarily and ecologically efficient public welfare services, and promote notions of the ‘public good’. This would mean that any post-growth transition may ironically be counter-productive if it does produce a conflagration of public welfare programmes. These are a set of paradoxes for welfare state sustainability which will be difficult to negotiate within the current political settlement. As such, my research speaks to debates concerning how progressives can map out a policy direction in the 21st century which meets both our social sensibilities – which are typically met through those state mechanisms financed by monetised economic activity – and our environmental imperatives – which may require us to question economic growth. This thesis, therefore, contributes to both bodies of scholarship under examination through exploring the intractability of the tensions and inter-dependencies between their discourses and the implications of this for welfare state sustainability and progressive politics more broadly.

**Introductory Chapter.**

# How sustainable is the welfare state in the context of an economic, fiscal and environmental crisis?

## 1.1 - Introduction

This thesis has been written in the midst of one of the most turbulent periods in the history of the post-war welfare state; a time when its sustainability has been a central feature of mainstream political discourse across the post-industrial world. That its sustainability is being scrutinised is hardly novel, its expenditure and value has been questioned throughout the 20th century as the institutions and policies of public welfarism were incrementally put in place. This was the case even during the supposedly halcyon ‘golden age’ of the welfare state in the heavily-romanticised post-war period, when establishing a robust welfare system was a principal component of the new political settlements.

Yet the pressure on the institutions of public welfarism to justify its existence intensified further in parallel with the ascendency of the ‘neoliberal paradigm’ in the 1970s – defined by Jamie Peck (2010) as a series of (often counter-productive) impulses towards deregulation, privatisation, state and welfare retrenchment – which normalised the normative logic that welfare retrenchment would enhance macroeconomic performance. This has been compounded by the cacophony of voices in the tabloid media admonishing the persistence of a socially unjust and ‘bloated’ welfare system. This has supposedly bred a ‘culture of entitlement’ amongst the so-called feckless, lazy and exploitative welfare claimants, and the data illustrating the growth in welfare expenditure in recent decades has been used to substantiate such an argument (despite the rise in welfare spending being more associated with an ageing population, pensions and in-work benefits (OECD, 2014a)).

The prism of neoliberalism for interpreting economic events and processes has been dominant for some time, and the discursive disparagement of the welfare system as a relic from a bygone age of governmental munificence which encouraged a ‘dependency culture’ has become a familiar theme amongst a certain section of the media. A relative decline in welfare generosity from the 1970s (Hay, 2007a: 206) is hardly unrelated to such developments. The pressure upon welfare state spending, however, has become significantly more intense since the global financial crash of 2008. Since then, a period of austerity has ensued across the post-industrial world resulting from a perceived crisis of public debt. From this starting point, the welfare state has been subjected to a fierce fiscal audit in the face of its apparent unaffordability, and a series of major reforms have been instituted.

Ironically, the welfare state as it is commonly thought of today was largely founded in a period of austerity in the 1940s; in the midst of public debt which dwarfs that of today. Through the particular framing of the present crisis as primarily a crisis of public debt, however, political figures and media commentators have argued that there is no alternative but to make severe cutbacks to welfare expenditure; presenting a logic of non-negotiability due to the supposed necessity of urgently reducing national deficits in order to appease financial markets that retain the ability to punitively raise a national government’s cost of borrowing.

In light of this perception, the welfare state has found its funding compromised at precisely the moment when its services are vital to tackling the social fallout of the recession. To take the example of the UK – as I shall occasionally do for illustrative purposes[[1]](#footnote-1) – the cutbacks in welfare spending have coincided with (and helped engender) a rise in poverty and child poverty, the rise in homelessness, the real-terms repression of wages, the rise in unemployment and the rise of precarious, temporary and low-paid forms of employment (TUC, 2012; NEF, 2013a). The reforms enacted by the Coalition Government have rendered the UK welfare system no longer ‘fit for purpose’ according to some (NEF, 2013a). In Germany, the ‘Hartz IV’ series of welfare reforms which began in 2003 were given added political impetus, leading to recent debates in the post-crash era that welfare provision is now failing to guarantee basic levels of human dignity enshrined in the German constitution (Caspari, 2015). Denmark too has made changes to welfare provision since the crash under Prime Minister Thorning-Schmidt, who has raised the pension age and implemented a cut in unemployment benefits, purportedly as a result of her concerns over its affordability and the future of the Eurozone (Scrutton and Jensen, 2013). The scaling back of welfare systems in the years since the crash, rationalised through the supposed necessity of fiscal consolidation, has partly facilitated the mass discontentment with the present models of political economy which has fuelled the Occupy and *Los Indignados* movements amongst others (Chang, 2014). The reform of the welfare state in the face of these events and debates have been ably analysed within the welfare state literature and the burgeoning literature on austerity (Hay and Wincott, 2011, Crouch, 2012; Krugman, 2012a; Stiglitz, 2012; Taylor-Gooby, 2013; Blyth, 2013).

Converging with the strains imposed upon the welfare system because of an economic recession is the demographic transformation of Western societies which poses a more deep-seated challenge to contemporary welfare regimes across the world. An ageing society will most obviously impose additional costs upon public pension provision and on healthcare services, and the incremental transformation in the ratio of in-work to out-of-work or retired citizens constitutes a structural welfare problem which ostensibly demands some kind of reform. These issues have also been ably dealt with in the literature (Myles and Pierson, 2001; Esping-Andersen, 2002; Myles, 2002; Castles 2004; Barr, 2004; Hay and Wincott, 2011; Taylor-Gooby, 2013).

These economic events and social trends constitute enormous problems for the sustainability of public welfarism. Nonetheless, there is a consensus amongst those progressive authors writing about the fiscal sustainability of the welfare state that these challenges can be resolved through a combination of the resuscitation of economic growth, resistance to ‘neoliberal’ attempts to engender an idealised ‘leaner’ state, and a more inclusive growth regime which mitigates the growth of income inequality.

However, conceptualising the contemporary crises in political economy does not end there in this thesis. Whilst these social and economic phenomena are typically central to any analysis of welfare state sustainability, and indeed it is impossible to ignore them here, this thesis posits a more holistic and complex understanding of the present moment of crisis and thus a more nuanced understanding of welfare state sustainability. This thesis contends that environmental unsustainability constitutes a profound challenge to the contemporary political economies of post-industrial societies, of which the welfare state is a key component, and needs to be recognised when conceptualising the current crisis. It is argued here that the environmental crisis poses existential questions of mainstream economic strategies and constitutes a crisis for the future of economic growth.

Mapping a theory of welfare state sustainability onto this more holistic understanding of crisis, outlined in the following chapter, will be central to this thesis[[2]](#footnote-2). In doing so, this analysis will have implications for the future of progressive politics; which will be a key focus of this study.[[3]](#footnote-3)

For situating welfare state sustainability within this nexus of crisis narratives brings into view two literatures which, thus far, have remained segregated from each other; despite both being embraced by those who define themselves as progressives. The first is the scholarship centred upon the fiscal sustainability of the welfare state, and the second is the literature on post-growth which has been borne of the desire to cultivate an environmentally sustainable form of economics.

The former is primarily centred upon the extent to which the welfare state can be fiscally justified in terms of its contribution to, or drag upon, economic performance. The discourse of those on the left in this body of work typically prescribe and seek to legitimise further state spending financed by further GDP growth in order to address demographic challenges or economic crises, or promote an inclusive form of economic development more broadly. These discourses have been shaped by a counter-hegemonic resistance to neoliberal ideas and seek to subject to empirical evidence the narratives of non-negotiability which rationalise the emaciation of welfare services (Cameron, 1978; Katzenstein, 1985; Pierson, 1994, 1998; Esping-Andersen, 1990; Rodrik, 1997; Cerny, 1997; Cooke and Noble, 1998; Gough, 1996; Weiss, 1998; Watson and Hay, 2003; Barr, 2004; Hay, 2008; Hay and Wincott, 2011). The literature emphasises the political contingency and importance of institutional factors in mediating the processes of retrenchment, but it does so through highlighting the continued value of the welfare system to realising economic growth and appealing to quasi-Keynesian concepts; derived from the macroeconomic philosophy with which strong welfare states are aligned. This is particularly true in times of economic downturn when the welfare state is a crucial set of mechanisms pertaining to a favoured ‘crisis management’ economic strategy; which is capable of counteracting the ‘paradox of thrift’ and inject counter-cyclical demand into the economy. As such, today more than ever, this literature portrays the welfare state as central to tackling a perceived crisis *of* growth.

The latter body of scholarship on post-growth is centred upon a perceived crisis *for* growth and proposes a curbing of economic expansion in order to keep at bay further ecological degradation and the socio-environmental turmoil wrought by anthropogenic climate change. This literature has its ancestry in the work of Meadows *et al*. (1972), Boulding (1981), Georgescu-Roegen (1971) and Daly (1972, 1977) – who is credited with devising the Steady State concept of constructing socio-economic stability in an economy which is non-expansionary by design – who based their work on an inductive economic theorising of resource depletion in a world of a generally constant stock of physical capital and increasing material throughput[[4]](#footnote-4). Dovetailing their work was the popular text, *Small is Beautiful*, by E. F. Schumacher (1973) which decried the dehumanising effects of such a narrow political economic focus on output and technological efficiency, and called instead for the prioritisation of human dignity and nature above productivity within decentralised political spaces. Today the argument tends to be couched slightly differently in terms of climate change and sustainability, but the post-growth discourses – whether they be ‘Steady State’ as is typically favoured in the Anglophone world or ‘de-growth’ which has a tendency to be favoured in the French-speaking world (Martinez-Alier *et al.*, 2010) – have enjoyed, perhaps counter-intuitively, a resurgence since the economic downturn was triggered by the 2008 financial crash. It is a renaissance which has been driven by the popular disenchantment with dominant economic philosophies, the increasing prominence of the empirical evidence contending that environmental sustainability cannot be reconciled with *ad infinitum* economic growth, and the growing acceptance that GDP growth is a crude indicator of macroeconomic ‘success’ or ‘progress’[[5]](#footnote-5) (Kasser, 2002; Layard, 2005; James, 2007; Soper, 2008; Costanza *et al*., 2009; Sen, Stiglitz and Fitoussi, 2008; Bache and Reardon, 2013). The logic of such arguments is compelling. Nonetheless, as I shall soon contend, post-growth is a political economic approach which *prima facie* significantly problematises the strategic logic of progressive welfare state sustainability discourses.

These prominent literatures – both of which have their own compelling internal logics and are both embraced by those on the left – have, thus far, scarcely engaged with each other. Of course, there is a great deal of heterogeneity and evolution of time within these literatures, but certain central assumptions and logics are shared and entrenched in their predominant but myopic discourses. It is the tensions in the intersection between these logics which are teased out by the engagement with them here.

Ian Gough is the scholar who has done the most to pioneer the nascent scholarship that does exist in the academic disjuncture between social policy and ecological degradation. Gough has shed light onto the social policy implications of climate change in terms of the substantial carbon footprints of public welfare services and the necessity of decarbonisation, whether particular typologies of welfare regimes are better suited to fulfilling the new roles and demands that will accompany a move to an environmentally-literate era, and the need for welfare programmes and broader paths of development to integrate social policy and climate change goals (Gough *et al*., 2008; Gough, 2010; Gough and Therborn, 2010; Gough and Meadowcroft, 2010; Gough, 2011a; Gough, 2011b; Gough, 2013).

However, the relationship between social policy goals and environmental policy goals are perhaps not as symbiotic as has hitherto been suggested by the likes of Gough, Meadowcroft, Jackson, Cahill, Fitzpatrick and those associated with the emerging wellbeing literature. This is particularly the case if constructing an ecologically-harmonious economic system which operates within the parameters of the biosphere cannot be reconciled with the pursuit of *ad infinitum* GDP growth; the analytical premise submitted by the current champions of the post-growth tradition of thought.

The environmental crisis and its association with economic growth clearly pre-date the financial implosion of 2008, but it was during the economic downturn when the post-growth and de-growth literatures enjoyed a resurgence of interest. Authors such as Victor (2008), Jackson (2009), Latouche (2009), Barry (2012), Martínez-Alier (2012), Dietz and O’Neill (2013) and Simms (2013) led this renaissance through building upon the work of Mishan and Mishan (1967), Meadows *et al.* (1972), Boulding (1981) and Daly (1972, 1977) to offer compelling and sophisticated critiques of growth-centric economic systems in post-industrial societies which invite potentially a ruinous assortment of environmental, social and economic risks. Highlighting the plethora of empirical evidence that indicates that *ad infinitum* GDP growth is ecologically unsustainable and that the decoupling of growth from its carbon output is without historical precedent and appears to be exceedingly unlikely (provided not least from Anderson and Bows-Larkin (2012) at the Tyndall Centre at the University of Manchester), the authors of the post-growth literature offer bold and provocative visions of socio-economic reform.

Yet what this literature scarcely acknowledges are the economic and fiscal implications of making such a transition to a post-growth economy (and consequently purposefully suppressing the levels of taxable economic activity) for the public finances and welfare states of those countries involved (Bailey, 2015b). Such a transition would impose severe constrains upon the fiscal capacity of states through constricting their tax bases, and thus throw doubt onto the funding underpinning welfare expenditure[[6]](#footnote-6). This poses such a problem partly because the existing welfare states of the post-industrial world are struggling to manage current levels of welfare need (most states, at least in Europe, are running relatively large budget deficits), but also because such a transition would occur in the context of an ageing society in which welfare spending – particularly on pensions and healthcare – were already projected to escalate. With welfare states in their current form seemingly predicated upon a steady rise in ‘the tax take’, and additional welfare need presumably being generated by both environmental volatility and the post-growth transition itself, this mooted economic reform is likely to circumscribe the state’s fiscal capacity at an extremely unpropitious time. Therefore, it appears as if the welfare state, and public spending more broadly, is a problem for the post-growth literature which is not being systematically explored because to do so may be to problematise the traditional tools of progressive politics and ultimately to sign its own epitaph.

The body of work examining the fiscal sustainability of welfare states has largely been written as a counterpoint to the hegemonic neoliberal impulse of instigating welfare retrenchment in line with their broader disposition towards engendering a leaner state (Ong, 2006; Peck, 2010). This literature has been shaped by a resistance to the multitude of narratives attempting to legitimise welfare state retrenchment in the face of demographic changes, a perceived culture of entitlement amongst benefit claimants, economic crises or perceived drags on competitiveness (Gough, 1996; Esping-Andersen, 2002; Lindert, 2004a; Lindert, 2004b; Hay, 2008; Hay and Wincott, 2011; Krugman, 2012a; Taylor-Gooby, 2013). Invariably, authors have made presuppositions about future levels of state income in defending these treasured institutions and policies and have rationalised welfarism in terms of its contribution to economic performance; research which has explicitly or implicitly spoken to the seminal work of Keynes (1936) or Keynesian concepts of macroeconomic management. The centrality of these presuppositions regarding rises in state income realised through growth has made the environmental dimensions of economic growth and the unsustainability of business-as-usual economics extremely difficult for this literature to deal with. There may well be a fear amongst this cluster of research that systematically engaging with the environmental consequences of its predominant logics would be to call into question its entire discourse during a crucial period of fiscal austerity.

Nevertheless, some academic treatment of this disjuncture is imperative and surely preferable to the consensual segregation which currently prevails. It is my intention to offer a clear account of the issues and tensions that arise when these literatures are brought together if only to initiate reflection and debate upon the issues raised here. There can be little contestation that both of these discourses are embraced and promulgated by progressives; defending the welfare state has been hardwired into European social democratic parties (Cramme, Diamond and McTernan, 2013: 16) whilst post-growth scholars for the most part make it no secret that their project is premised on left-wing values (Demaria *et al.*, 2013; Latouche, 2012; Buch-Hansen, 2014); even if it is often couched in apolitical terms. Yet the discursive segregation between the two is startling when considering the demand for constructing a viable, alternative, progressive political pathway.

Chancel *et al*. (2013) produced one of the most accomplished reports on the inchoate academic intersection between environmental policy and social policy, and the construction of ‘sustainable welfare policy’, in the context of the ‘radical uncertainty’ surrounding future growth in a report written for the *Institut du Développement Durable et des Relations Internationales* (Chancel *et al*. 2013: 66). They posit that “without growth, there is all the more reason to step up contributions and/or work longer and/or decrease pensions relatively. The same holds for the health sector: with a rising demand for health care in a low-growth context, the need arises to increase contributions and/or cut expenditures and/or radically reform the system. Ultimately, without a “bubble of oxygen” from growth, we need more reforms, more political action” (Chancel *et al*., 2013: 66). Nonetheless, despite these structural constraints they maintain a great deal of optimism that “it is not so much society’s economic growth that matters, but rather the individual and collective choices we make” (Chancel *et al*., 2013: 5). They conclude that “very low growth rates does not mean abandoning the objectives pursued by public authorities to reduce inequalities in wealth, secure social protection and improve life satisfaction” (Chancel *et al*., 2013: 66). Yet the report does not question how such state action is to be financed or the effects of weaning ourselves off economic growth for state capacity in general.

The scholarship conducted on ‘green social policy’ is also worthy of analytical attention in the context of this project. This literature does not contemplate a post-growth transition nor its implications for the welfare state, but it does nevertheless promote non-statist approaches to meeting social need. Scholars in this field – including Cahill (2002; 2014), Fitzpatrick (1998; 2002a; 2011) and Barry (2012) most notably – endorse ‘upstream’ preventative measures and the development of reciprocal relationships in the social economy (managed neither by the state nor profit-orientated private actors) in tackling social need. When interrogating the political economy of a post-growth transition for the capitalist state, such a body of scholarship does have its limitations. However, there are partial but important directions signposted by the insights of this research for the debate instigated by the analytical fusion of the welfare state and post-growth literatures.

Peter Victor (2008), one of the most notable authors within the post-growth literature, modelled various scenarios for the Canadian economy under conditions of zero growth, with varying degrees of concerning consequences for unemployment, poverty, incomes, debt levels, investment and trade balances. Victor advocated pursuing the final, and least calamitous of his scenarios, which was a stabilising of the economy based on greater redistribution and state investment *inter alia*. Yet in spite of this position, Victor also neglected to reflect on these issues for the funding base of the state, as did Chancel *et al*. (2013). However, in fairness to Victor, in a later publication he goes far further than most in his field in recognising that moving ‘beyond growth’ carries implications for the state’s finances (and he illustrates the consequences of low growth, no growth and de-growth scenarios in graph form) (Victor, 2012). Unfortunately, his focus on private sector volatility means he failed to fully relate these insights to the wider political implications, including an analysis of what this would mean for the welfare state[[7]](#footnote-7).

The paradox then between the fiscal and environmental dimensions of sustainability – within which the welfare state is caught – has been scarcely recognised thus far in either the scholarship conducted on post-growth economics or the fiscal sustainability of the welfare state.

Yet the paradoxes don’t end there. For whilst a post-growth transition *ceteris paribus* threatens the funding base from which welfarism is derived, simultaneously the welfare state is arguably required more so during a post-growth transition than ever before, as I will explore in chapter five. During what could be a tumultuous socio-economic period, a welfare state is the primary set of institutional mechanisms available to a government capable of decommodifying market forces and providing effective and cost-efficient modes of insuring against a range of socio-economic and environmental risks. Perhaps just as importantly, as I shall later explain in great detail, there is a range of evidence suggesting that welfare systems are vital to facilitating decarbonisation attempts; to the extent that we may wonder whether welfare state retrenchment is itself environmentally unsustainable. Consequently, the hypothetical post-growth transition produces a scenario where it is problematic for public welfarism to be financed by (or to legitimise) environmentally unsustainable levels of economic growth, whilst welfare states themselves must be identified as key transitional mechanisms. Present levels of state and welfare expenditure may be considered to be *fiscally* unsustainable in such a context but ironically it could conversely be argued that cutbacks to welfare provision should be thought of as *environmentally* unsustainable. The post-growth scholarship, thus, faces a grossly under-theorised puzzle concerning the importance yet ostensible unaffordability of these state mechanisms of ‘crisis management’. Indeed, synthesising and teasing out the tensions between these notions of sustainability – fiscal and environmental – in welfare state analysis breeds new paradoxes for public welfarism.

This thesis therefore aims to demonstrate the limitations of the current political settlement of liberal capitalism – and the institutional framework is it associated with – in negotiating the identified problematique; which is to say the paradoxical sustainability challenges facing the welfare state. Thus, it does not adopt a ‘green Fabian’ position as much as illustrate the inadequacies of it. Where we go from here, however, is left deliberately open-ended (and necessarily so given the international focus of analysis). The thesis seeks to show that the contemporary sustainability crises of political economy demand that progressives begin to think more radical thoughts and challenge the concepts which have long been depoliticised if we are to seek both social protection and environmental protection. A series of ceteris paribus assumptions shall be maintained up until chapter six, at which point I shall begin to systematically interrogate these various layers of analytical assumptions of the continued status quo in order to ascertain the socio-economic conditions under which a post-growth transition could itself be seen as socially sustainable. It is in this chapter when I shall address the more ideas of the post-growth movement and contemplate whether the unsustainabilities of the welfare state can be addressed whilst remaining deferential to some of the foundational concepts of neo-classical economics and capitalism as a whole in which it is currently situated. The crux of this thesis, therefore, is situated upon a systematic, critical engagement with these two literatures and the dissonance produced by bringing them together. This thesis will undertake a more rigorous look at the political economy of welfare state sustainability in the context of a post-growth transition and the implications of that for the future of green welfarism. The exposition of this problem provides insights for both the welfare state sustainability literature, which has not yet come to terms with the effects of anthropogenic climate change upon progressive economics, and those proponents of post-growth, who rarely acknowledge the ramifications of transcending GDP for the fiscal capacity of states. In doing so, this thesis could help to set the agenda for future research but also instigate a substantive deliberation amongst progressives on how to meet both environmental and social sensibilities in forthcoming decades. I will contend that this particular critical engagement of these two literatures reveals important problems for progressive politics in the 21st century and that this disjuncture demands urgent theoretical attention.

## 1.2 - Research Questions

In order to engage with the insights and tensions of these literatures and their implications for the analysis of welfare state sustainability, this thesis addresses the following research questions:

* How should the environmental critique of conventional economic discourses which presuppose GDP growth, presented by the post-growth scholarship, influence the way the concept of welfare state sustainability is deliberated?
* How fiscally sustainable is the welfare state in the transition to environmental sustainability if this necessitates weaning ourselves off economic growth?
* How manageable are the effects of demographic changes and climate change in a welfare system situated within a fiscally-constrained post-growth economy?
* What are the effects of the welfare state (and welfare state retrenchment) upon efforts to tackle ecological degradation, and what implications does this have for welfare state sustainability?

Indeed, it is remarkable that these research questions have not hitherto been explored with any great rigour. This thesis does not claim to deliver definitive meta-solutions to these questions, but hopes to offer a clear and lucid account of the problematique and instigate an important debate. Sustainability is a concept which has in recent years gained ‘valence’ in political discourse (Cox and Béland, 2013), and if progressive politics is going to meet its social and environmental sensibilities in forthcoming decades then it will need to engage with the multiple dimensions of welfare state sustainability explored here. Quite simply, silence on these issues can no longer be seen as sufficient as progressives deliberate a political direction for the 21st century.

## 1.3 - Post-growth economics and capitalism

Before proceeding further, it is important to clarify the post-growth literature and its relationship to capitalism; particularly as the welfare state are irrefutably a set of capitalist institutions. For those that believe that the end of growth equates to the end of capitalism, the analysis of the fiscal capacity of the state under such circumstances will perhaps be less relevant, or at least less clear cut an issue, as such a scenario could be at least partially mitigated by a de-stabilisation of capitalism’s foundational concepts such as debt, balanced budgets or even money itself.

The authors associated with such a perspective, such as Latouche (2009), Klein (2013) and Streeck (2014a), argue that the transition to a post-growth economy is one aspect of a broader attempt to develop new forms of political organisation and reconfigured mechanisms of resource distribution. Latouche (2009), in line with his broadly anti-development stance, enthusiastically declares that the end of capitalism is ushered in by the end of growth and would advocate a profound socio-economic restructuring based on socialist principles. Streeck is also of the opinion that a post-growth economy is a post-capitalist one, proposing that “we define ‘capitalism’ as a ‘modern society’[[8]](#footnote-8) that secures its collective reproduction as an unintended side-effect of individually rational, competitive profit maximization in pursuit of capital accumulation, through a ‘labour process’ combining privately owned capital with commodified labour power” (Streeck, 2014a: 48); a definition which captures the broader social concepts of what is commonly associated with a capitalist society but still grounds the understanding in the securing of growth. To these authors, perhaps even deliberating the future of the state in a post-capitalist world is illogical as the state is not exogenous to capitalism but has developed as part of a broader social structure of accumulation.

Others however, including many in the post-growth literature, believe a post-growth economy to be a capitalist system with a significant role for the private sector in managing or allocating resources. Capitalism is according to this understanding not a process but a social system capable of upholding a marketplace and ensuring the wealth accumulated within it. The post-growth authors who refer to it as such or imply it to be include Herman Daly (1977), Tim Jackson (2009), Peter Victor (2008) and Andrew Simms (2013). For Daly, capitalism far preceded the existence of growth or the governmental dependence upon it for its social programmes. He argues that whilst in a steady state economy the state should manage the “material-energy throughput”, the private sector should remain a primary allocator of these resources; with private sector companies now supposedly competing on the basis of quality rather than quantity (Daly, 1977). Lawn (2011), another steady state economist concurs with this viewpoint; advocating a continuation of capitalist processes and the allocation of resources through the price mechanism to competing needs, albeit within the parameters set by a government dedicated to social and environmental principles. Lawn (2011) contends that the end of growth does not necessarily entail the end of profitability at the micro-level – the levels at which firms operate – and that profits can continue to be made in a variety of ways through qualitative changes (and indeed encouraged in many ways in certain ‘green’ economic sectors). Thus the end of growth for Lawn does not signify the end of capitalism. Victor’s (2008) analysis is situated within a framework of variable trade deficits, governmental budgets, and labour market trends; concepts which are central to a capitalist economy. Jackson (2009: 202) meanwhile ruminates upon the definition of capitalism before glibly concluding, in the words of Star Trek’s Spock, that post-growth economics is “capitalism, Jim. But not as we know it”. Buch-Hansen (2014) even brought together the post-growth conception with the varieties of capitalism literature to argue that there would be a great deal of heterogeneity in the steady state capitalisms that could be cultivated; a positon which highlights the significance of historically-endowed and existing capitalist institutions and practices in any future economic system.

They are certainly not alone in believing that growth is not necessarily a component of a definition of capitalism. Marx believed capitalism’s distinctive feature as a mode of production as a certain configuration of property relations and the commodification of labour in a system which presupposed money and commodities (Jessop, 1997). John Meynard Keynes in his article, *Economics For Our Grandchildren*, also foresaw a time when “the economic problem” would be solved and further expansion would not be required; allowing us to “devote our further energies to non-economic purposes” (Keynes, 1930).

When theorising the development of a post-growth transition through such a definition, the foundational concepts and frameworks presented by a capitalist society are replicated in a post-growth economy and accordingly political actors will be working within certain constraints. Post-growth authors have so far evaded the existence of these structural constraints through remaining at “fairly abstract levels” and to date “most failing to discuss concrete policy proposals” (Koch, 2013). This is surely an issue considering that one of the areas in the post-growth literature where there is a consensus is on the necessity of a large and proactive state which must assume responsibility for ecological management goals which simply cannot be left to the market.

Therefore, whilst there is no consensus in the post-growth literature on the definition of capitalism, it is primarily to the likes of Jackson and Daly who define post-growth as a capitalist system to whom I speak. In maintaining such a position, these authors stick more rigidly than their colleagues in the literature to the conventional capitalist concepts which are central to this analysis. I speak to these authors particularly if only to demonstrate the necessity of questioning whether a post-growth society can retain popular support and ultimately democratic legitimacy in a capitalist framework characterised by conventional capitalist concepts.

## 1.4 - Defining the welfare state

Before I proceed, it is important to offer a further definition in order to gain analytical purchase upon the central question of this thesis. For whilst it is almost universally agreed that welfare states have become deeply embedded components of post-industrial political economies, there is less of a consensus on how the welfare state is best defined.

It is clear that “the welfare state is not one thing” (Goodin *et al*. 1999: 4) but characterises a range of variegated institutional entities which have altered over time. Commonly (although misleadingly) seen as being a particularly European phenomenon, the concept of a welfare state has come to subsume a heterogeneous range of institutions, policies, objectives, responsibilities and moral values. This heterogeneity has prevented academics from formulating a firm definition, and in fact few in the field of scholarship have attempted to do so (Veit-Wilson 2000; Wincott 2001).

The Welfare State concept has been variously described as a set of interconnected legal, political, and social rights as an integral component of national citizenship (Marshall, 1964), the public management of public risks (Esping-Andersen, 1999: 36) and as “the use of state power to modify the reproduction of labour power and to maintain the non-working population in capitalist societies” (Gough, 1979: 44-45). The ethical underpinnings behind the emergence of public welfarism were drawn from a similarly broad range of philosophical strands, including British social liberalism, French post-revolutionary Republicanism, social democracy, the European rights tradition, social Catholicism, and Keynesian economics and post-Keynesian economic theories of ‘human capital’ and ‘productive social policy’ (Gough and Therborn 2010: 743).

Gøsta Esping-Andersen’s seminal work demonstrates just how much divergence exists within the welfare state concept within Europe. Indeed, Esping-Andersen found it easier to speak of the concept of the welfare state within distinctive sub-categories. Categorising European welfare states into three groupings – Liberal, Conservative and Social Democratic (and later adding a fourth, Mediterranean welfare type) – he argued that all welfare states are rooted in idiosyncratic national traditions and boast a range of differing scopes and policies. The Conservative welfare regimes types are, in this schema, typically found in more historically religious countries with a greater ideological commitment to the family, such as Germany, where the welfare regime may play a role in decommodification but features little redistribution. Social Democratic welfare regimes are often associated with Scandinavia and are characterised by universal transfers, greater levels of redistribution, social insurance and decommodification of services from market forces. Liberal welfare regime types are found in countries with stronger traditions of liberalism such as the UK, and are characterised by means-tested assistance, modest universal transfers, or modest social-insurance plans (Esping-Andersen, 1990). Esping-Andersen (1990: 28) emphasised that there were no “single pure cases” of a welfare regime-type, but believed that this typology was analytically useful in delineating distinct welfare trajectories.

Yet if Esping-Andersen’s framework of welfare state analysis demonstrated the variations in the concept of a welfare state just within Europe, the criticism of this typology for its simplistic clarity demonstrated it further (Scruggs and Allan, 2006). Therefore, in the face of such heterogeneity, it has been challenging to define a single ‘welfare state’ as it is difficult to account for a common core to the idea whilst accounting for both continued diversity and evolution over time.

One classic definition was provided by Asa Briggs who attempted to encapsulate the heterogeneity of Welfare States but could only affirm imprecisely that a welfare state “is a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions – first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work or property; second, by reducing insecurity by enabling individuals and families to meet certain social contingencies (for example, sickness, old age and unemployment) which lead otherwise to individual and family crises; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services” (Briggs, 2006: 16). This functional definition does leave much open to interpretation, such as ‘minimum income’ and ‘best standards available’, and neglects the fact that all states to some extent use their power to enhance the welfare of at least some of its citizens (Veit-Wilson 2000). Moreover, and saliently for the purposes of this thesis, with this definition it is difficult to argue against the view that the welfare state is incapable of continuing to “modify the play of market forces”. Using Brigg’s definition, then, it is difficult to argue that a Welfare State, i.e. an ‘effort’ to ‘modify’ the market, is ever unsustainable.

It is then a concept which has remained necessarily nebulous, in that it must account for a great deal of heterogeneity. At the same time, it is important to account for directionality to the robustness of the welfare state at any given time, in order to utilise it here for an interrogation of welfare state sustainability.

There is, however, a core to the concept of the Welfare State in terms of its provisions, institutions and normative underpinnings. It is fundamentally an institutional complex, largely constructed in the post-war period, which caters for social need through a discreet set of policies providing healthcare, poverty relief, old age security, unemployment protection, housing, assistance for the disabled, education and labour policies (Barr, 1992; Hay and Wincott, 2011). These are a set of institutions and policies which attempt to decommodify citizens against market forces, insure collectively against socio-economic risk and in some cases act as mechanisms of redistribution. Although the normative value systems underpinning welfare states are messy and internationally variegated, these institutions and policies are invariably buttressed by a combination of commitments to reducing poverty, promoting social equality, integration and stability, and promoting economic efficiency (Hay and Wincott, 2011).

There are also definitions of the welfare state which go beyond the narrow focus on institutions and policies, which instead emphasise a vague philosophy of governance or takes into account the broader matrix of political economic relations into which welfare institutions and policies are intermingled (Esping-Andersen, 1990: 2; Jessop, 1994). These definitions are less apt for a study intending to analyse welfare state sustainability – which seems to demand a greater degree of conceptual parsimony in order to tackle the question – but could indeed be useful when interrogating the analytical assumptions made in this thesis in the latter chapters when I shall ruminate upon the nature and scope of welfare state reform when situated within a tumultuous and transformative period of political economy.

For now, however, the specific set of governmental institutions and policies concerned with collectively insuring against socio-economic risk, and underpinned by a normative commitment to reducing poverty, promoting social equality, integration and stability, and promoting economic efficiency will be deployed as the working definition of the welfare state. This is an expedient preliminary basis for our purposes, although it is important to remain aware that contemplating welfare state sustainability and welfare state reform within the nexus of crisis narratives delineated in this thesis, and their profoundly transformative implications, may ultimately mean thinking about the welfare state in a very different way than has become customary. This definition, therefore, is a useful starting point; but when discussing its reform in a profoundly unsettling period of macroeconomic change, maintaining a static understanding of how welfarism should look (regardless of the broader political economy in which it is enmeshed) may not be the most prudent course as we proceed with the analysis.

**1.5 - Analytical Framework**

This research agenda I believe is best served through an institutionalist theoretical approach. Institutionalism is understood here as a “set of theoretical ideas and hypotheses concerning the relations between institutional characteristics and political agency, performance and change” (March and Olsen, 2006: 4). This approach postulates that institutions structure socio-economic relations and shape political outcomes through embodying (often conflicting) values or ideas, and framing governmental action. Commonly associated with the likes of North (1990), Hall (1993), March and Olsen (2006), Skocpol (1992) and Thelen (2004), the attempt to bring institutions ‘back in’ to political analysis was partly a reaction to both behaviouralism and rational choice theorists who “dismissed institutions as no more than the simple aggregation of individual preferences” (Lowndes, 2010: 61). Institutions are seen in this tradition as being historically-contingent, potentially inefficient and perhaps even contradictory (given their fragmented embodiment of conflicting values and norms) factors in shaping political outcomes. Institutionalism thereby constitutes a strong corrective to approaches which explain political outcomes deterministically (and almost apolitically) through reference to economic compulsion or objective materially-given interests.

The importance of institutions in shaping political outcomes has been demonstrated most famously in this field of research by Paul Pierson (1994, 1996, 1998) and Esping-Andersen (1990). Pierson demonstrated the capacity of the welfare state to resist retrenchment in the ‘neoliberal period’ where policy-makers persistently sought to reduce welfare expenditure. The seminal typology of welfare states laid out by Esping-Andersen (1990) emphasised the importance of institutional arrangements in enforcing certain path-dependencies which allowed for a degree of predictability in analysing welfare trajectories. The *Varieties of Capitalism* research (Hall and Soskice, 2001) has also been influential in analytically accentuating the political importance of institutional arrangements in mediating broader, global trends and cultivating national specificities (such as the composition of a national welfare regime).

The focus on institutions in this thesis (and particularly the sustainability of the institutions of the welfare state) and the explanation of political outcomes in relation to institutional configurations mean that institutionalism as a theoretical approach is well suited to this research agenda. It constitutes a useful and well-trodden mode of analysing the nexus of institutions which are central to this thesis, including the governmental institutions of the welfare state, the economic convention of securing *ad infinitum* GDP growth, the pervasive respect paid to public debt, and the continual marginalisation of environmental imperatives. Investigating the interaction between existing institutional arrangements and the competing logics of economic governance resulting from discourses of crisis in this way seems to demand an approach cognisant of the way institutions shape policy-making and issues of fiscal sustainability.

Indeed, it is also vital for this thesis that the problematique (which will be explicated later in this thesis) is situated within the institutions comprising the current political settlement in which these issues must be resolved. Maintaining a framework of *ceteris paribus* assumptions to explore their suitability for managing the confluence of sustainability challenges is the analytical *modus operandi* of this research project, and this requires an analytical approach which is cognisant of existing institutional arrangements.

More specifically, this thesis will adopt a constructivist institutionalist (C.I.) approach – associated with the likes of Vivien Schmidt (2002, 2006, 2008, 2010, 2011) and Colin Hay (2006, 2007b, 2011a) – which recognises the importance of the ideational and discursive in defining what institutions actually are, the role which discourses play in framing political issues, and subsequently shaping policy outcomes.

The central ontological assumptions of this theoretical approach, which draws heavily on constructivism, are important insights which have significant implications for my research agenda. This approach resists materialist understandings of crisis and interests, or that any actor could attain perfect foresight into how future actions affect ‘material reality’, and thus rejects notions that particular political strategies can objectively be deduced from material interest. Those predisposed to constructivism are sceptical of the notion that interests can be solely from knowledge of material circumstances, that our material circumstances can ever be fully ascertained by agents or political analysts, or that interests are formulated purely from material conditions without being influenced by normative, historical or social considerations. With the limited understanding which all agents and political analysts have of ‘reality’ and ‘interests’, and the normative component to the construction of interests, the nature of crises and the political strategies designed to tackle them are subject to deliberation and contestation.

Institutions meanwhile are seen as the codification of ideas, which are subject to change over time and cannot necessarily be seen as functional responses to material reality. As Rothstein put it “institutions are better understood as the carriers of ideas or ‘collective memories’ which make them objects of trust or mistrust and changeable over time as actors’ ideas and discourse about them change in tandem with changes in their performance” (Rothstein, 2005). Douglass North (1990: 3) also referred to institutional construction as the building of “shared mental modes”. Institutions are, according to Schmidt, “internal to sentient agents, serving both as structures (of thinking and acting) that constrain action and as constructs (of thinking and acting) created and changed by those actors” (Schmidt, 2010: 14).[[9]](#footnote-9) Here, they are not perceived to be incentive structures in which actors pursue ‘objective goals’ as rational choice institutionalists would have it, or as the immutable products of ‘culture’ (within which agency is marginalised) as they tend to be depicted by sociological institutionalists. Instead they are seen by C.I. scholars as “an open – empirical and historical – question. Indeed, constructivist institutionalists place considerable emphasis on the potentially ineffective and inefficient nature of social institutions, on institutions as the subject and focus of political struggle, and on the contingent nature of such struggles” (Hay, 2011a: 68). Welfare institutions can, thus, be understood in the C.I. literature as central manifestations of Keynesian economic ideas in the post-war period – ideas which have incrementally evolved in the years since they were founded, but which still form bulwarks of resistance to the pressures placed upon it by the neoliberal ideas which have been dominant since the 1970s.

These are insights which are compatible with my research agenda, and will inform my analysis through its treatment of crisis definition, and the interaction between evolving governing logics and existing institutional arrangements.

A key strength of C.I. in relation to this thesis (in comparison to other forms of institutionalism) is also that it tends to account for processes of political change through appealing to the evolution of dominant ideas and norms. Schmidt (2006) says C.I. maintains a compatibility with other forms of institutional analysis, but hopes to enrich this analysis through its recognition of how political action is not only shaped by institutional legacies but also by the more fluid and evolving ideational and discursive dynamics within a political community which contextualises events and the issues of the day (Schmidt, 2006)[[10]](#footnote-10). In this regard, it can not only lean on pre-existing institutions to understand continuity but is better equipped to explain potentially seismic or paradigmatic periods of change through appealing to the endogenous evolution of governing ideas and prominent political discourses (such as those advocated by the post-growth movement)[[11]](#footnote-11). Two types of discourse are identified by Schmidt (2008): ‘coordinative’ (within specific policy circles) and ‘communicative’ (directed at the broader population). It is the latter which will be of greater relevance to this thesis, largely because it is communicative discourse which is capable of generating broad consensuses that have a direct causal influence on policy design. Such rhetorically-formed consensuses can be seen as strategic constructions (Jabko, 2006), “weapons” in a battle for control (Blyth, 2002), as narratives that shape understandings of events (Roe, 1994), as part of national traditions (Katzenstein, 1996), or merely as “frames of reference” (Jobert, 1989). In accounting for these factors, constructivist institutionalism has been described by Schmidt (2008: 304) as a useful theory for understanding and explaining processes of institutional change, overcoming obstacles that the older institutionalisms lead us to think of as insurmountable. This is a strength which is attuned to a research agenda predicated upon the idea that this is a quite profound period of disequilibrium in political economy. This approach, therefore, is cohesive with a research agenda designed to critically investigate contested notions of sustainability and competing logics of economic governance in a time of ‘critical juncture’ (Blyth, 2002).

The emphasis upon ideas and discourse, though, has not simply arisen arbitrarily through a desire to address the latent structuralism of some institutionalist approaches or a preference for a greater element of dynamism in political analysis. This approach draws upon the constructivist tradition of thought, which posits as its most foundational proposition that that reality is socially constructed by cognitive structures that give meaning to the material world (Adler, 1997). As such, political analysis can never be a scientific exploration into ‘rational’ actors or an ‘objective truth’ from a hypothetical Archimedean point. Instead, reflexive actors constantly shape the environment in which they live in line with their (limited) understanding of the material circumstances (subject to intersubjective interpretation) they find themselves and their interests within such circumstances. If this epistemological proposition is accepted, it is not a great leap to accord ideas a significant causal role in political analysis.

Drawing upon this constructivist viewpoint, constructivist institutionalist approaches postulate that all ‘facts’ are subject to the contextualisation by broader and incrementally evolving assemblages of ideas about the world and the intersubjectivity of a population’s collective interpretation of trends and events. Any economic information is, thus, cognitively contextualised by broader bodies of ideas about the global and national political economy. The analytical weighting attributed to ideas and discourse, as well as institutions (which have a strong ideational element to them), by C.I. scholars is therefore derived from the shared constructivist sentiment that ideational and discursive dynamics are central in framing, defining and shaping the political world and policy-making processes.

This approach has been increasingly utilised in the welfare state scholarship. A range of authors have emphasised these dynamics in attempting to understand the processes of continuity and change in welfare provision (Cox, 2001; Schmidt, 2002; Watson and Hay, 2003; Cox, 2004; Béland, 2005; Béland 2009, Béland and Lecours, 2010); highlighting the extent to which particular logics can constrain as well as unshackle policy-makers. Following Green-Pedersen and Haverland (2002: 47), “a number of studies have focused on the role of normative discourse for the political processes around retrenchment. The core of these arguments, which are strongly affiliated with arguments about the role of framing in relation to retrenchment, is that political argumentation and justification can play an independent role in retrenchment processes and they may, thus, be one of the reasons why examples of path-breaking reforms can be found”.

The following chapter, which constructs an understanding of the current moment of crisis based upon three identifiable contemporary crisis discourses, is particularly informed by the C.I. approach. That crisis management responses are contingent upon prior understandings of how crises are defined and framed is a well-established position in this field (Hay, 2011a; 2013; Schmidt, 2010). A multitude of crisis narratives exist at any given time which gain varying degrees of political traction for varying periods of time (although some narratives do bear a greater relationship to the realities they purport to represent than others). In recent years, various political actors have *inter alia* declared crises of public debt, private debt, living standards, economic growth, capitalism and the environment; which have helped create a sense of coherency and have allowed actors to make sense of a complex and messy world. Crisis narratives such as these can be contradictory, complementary and co-evolving, but the ideational contestation which constructs popular understandings of the current period performatively determine the appropriateness of particular political strategies. In this sense, crises narratives are also invariably politically-motivated in that diagnoses are often designed to establish prognoses which set a political agenda for reform.

Of course, with such a range of pathologies identifiable in political discourse in recent years, all underpinned by normative predispositions, any selection of crisis narratives in this thesis as the basis for an analysis of sustainability is potentially controversial. However, although the three pathologies selected for particular treatment in this thesis can be seen to be ‘politically’ motivated, the constructivist position rejects the notion of an ‘apolitical’ understanding of a ‘real’ or axiomatic crisis derived from an Archimedean standpoint of material reality. There are normative underpinnings to any understanding of crisis propounded (although the three crisis narratives selected here are certainly reflective not how progressives would *choose* the world to be!). It is fair to say that the three crisis narratives selected are all supported by empirical evidence and collectively constitute a more holistic understanding of crisis relative to the reductive crisis narratives which characterise the hegemonic political discourses of the time. However, fundamentally these pathologies have been selected to constitute the foundational understanding of the present crisis because they all represent discursively prominent and potentially profound political economy challenges, which contain severe implications for the sustainability of the welfare state. Unusually for the C.I. literature, the crisis management responses discussed in this thesis are prospective, but the crisis narratives themselves are not. They are pathologies which are identifiable in political discourse and pose serious challenges for the welfare state. The understanding of crisis is, thus, informed by the C.I. literature and uses it as a foundation for a study into how these crisis discourses interact with the institutional configurations which sustain certain logics and shape political outcomes[[12]](#footnote-12).

This thesis is, thus, predicated upon the idea that these inter-connected discourses must be taken seriously and progressives must begin to deliberate how these discourses interact with the institutions of the welfare state and their sustainability; itself a reflection of the hybridity of constructivist institutionalism. Therefore, the following chapter constructs an understanding of crisis based upon three identifiable and contemporary crisis narratives upon which a study of welfare state sustainability is conducted.

C.I. continues to inform the thesis from there. Its approach to the research questions leads to an analysis of the relevant logics of macroeconomic governance in the face of such a crisis and their interaction with a discrete range of pre-existing economic and governmental institutional ‘lock in effects’. The approach, however, also enables a secondary layer of analysis through possessing a wariness about the non-negotiability of structural constraints as if agents would simply conform deterministically to economic pressures. The focus on the ideational and discursive dimensions to institutional tensions allows me to anticipate a great deal of contingency in these processes brought about by socio-economic, environmental, institutional and financial factors; some of which have already proven to be significant in previous attempts to ‘roll back’ the welfare state (Taylor-Gooby, 2013: 42). The methodology section in this chapter will detail further how the theoretical approach will be operationalised in this thesis.

It is worth briefly noting the analytical humility about the limitations of this approach which is characteristic of the constructivist tradition. This theoretical approach sets out a methodological agenda (in the constructivist tradition) through analytically sensitising researchers to the roles played in determining political outcomes by historically-endowed institutions, bodies of normative ideas and the interactive processes of political discourse in framing political issues and generating broad intersubjective consensuses on appropriate courses of action (through which ideas becomes ‘actionable’). Highlighting particular phenomena, actors and processes from the overwhelmingly messy and complex political realm is useful to an analyst in that it provides certain insights into the foregrounded activities and trends highlighted. Yet at the same time, by its very nature, it simultaneously de-sensitises the researcher to other phenomena, actors and processes. Particularly, this theoretical approach could be accused of de-sensitising researchers to established power relations (aside from the power of institutional organisation, issue definition and agenda setting) and bottom-up acts of resistance and subversion. These criticisms are fair (although perhaps more relevant in some research projects rather than others) and these limitations are acknowledged again in the concluding chapter. Thus, it is not claimed here that this theoretical framework provides analysis which is ‘comprehensive’ or ‘definitive’. I do not claim that this analytical framework, or indeed any analytical framework, to be “the be-all and end-all keys to unlock the mysteries of politics” (Bale, 2006: 102). All approaches are necessarily reductive in that they seek to reduce the complexity of the world so that we can make sense of it and endow it with meaning (Dowding, 2001: 103). Therefore, this theory, in the constructivist tradition, is concerned not with establishing a method of testing falsifiable hypotheses, but with sensitising the analyst to particular processes and trends. It is only claimed here that the theoretical approach adopted offers interesting and important insights for the literatures being engaged with.

Although other approaches would also be capable of generating important insights for this research agenda, the deployment of C.I. is particularly appropriate for this thesis. This is because the research questions outlined demand a theoretical approach which accounts for significance and contingency of ideational dynamics (and the performative effects of specific logics and framings), as well as a focus on the resilience of pre-existing institutions in determining political outcomes. This is particularly so if this analysis is to interrogate not only the new challenges to welfare state sustainability brought about by the contemporary crisis but also the challenges to the very concept of welfare state sustainability itself. The analytical expedience of C.I. in accounting for political change as much as continuity through appealing to evolving logics of governance is extremely advantageous in a thesis which at its heart is a critical engagement between two (potentially transformative) progressive logics of economic governance, instigated by a reconceptualisation of the sustainability challenges faced at the current time. Its central ontological assumption presume that the appropriateness of political strategies are subject to deliberation and are shaped by the initial incomplete understandings of the present context. Such an approach will allow for an analysis of how pre-existing welfare state institutions interact with contemporary economic logics and the discourses which drive the destabilisation of other institutions or conventions (such as environmental sustainability or the deference to GDP growth, for example). I shall explain shortly how the theoretical approach relates to my research agenda throughout the thesis.

Before moving on, it is important here that the analytical relationship between the identifiable trends of environmental degradation and climate change – unequivocally a set of *material* processes – and a theoretical framework which privileges the role of ideas and discourse is clarified. Two points should be made in this regard. Firstly, the ways in which these material processes are perceived and communicated have significant ideational dimensions to them. Indeed, ‘the environment’ or ‘environmental sustainability’ as discursive labels are themselves conceptual constructs (useful for political analysis) rather than embodying ontological reality in its entirety. They correspond to the irrevocably complex and constantly evolving material ecological or biological world, but in political discourse they have hardly been exhaustively descriptive of such a world. They are conceptual abstractions which help us gain analytical purchase on the topic. They are, therefore, useful analytical constructs but are not comprehensively representative of ontological reality. The way we perceive and cognitively map out these material processes are matched by our understandings of the political and economic implications of these trends. That is to say that, as well as the cognitive construct of what ‘the environment’ is, what our ‘interests’ are in light of these ecological trends are also contingent and ideational constructions. Admittedly, there is largely a consensus in mainstream British politics both on the importance of climate change and the (moderate) methods necessary to manage these processes; but the divergent comparative discourses surrounding climate change to be found in countries such as Australia and the United States highlight the significance of the ideational realm in understanding processes which are material. It is consequently the ideas surrounding the environment which impact upon policy-making and so are of greater analytical significance here. The second point, which complements the first, is that there is an established role in constructivist thought for material processes in the construction of our ideas. Although there has been great scepticism traditionally in the constructivist literature concerning notions of ‘material *reality*’ or ‘material *interests*’ arrived at through some utilitarian calculi – choosing instead to analytically emphasise the ideational formulation of reality or the constructed perceptions of interests – Vivien Schmidt (2008: 318) makes it clear that ‘material *conditions*’ can and do (to differing extents) impact upon the ideational construction of these intersubjective perceptions of reality and self-interest. Therefore, I contend that it is entirely possible within a framework such as this to recognise the material processes of climate change and the influence they can and ought to have on the intersubjectively cultivated *perceptions* of the global economy. It is vital to explicate this relationship as it outlines precisely how the interaction between the material processes of climate change and the logics of macroeconomic frameworks are negotiated by the theoretical approach I have adopted for this research project.

I, therefore, cast the study of welfare state sustainability through the prism of an institutionalist perspective, but more specifically a C.I. perspective. The analytical privileging of ideas, discourse and institutional factors effecting welfare state sustainability will thus be the theoretical foci of this research; an approach which I believe to be cohesive and synergistic with the research questions and themes tackled in this thesis.

## 1.6 - Methodology of investigation

The purpose of this section is to justify the analytical choices I have made concerning the manner in which I have operationalised the theoretical framework in this research project, the deployment of empirical data and the choices regarding the overall research design.

Firstly, it is important that the methodological approach flows from a C.I. approach to the research questions, so that the research project is undertaken in a cohesive and theoretically-informed manner. In the constructivist tradition of political analysis, methodology – how a researcher can go about discovering knowledge – is contingent on epistemology – what can be known about the world. Epistemology is in turn contingent on the analyst’s particular conceptualisation of ontology – what is ‘out there’ to know about in the social and political world. This is seen as the logic sequence as it is important to have an understanding of what is out there in the world before you begin to theorise on what can be known in that world, and subsequently how a researcher can go about investigating the pieces of knowledge which can be acquired from that world. An ontological conception is analytically prior in the constructivist tradition because ontological claims – whether they be about the relationship between structure and agency, the role and power of ideas in constructing political processes of continuity and change, the extent to which we can talk about ‘material reality’ – can often not be tested empirically and so are not falsifiable. These ontological claims then are the starting point of a constructivist investigation in political analysis.

It is important to clarify that there is certainly a role for empirical data in this research as well, because epistemological insights through empirical evidence is certainly possible once an ontological framework has been established which sensitises the research to certain types of phenomena. Empirical data will be used in several key areas in this thesis. Firstly, in the following chapter, data shall be sourced which interrogates the empirical basis of several crisis narratives – particularly that of the environmental crisis – and to establish the empirical basis of the understanding of the present crisis I put forward. Empirical data shall also be deployed in chapter three in order to ruminate upon the economic effects of public welfarism. In chapter four, fiscal data will be employed to tease out the implications behind certain economic ideas, and in chapter five, empirical evidence will be used to link the welfare state and environmentally-minded projects. Therefore, quantitative data is utilised here insofar as it allows us to gain insights into existing material conditions or the material consequences of ideational constructions.

However, a constructivist ontology privileges a qualitative methodological approach to the study of politics, which is closely associated with a post-positivist understanding of epistemology. Empirical data is employed here but there is an appreciation that there are limitations on the extent to which data can drive this particular analysis when the analytical focus is on ideas and discourse. The fundamental point is that qualitative analysis is privileged by such a constructivist approach and will be the central locomotive of the analytical strategy being utilised here; an approach which seems particularly appropriate for a thesis which seeks to undertake a systematic critical engagement with the discourses of two literatures.

With that established, I will turn my attention to the C.I. theoretical approach and outline how it will be operationalised in this research project. I have in the preceding section already noted the suitability of C.I. for this topic of research and its synergy with the research questions I am tackling. Here, I will outline in greater detail how it will be deployed in various chapters of the analysis.

The theoretical approach will play a central role in chapter two in determining the ideas and discourse constituting the collectively cultivated understanding of the nature of the present crisis. It is posited that these crisis narratives, rather than a particular set of events in the material world, are central to setting the political agenda and the crisis management responses outlined by policy-makers. It is these bodies of ideas which attempt to, and allow situated agents to, make sense of contemporaneous events and the causal factors which have instigated them; if indeed these understandings are politically legitimated through acquiring an intersubjectively cultivated consensus about the way events have been framed and the appropriateness of the proposed political action (Widmaier, 2004: 437). This then is the constructivist point of departure of the thesis. Three crisis narratives are isolated to form the basis of analysis and the (inherently selective and reductive) map onto which political outcomes are shaped. Mapping welfare state sustainability onto the three crisis narratives allows for an investigation which raises some disconcerting conclusions for progressive politics.

Chapter three explores the logic of the welfare state scholarship, its development in the face of competing neoliberal attitudes towards public welfarism and demographic changes. It goes on to interrogate the appropriateness of the logic of the welfare state scholarship in the context of this particular delineated ideational understanding of crisis. Furthermore, it questions the parochialism of the welfare state sustainability concept invariably used in the literature in the context of this understanding of crisis.

Chapter four is predicated upon the idea that the future of growth is radically uncertain, and that the post-growth ideas are worthy of ruminating upon. It thereafter explores the relationship between these ideas and the fiscal implications of marrying them off with a continued adherence to traditional capitalist concepts such as ‘debt’ and ‘balanced budgets’. Empirically examining the fiscal implications of a post-growth transition demonstrates the theoretically undeveloped nature of the contemporary post-growth political economy.

Chapter five begins by re-stating the theoretical position so that fiscal constraints can be afforded appropriate theoretical treatment. It outlines the importance of privileging ideas and discourse historically in welfare state sustainability studies, in order to emphasise that retrenchment has never been a deterministic process even in the face of hostile economic environments. A counter-argument is then substantiated which argues that welfare state retrenchment could be considered to be environmentally unsustainable; an argument which could feed into narratives of resistance to supposed fiscal necessity.

In chapter six, the theoretical approach is then operationalised in deliberating the political agency which exists within these supposed constraints and how policy-makers are capable of governing and mitigating these paradoxes. This is prefaced by a reminder that such a discussion is aimed more at those post-growth scholars who define such a paradigm as capitalist, and thus seemingly seek to marry post-growth ideas with those capitalist concepts which do so much to problematise the fiscal capacity of the state during said marriage. It is then finally argued that addressing the problematique will be difficult as long as policy-makers remain within the ideational parameters of the current political settlement, and suggests that a more profound transformation will be necessary if progressives hope to meet both their social and environmental sensibilities in the 21st century.

The theoretical framework of constructivist institutionalism, therefore, is consistently applied throughout this thesis and I posit that operationalising it in such a way is capable of generating crucial analytical insights into this area of study.

In this research project, I will consult a variety of both primary and secondary sources. Most intensively, I will utilise the secondary sources which fall within the scope of the bodies of scholarship on welfare state sustainability and post-growth economics; including books, journal articles and occasionally blog posts on academic websites. Primary data has been sourced from a range of sources. Economic data has been sourced *inter alia* from reputable international organisations, such as the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), national governmental institutions such as the Office of National Statistics and HM Treasury, as well as more explicitly partisan organisations such as 'think tanks' and reputable newspapers including *Die Zeit* and *The Financial Times*. Environmental data is *inter alia* sourced largely from the Intergovernmental Panel on Climate Change (IPCC), United Nations Environment Programme (UNEP), the Tyndall Centre and the more explicitly partisan New Economics Foundation (NEF). Exploring the relationships between these strands of empirical data and the discourses found in the bodies of scholarship will be central to the analysis.

Finally, in this section it is important to explicitly justify the analytical choices made concerning the selection of these literatures I have chosen to form the hub of this research project, and the authors that have been selected as representative of these literatures.

The authors I have chosen for each body of literature are all prominent and respected figures within their respective fields of study. They have all been widely cited and quoted within these identified literatures. They have been selected for their prominence and their clarity in articulating the logics which are characteristic of their particular forms of scholarship.

To add a further note on the interdisciplinary approach being deployed in this thesis, I have sought to synthesise insights from a range of disciplinary traditions in order to enrich the analysis of welfare state sustainability; including psychology, gender studies, the natural sciences, philosophy and sociology inter alia. This is a particularly necessary endeavour for a project of this nature given the multi-faceted and complex set of issues surrounding the topic and the bodies of scholarship being addressed. Here, more than in most other projects, it is important to reach across the arbitrary divisions of disciplinary boundaries. To fully reveal the central drivers of welfare state and environmental unsustainability, to ascertain how the challenges should be addressed in effective and equitable ways, and the implications of all this for the future of the welfare state and progressive politics, it is necessary to move beyond disciplinary parochialism and utilise the insights of multiple disciplines. Therefore, whilst rooted in political economy theorising on the concept of welfare state sustainability, I do so within the empirical grounding and debates established by inter-connected (and inter-dependent) literatures and research projects.

## 1.7 - Original Contributions

The novelty of this thesis is derived from its critical theoretical engagement with two literatures which have thus far remained largely segregated from each other; with the intention of realising a more nuanced notion of welfare state sustainability which incorporates both the fiscal and environmental issues connected to its continued viability. Very little research has attempted to engage with these literatures before now; save for a few initial forays into the topic by Ian Gough in a selection of publications (Gough *et al*., 2008; Gough, 2010; Gough and Therborn, 2010; Gough, 2011a; Gough, 2011b; Gough, 2013) and my own article in *New Political Economy* (Bailey, 2015b).

The first contribution is thus conceptual, in that it attempts to advocate a more nuanced understanding of welfare state sustainability in the welfare state literature. I argue in this thesis that simply maintaining a focus on fiscal sustainability is no longer tolerable when the funding base of the welfare state is extracted from a macroeconomic model which is operating far outside the parameters of what is considered to be ecologically sustainable. Whilst such a focus may have been appropriate in previous decades, the focus under present conditions should be seen as myopic and short-sighted.

Secondly, bringing these literatures together also brings to light an important environmental critique of the dominant progressive discourses in the welfare state scholarship; primarily that couching welfare state sustainability in the language of growth has severe limitations in the 21st century. As such, it challenges the dominant viewpoint of the academic literature on welfare state sustainability by stating that fiscal sustainability which is dependent upon an environmentally-unsustainable growth dynamic can no longer be considered viable.

Thirdly, this research offers an important insight for the post-growth literature by positing that the ramifications for the end of growth on the fiscal capacity of the state, and consequently, the welfare state, are severe and almost entirely unrecognised in the existing literature[[13]](#footnote-13). The fiscal implications of the transition to a post-growth form of environmental sustainability thus imply an uncomfortable degree of pressure to enact welfare state retrenchment. The post-growth literature’s assertion that growth no longer impacts positively on wellbeing, therefore, is challenged by highlighting the potential effects of the *absence* of growth on the institutions of the welfare state.

Yet, ironically, there is a great deal of evidence gathered in this research to suggest that, whether during a post-growth transition or not, welfare state retrenchment could be considered to be environmentally unsustainable. Despite the fiscal pressures upon the welfare state in the transition to a post-growth age, there is significant evidence to suggest that the welfare state is essential to any decarbonisation strategy and must remain an important institution for any nation hoping to make this transition. This is the fourth contribution this thesis seeks to make, that the welfare state – under conditions of post-growth – should be considered simultaneously and paradoxically fiscally unsustainable and environmentally imperative; a paradox which will be difficult to negotiate within any post-growth capitalist state.

Overall, what will be demonstrated in this thesis is that the prevailing economic logics which are embedded within the two literatures being engaged with here – logics which are also observable in broader and more mainstream political discourses – possess severe limitations in meeting both the environmental and social imperatives of the 21st century. As such, a critical period of reflection is required to ruminate upon the issues raised here and the progressive political direction of forthcoming years.

## 1.8 - Outline of the thesis

I will proceed in chapter two (the following chapter) by delineating the ideationally constituted set of crisis narratives – or crisis construal – that welfare state sustainability will be mapped onto. A more holistic understanding of the present moment of crisis will be put forward, which includes the environmental challenge and its role in casting doubt upon the future of economic growth; compounding a crisis *of* growth with a crisis *for* growth.

In chapter three, I will go on to apply this understanding of the current crisis to conventional analyses of welfare state sustainability and the logics of rationalising welfare state viability in the relevant body of scholarship. In doing so, the conventional logics expressed in the welfare state literature – which have been shaped largely by its interaction with the hegemonic neoliberal attitudes towards public welfarism – are problematised by the unsustainable ecological presuppositions of its arguments. Furthermore, this chapter advances a more nuanced conception of what it means for the welfare state to be sustainable or unsustainable (or perhaps, more accurately, for us to analyse its *unsustainabilities*) and forces us to think both about the welfare state and welfare state sustainability in a more ecologically harmonious manner.

Thereafter, in chapter four, the compelling post-growth critique of growth-based societies and its vision of reform are explored in more detail. In spite of its appeal, however, post-growth authors systematically fail to take into account the implications of what they advocate for the fiscal capacity of the state, and this chapter demonstrates in detail the strain upon the welfare state within the context of such a transition. As such, the post-growth literature asymmetrically acknowledges some forms of unsustainability without acknowledging others. It forms a potent and timely critique upon growth-based societies but not a transcendent paradigm as its name suggests; that is at least until a more comprehensive political economy of post-growth is formulated which theorises more intensely upon the social and economic institutions which prevent ‘no growth’ from becoming ‘permanent recession’.

In chapter five, the fiscal unsustainability of the welfare state in the context of a post-growth transition is counter-posed by evidence which suggests that welfare state retrenchment, ironically, may be environmentally unsustainable. It is argued that the welfare system not only retains both a financial and social rationale for collectivising risk and protecting society’s most vulnerable during what could be a painful transitionary period but it also constitutes a set of institutional mechanisms and social relations which are essential to any decarbonisation strategy. Speaking to Offe’s paradox, it is claimed that the transition to environmental sustainability poses a new paradox for the welfare state; in that welfarism is indirectly financed by an unsustainable growth dynamic and yet simultaneously constitutes a crucial set of mechanisms for decarbonisation and decommodification. This paradox is presented as a central conundrum for the post-growth movement that simultaneous fails to account for the financing of such a large welfare system whilst seemingly needing it to operationalise a more environmentally-minded paradigm shift.

Finally, in chapter six, I will discuss open-ended ways of thinking about or perhaps mitigating these substantial fiscal constraints brought about by a post-growth transition. Taxation will be the starting point of such an analysis, although the limitations of progressive taxation must be appreciated when the very point of a post-growth transition is to engender an economy with lower levels of economic activity. Thereafter, I will pose the question of why such a large welfare system is required in the first place, posing the slightly odd question of whether some forms of welfare cuts can be seen as progressive if they are instigated by effective regulatory action in the private sector (such as by raising the minimum wage which would drive down the cost of housing and income support for governments). Then, I shall explore alternative ways of tackling the problematique through a renewal of welfare state governance; in other words a fundamental questioning of the conventional Realist-inspired analytical centrality of the state – and whether supplementing state-run programmes with political action at the international and the sub-national, community levels – may deliver a more optimal mode of thinking about post-growth welfare reform. It is important to note the agential space that exists within the fiscal constraints of post-growth, however the limitations of each of them are noted; these are hardly meta-solutions to the problematique previously laid out. This pessimism leads me finally to a discussion of whether any form of post-growth capitalism which places such intolerable pressure upon the welfare system – which in the post-war period has been central in maintaining the democratic legitimacy of capitalism – could ever garner popular support. It is suggested that the fragmentary governance techniques outlined in this chapter (even cumulatively) will be unable to govern the welfare paradox effectively enough in order for post-growth capitalism to ever be forecast to gain democratic legitimacy. As such, the competing logics entrenched within the post-growth and welfare state literatures can both be seen as tragically inadequate, and if the sustainability of the welfare state is to ever be assured it will require the instigation of a more radical discourse than could exist within the parameters of the current political settlements which exist in contemporary post-industrial societies.

The conclusions offered at the end of chapter six and this thesis are fairly open-ended, and perhaps necessarily so. The core contributions of this thesis are based around an engagement with two broad, fairly abstract, internationally-applicable literatures (rather than one specific country). This necessarily leads to broad, open-ended conclusions where no homogenous ‘meta-solution’ can be offered for every post-industrial society equally. Indeed, offering precise policy prescriptions or firm political directions in the context of this thesis would make little sense and would exhibit a crudeness and over-confidence.[[14]](#footnote-14) It does, however, hope to offer a problematique which constitutes a starting point for other projects to theorise further upon.

**Chapter 2**

# The triple crisis of the welfare state

## 2.1 - Introduction

It is important first of all to delineate the specific crisis upon which the concept of welfare state sustainability will be mapped. It has perhaps been uncritically assumed far too often in mainstream political discourse in recent years that the ‘public debt crisis’ is the only type of sustainability challenge which welfare reform should respond to. As has already been touched upon in the previous chapter, I will posit that the present moment of crisis is far more severe than this. This chapter will put forward an understanding of a ‘triple crisis’; inter-connected crises of growth, the environment and debt. It is argued here that all these inter-connected pathologies need to be taken into account when discussing the sustainability of the welfare state at the current time. This understanding of a triple crisis is more complex and holistic than is conventionally deployed either in the scholarship or in political discourse more broadly. This understanding will be fully explicated in this chapter, and will then inform the analysis of welfare state sustainability in subsequent chapters.

Three pathologies of political economy are identified here (although they can all be examined through different disciplinary lenses as well) and all have ramifications (directly or indirectly) for the welfare state. These of course are a selection of only three of many crisis narratives which have been advanced in recent years; including crises of democracy, legitimacy, living standards, inequality, food, water, and capitalism, to name but a few[[15]](#footnote-15). To differing extents, they have all been substantiated with the selective use of empirical data and have garnered the acceptance of segments of the population within a given geographical territory which has corroborated these narratives. Such is the accumulation of crisis narratives concerning the contemporary political economies of post-industrial welfare economies it is difficult to know where to draw the line. This should not in itself surprise us because, as Schumpeter notes, understanding that the economy is constantly in a state of dynamic disequilibrium means that socio-economic ills can always be identified and politicised narratives formed on the basis of them. Since 2008, however, these pathologising processes of problem definition have grown in number and intensified in mainstream political debate.

I will argue that the crisis narratives which have been prominent in post-industrial countries since 2008 demonstrate both the contingency of these ideational constructions of crises and that these crisis conceptualisations are too parochial to encapsulate the severity and complexity of the sustainability challenges facing the welfare state. In the second half of this chapter, I put forward a more holistic understanding of crisis encompassing three crisis pathologies – that of economic growth, environmental unsustainability and public debt – to investigate what welfare reform and welfare state sustainability may look like when mapped onto this conceptualisation[[16]](#footnote-16). This conceptualisation constitutes a significant contrast from the crisis narratives prevalent in mainstream political discourse in terms of its implications for crisis management responses. More specifically, it attempts to encapsulate and negotiate the trade-offs and conflicts in progressive policy-making at the current time. The heart of this chapter then is a theorisation of the nature of the present crisis. It is only upon this understanding that the concept of welfare state sustainability can be appropriately situated.

To achieve the aims of this chapter, I will firstly outline the importance of crisis understandings in framing political issues and determining policy responses at a theoretical level. It is this theoretical approach to the construction of crises upon which this thesis is predicated and so it is important to summarise this position at the outset. Thereafter, I will explore the discourses which have constituted the understanding of crisis in the post-crash period and will argue that these discourses are reductive and simplistic. Finally, I will outline a more holistic understanding of the present crisis, which accounts for economic and environmental sustainability challenges facing public welfarism, as well as the existence of public debt. Once this understanding of crisis is fully explicated, I will then have constructed the foundations upon which a systematic study of welfare state sustainability can take place.

## 2.2 - Perceptions of crisis

It is the central insight of the constructivist approach that perceived interests are identified, constructed and rendered ‘actionable’ (Blyth, 2011) through ideationally-constituted social and political processes. Whilst rational choice perspectives posit that ‘rational’, utility-maximising and perfectly-informed individuals act ‘naturally’ in accordance with an objective material reality which they view from an Archimedean standpoint, the fundamental epistemological proposition of a constructivist viewpoint is that perceived interests are intersubjective and socially cultivated in the arena of competing ideas (Hay, 2011a; Schmidt, 2008). Ideas, discourses and cognitive frameworks are analytically privileged, therefore, as normative ideas and stylised ‘construals’ are seen as giving meaning to an irretrievably complex, messy and contradictory world of diverse facts and events[[17]](#footnote-17). The economy is one such entity which is continually subject to a multitude of co-evolving understandings and narratives – themselves subject to contestation and counter-narratives of course – but understandings and narratives which remain politically powerful within their temporal limits through creating a sense of coherency and agenda.

The cultivation of collective understandings and collective memories is produced through shared discourses, albeit discourses in which some actors (particularly those elites in the popular media and in offices of government) have more power than others in prioritising and establishing information and narratives. By virtue of participating in a community’s political conversation, individual agents engage with – to differing degrees – a set of socially and discursively constructed understandings and memories of a particular period or event, based on the privileging and stabilisation of some facts and imagery from the totality of socio-economic relations that constitute the fragments of common narratives. Through the coherency distilled from these processes, common understandings of events play a decisive constitutive role in shaping political and economic decision-making.

Therefore, stylised narratives and discourses necessarily – to some extent – eschew nuance and complexity in favour of making sense of an incoherent world. The ideologically-mediated reification of economic ideas and narratives help to frame the lived experience of those individuals entangled within a series of economic relations in a simplified and comprehensible form. This can also be conceptualised as the establishment of ‘knowledge/power formations’ which make particular ideas ‘commonsensical’ (Barry, 2012: 119). Resistance to these narratives and counter-hegemonic ideas of course exist, but pre-existing biases and the institutions which embody such ideas undoubtedly generate an ideational viscosity which render de-stabilising ‘paradigm shifts’ unlikely.

Yet alternative, counter-hegemonic ideas can be seen as being far more crucial in times of perceived ‘critical juncture’ – a period when governing principles are more contestable and ripe for transformation in the context of socio-economic turmoil – as Mark Blyth (2002) has influentially argued. In such periods, pathologies accumulate each diagnosing a particular set of economic ills; and each diagnosis carries its own policy prognosis for economic rehabilitation. In the midst of economic crises, orthodox ideas and institutions can often be perceived to be discredited or ineffective which ushers in profound cognitive and strategic disequilibrium; making fertile the analytical space for the multiplication of alternative interpretations and solutions. Therefore critical junctures are partly produced by, but also act as a catalyst for, the proliferation of economic pathologies and alternative policy frameworks.

Unconventional ideas and discourses in these periods of critical juncture when populations and policy elites are amenable to alternative approaches offer the potential to challenge orthodox theories and practices. Path-shaping ‘paradigmatic’ change – or, perhaps more commonly, incremental and uneven shifts in the theories, concepts and assumptions underpinning ‘coordinative discourses’ (Schmidt, 2008) – is, consequently, far likelier. Exponents of unconventional ideas and discourses could plausibly capitalise on the more malleable ideational space fashioned through crises and potentially adopt a performative role in shaping subsequent policy-making. As such, economic construction can be seen to be the corollary of economic construal. Constructed narratives which are capable of summarising socio-economic events in a way which resonates widely also help form governmental crisis management responses and set the political agenda for the period of recovery.

Accordingly, political action is mapped onto the debates occurring upon contestable ideational and discursive terrain. Competing bodies of normative ideas and discourse consequently play a powerful role in constructing broad consensuses that have a direct causal impact upon policy design (Schmidt, 2008).

It is clear then that crises, such as the one that many in the post-industrial world are still living through even in those countries that have experienced a recent upturn in GDP, can potentially be discursively transformed into ‘path-shaping’ moments of political re-orientation. Now that this contingency has been established, it is time to turn to the current period of crisis specifically. There is little doubt that “the way this crisis comes to be understood will play a major part in determining how it is eventually resolved” (Gamble, 2010: 3). Simultaneously, it should be emphasised that perceptions of the contemporary crisis are also extremely pliable because of the scale, complexity and occasionally the abstractness of the recent events. As Gamble (2010: 6) observes, “when events as large and complex as this occur it is not easy to establish their causes or to assess their significance, in part because that is determined over time by the political responses to them. The events themselves are capable of being interpreted in many different ways”. Conceptualising and describing the dimensions of the current period of crisis, therefore, is inherently selective and political due to its complexity, but it is also crucially important in shaping policy responses.

## 2.3 - The public debt crisis narrative

Due to the aforementioned complexity of the events surrounding the financial implosion of 2008, providing a historiography of events is no simply task. Indeed, it is subject to the same issues of politicised selectivity as noted in the previous section. Since the crash of 2008, a series of discourses concerning the economy can be identified. The most prominent however, certainly between 2010 and 2012 in the Northern European and North American societies, were the discourses propounding the view that a crisis of public debt was the essence of the current period of economic turmoil (Crouch, 2012; Hay, 2013; Blyth, 2013; Gamble, 2014).

The discursive reification of public debt became the central tenet of the crisis pathologies peddled in the mainstream media, aided undoubtedly by the onset of the ‘sovereign debt crises’ in the Eurozone. The credit ratings and auctions of government bonds became newsworthy in some a context as holders of capital were capable of punitively raising the cost of borrowing for each nation. In this context, a great deal of political attention has been paid to the need to reduce the public debt in order to retain confidence in the credibility and sustainability of the public finances.

There has been an empirical element to these discourses, although I will argue that empirics alone cannot help us understand entirely their rise. The recapitalisation of the banks and the temporary sustaining of fiscal deficits has accumulated a relatively high level of debt, to differing extents, for countries in the post-industrial world. The below graph demonstrates the extent to which government debt has escalated since the 2008 financial crash. In 2006, only Italy of the below nations had a government debt to GDP ratio which was over 80%. However, this has dramatically changed in the nine years since then. According to OECD data, public sector debt in the 15 countries of the Eurozone has increased from 74.7% of GDP in 2006 to 106.9% of GDP in 2015. In the OECD countries, it has increased from 74.6% to 111.2% in the same period. Perhaps the most dramatic escalations of debt came in Spain (46.2% of GDP in 2006 to 111.5% in 2015), the UK (46% to 103.1%) and France (71.2% to 116.1%). The Scandinavian governments came through the period largely unscathed, with the exception of Finland who had reduced their national debt to 40.3% of GDP in 2008 but has since seen it rise to 70.1% in 2015.

Figure 1

Source: OECD, 2015a

The fact that these financial liabilities are invariably owed to foreign creditors – unlike during Japan’s famous decade of stagnation – has added to the urgency of the deficit reduction agenda.

Even servicing this debt costs more than budgets afforded to many government departments. To take the example of the UK in the 2014/15 tax year, interest payments on public sector debt are forecast to be around £59 billion – even after several years of austerity measures designed to reduce this figure. This is a larger sum of money than afforded to the UK’s Department of Education or the budget of the Ministry of Defence (HM Treasury, 2014).

The budget deficits (the difference between a state’s total expenditure and its tax receipts) currently being run by OECD countries in the current financial year – with the exception of Norway who are running a 10.2% budget surplus – mean that this accumulation of public debt will escalate further in the forthcoming year.

Figure 2

Source: OECD (2015b)

These are raw figures which substantiated the public debt crisis narrative; an understanding of the nature of the crisis which played a central role in rationalising major reforms to welfare provision. There is a broad consensus that these figures have been influential in determining policy outcomes, but it would be wrong to suggest any policy action was made inevitable by the levels of debt alone.

A myriad of ideational and discursive factors played into the reification of the debt crisis narrative. Not least were fears over the potential contagion of sovereign debt troubles from Greece, Ireland, Spain and Portugal. This had particularly pronounced effects upon the other nations who shared the common European currency, concerned about the implications of those troubled economies not being able to re-finance their debt in the face of punitive financial markets, but also nations in Scandinavia and the UK who were (and are) heavily reliant upon the Eurozone for trade.

Secondly, the implications of the debt crisis upon state spending and welfare spending spoke to those of a certain ideological disposition who have long believed that state retrenchment is a prudent direction for enhancing the health of the economy (in times of both boom and recession). In the following chapter, I will elaborate on how this narrative can be situated within a series of narratives rationalising state retrenchment which emerge from the dominant ‘paradigm’ of political economy, known broadly as neoliberalism. Neoliberalism – understood by Peck (2010) as a series of *a priori* impulses towards privatisation, deregulation, state and welfare retrenchment – has bred narratives such as this which act as non-negotiable fiscal logic which rationalises its central principles. This understanding of crisis spoke to, and reinforced, pre-existing neoliberal instincts about the relationship between state and market by setting a political agenda based on the unsustainability of the public finances and the necessity of severe deficit reduction (Crouch, 2012; Hay, 2013; Gamble, 2014). Blyth (2013: 10) most famously argues that austerity as an idea has been embraced for so long by those on the right precisely because “it enables conservatives to try (once again) to run the detested welfare state out of town”. Blyth (2013: 100) goes on to detail how austerity has emerged “as a derivative consequence of other shared beliefs – a sensibility – concerning the nature and role of the state in economic life that sit at the core of liberal economic thought”. Taylor-Gooby (2013: 45) concurs with this sentiment and states that the “new context provides the opportunity for government to move decisively against the welfare state tradition and towards a new more individualistic liberalism”. He claims that “cuts plus restructuring form part of a project to undermine the political ideas and values supportive of an inclusive welfare state and impose an uncompromising liberalism as the future direction of British society” (Taylor-Gooby, 2013: 36). Ha-Joon Chang (2013) has also been prominent in arguing that “spending cuts are not about deficits but about rolling back the welfare state”. In this sense, the depoliticised character of the austerity discourse speaks to what Barry (2012: 119) conceived of as the epistemic hegemony of neoclassical economics to reify a ‘regime of truth’. This, as Barry puts it, is part of the process in which “political economy becomes a master form of knowledge and power” in which the market comes to be “interpreted as a naturally existing phenomenon” whose “laws” must be “obeyed” (Barry, 2012: 119). Therefore, the reification in public discourse of severe austerity measures as an unfortunate but immutable (and apolitical) obligation enforced by external economic constraints was an attempt to normalise the normative parameters through which competing economic strategies are negotiated. The discourses of non-negotiability with which public debt was publically (and duplicitously) presented disguised the contingent nature of subsequent welfare reforms and legitimised a new path-dependency of state retrenchment.

Moreover, the framing of the political agenda in the communicative discourse of those of a neoliberal disposition also helped to marginalise the events and questions which threatened the stability of the existing capitalist order. The complexity and structural nature of the economic, financial and to some degree environmental forces leading up to the crash were marginalised in mainstream political discourse. This framing of the crash produced questions concerning the public finances and the sustainability of public spending rather than questions about financialised capitalism, the merits of deregulation, the methods through which liquidity is provided to support demand, the banking sector (although a number of bankers were scapegoated in the tabloid press) and systemically fragile models of producing growth. States meanwhile – which in 2008 had been the saviour of the international economic system – was quickly transmuted by the debt crisis framing into the primary problem.

The narrative was also strengthened by the interpretation of the data provided by certain academics. The hypothesis of Reinhart and Rogoff (2010) which stated that a 90% government debt to GDP ratio or higher would drastically inhibit growth was particularly influential. Such analyses helped generate the political will to prioritise deficit reduction over the pursuit of economic growth. The data upon which Reinhart and Rogoff’s analysis, *Growth in a time of debt*, was based was later discredited (Herndon *et al*., 2013).

The widespread acceptance of this crisis by the citizens in post-industrial societies can be largely explained by the connotations of indebtedness in the popular imagination. The debt crisis narrative does, of course, speak to pre-existing normative and moral beliefs about indebtedness. Indebtedness is commonly thought to be an undesirable and even an immoral position to be in. In the German case, this morality is even linguistically coded, with the German word for debt, ‘*schuld*’, sharing a linguistic ancestry with German word for guilt, ‘*schuldig*’. Those propounding austerity measures were keen to conflate the economics of the household and the state in order to speak to this sense of morality and communicate the urgency of their agenda (Gamble, 2014: 163; Krugman, 2015). Angela Merkel famously implored her citizens to act more like the Swabian housewife – a German stereotype symbolising frugality and the prudent management of scarce household resources (Kollewe, 2012).

Debt-based discourses were particularly prominent between 2010 and 2012, and subsequently a political consensus coalesced around a new ‘best practice’ in fiscal policy entailing a series of invidious cuts to the public sector and social programmes.

Even when considering the necessity of cognitively constructing a simplified portrait of the crisis using only a selective range of facts and events to comprehend a complex global economy, the myopic emphasis on public debt after such a complex financial crash is remarkable (Stiglitz, 2012; Krugman, 2012a; Blanchflower, 2012). The presence of debt where it existed was undoubtedly exposed by the financial crash, but the ‘debt crisis’ narrative was certainly a reductive framing of contemporaneous economic events. Hay (2013) emphasised that debt was merely the symptom rather than the cause of the contemporary economic crisis, whilst Gough (2011a) stated that “the financial crisis has been transformed into a fiscal crisis of the welfare state”.

The debt crisis understanding of the crisis is not homogenously understood throughout the post-industrial world and there is significant resistance to it – increasingly so as the perception has spread that the fetishisation of deficit reduction has counter-productively suppressed growth and subsequently worsened debt-to-GDP ratios further. Yet an emphasis on public debt as a primary governmental metric of concern and indicator of future economic success has been widely accepted, at least amongst the traditional social democratic political parties.

This is not to say that this discourse has not rejuvenated a series of long-standing issues related to the sustainability of the public finances in the face of economic and demographic change; such debates are entirely valid. The point is that this is very reductive understanding of the present moment of crisis. It de-historicises the initial causes underpinning the accumulation of debt and, as such, depicts the crisis as an isolated and exceptional event; a moment of disequilibrium within a broader pattern of stability to which we will soon return. Accordingly, it forms a parochial, simplistic and inadequate map onto which welfare state sustainability should be analysed.

## 2.4 - Emerging discourses of a growth crisis

It would be wrong to suggest that this strand of debt-centric discourse have constantly held a discursive monopoly since 2008. Undoubtedly, between 2010 and 2012 particularly, this set of ideas propounded a set of external constraints upon governmental action and was extremely powerful in shaping the political agenda. This strand of discourse has certainly not disappeared, but it would too crude and analytically ‘clean’ to suggest that competing ideas have not been successful in claiming a degree of political prominence. As was recognised by Andrew Gamble (2014: 73), oppositional discourses centred upon crises of growth and living standards have become increasingly prominent in political discourse since 2012.

The tempering of these debt-centric discourses has been facilitated in mainstream political discourse by three major developments. The first was that the sovereign debt crisis in Europe seemed to have stabilised. With countries such as Greece, Portugal, Spain, Italy and Ireland ostensibly moving towards positions of solvency; fears that a second phase of the financial crash was imminent faded and confidence slowly returned to businesses and consumers in Europe. This stability sparked new business and consumer confidence.

The second causally significant development was the increasingly apparent debilitating effects of overzealous fiscal consolidation upon the economic recovery. That austerity would have deleterious ramifications for growth had long been prophesised, particularly when austerity measures where replicated simultaneously across several inter-connected countries (Blanchflower, 2011; Stiglitz, 2012; Krugman, 2012a; Münchau, 2013). The Eurozone economies increasingly instantiated this hypothesis in the public consciousness. Ironically, the suppression of growth may have actually contributed to the worsening of debt-to-GDP ratios in what was depicted to be a self-defeating policy direction by those advocating a ‘plan B’. Paul Krugman was a prominent academic arguing that Western economies faced being caught in a deflationary trap, when reductions in prices put downward pressure on wages, investment and thus demand, potentially creating a downward spiral which elongates a recession. In such a scenario, the cost of debt remains constant and so would have been increasingly large relate to the size of the overall economy. Many believe Japan was caught in such a deflationary trap during the decade of stagnation (Koo, 2009; Krugman, 2012a); highlighting the dangers of fetishising debt at the expense of growth.

Thirdly, but closely related to the above, the economic stagnation associated with austerity was widely linked by commentators to the electoral defeats of incumbent governments in France, Croatia, Greece, Slovakia, Lithuania and Japan. Such electoral defeats may have gone some way to tempering the enthusiasm for austerity by those of a neoliberal disposition and contributed to the subtle transformation in rhetoric from 2012.

In this atmosphere, the coordinative discourses of major political parties and the media (to differing degrees internationally) began to address more intensely the failure to enact an upturn in GDP in line with expectations and the social hardship caused by economic stagnation (followed by the social hardship generated by the inequalities of the economic recovery).

The UK forms a good example of this change in discourse. The now former leader of the Labour Party, Ed Miliband, seized upon the opportunity to move the debate away from the severity of deficit reduction and instead focus on the fall in living standards precipitated by economic stagnation. Numerous factors are contributing to this ‘crisis of living standards’ as Miliband coined it. The suppression of real-terms wages in the UK, which fell by 10% between 2006 and 2014 according to Andy Haldane of the Bank of England (Haldane, 2014) is a significant factor. This suppression of wages marks an intensification of the unequal distribution of the proceeds of economic growth which has occurred in the much-vaunted economic recovery; a development which Miliband addressed with the symbolic ‘One Nation Labour’ re-branding. Rising commodity prices are also a chief concern and Miliband highlighted rising energy prices particularly in what is a market dominated by only a handful of companies. Perhaps the most worrying element of the social havoc wreaked by the economic downturn and recent cutbacks to welfare provision is the rise in the use of food banks (Lambie-Mumford, 2013). Sadly, there are fears that this squeeze on living standards in the UK will last for beyond the return of growth (until at least 2020 according to the *Resolution Foundation* (2012)).

In Germany, although the fears over Greek debt have not subsided and at times has even superseded the fetishisation of domestic debt, there has also been an increasing focus on issues relating to living standards and inequality. The two most striking features of the Coalition Treaty of 2013 were the introduction of the €8.50 per hour ‘Mindestlohn’ (minimum wage) – central to the agenda of the social democratic party, the SPD (Sozialdemokratische Partei Deutschlands) – and the pledge to bolster regulation in response to the rise of ‘Leiharbeit’ (sub-contracted, low-wage, flexible forms of labour contracts with little security) and the poor working conditions that are associated with it (LpB BW, 2015). This concern for living standards was absent from the 2009 Coalition Treaty, which attempted to combine a medium-term deficit reduction plan with an immediate reduction in taxation to stimulate growth. The 2013 Coalition Treaty, therefore, was a response to the growing debates surrounding the inequalities wrought by the economic recovery.

These transformations in national political discourses were surely partly a response to the reports outlining the social effects of austerity measures. One such report by the *Red Cross* reported on “the quiet desperation spreading among Europeans, resulting in depression, resignation and loss of hope. Compared to 2009, millions more find themselves queuing for food, unable to buy medicine nor access healthcare. Millions are without a job and many of those who still have work face difficulties to sustain their families due to insufficient wages and skyrocketing prices” (Traynor, 2013). The *Red Cross* also reported that food distribution in 22 of the surveyed EU countries had increased by 75% between 2009 and 2012, and that these effects were not confined to “the crisis-ravaged, bailed-out countries of southern Europe and Ireland, but extended to relative European success stories such as Germany and parts of Scandinavia” (Traynor, 2013).

This evolution in public discourse has not been a linear process followed by all nations at the same pace. For example, public debt returned to the top of the political agenda in the United States in September and October 2013 when US public debt approached a legislated ‘debt ceiling’. No agreement could be reached in Congress on the appropriations of funding for government programmes (including on the controversial Affordable Care Act, also known as ‘Obamacare’) leading to a 16-day ‘government shutdown’ of a range of its functions.

These two strands of discourses identified here – framing the current crisis in terms of public debt and the social consequences of economic stagnation (and the inequalities of economic recoveries where they have occurred) – have, to differing degrees internationally, come to set the political agenda in the post-industrial world since 2008. The latter has successfully tempered the regressive and self-defeating approach authorised by the former and acknowledged some important social and economic phenomena. However, what these discourses have seldom emphasised is the more deep-seated economic trends and dynamics which underpinned the financial crash and produced the current social turmoil, and indeed threaten the chances of staging an economic recovery which is sustainable today. As such, both of these dominant crisis discourses can be said to myopically and reductively depict the symptoms rather the cause of the present crisis. Neither of which truly account for the complexity or severity of the current socio-economic and environmental predicament facing the political economies of post-industrial societies. Accordingly, neither of these competing, parallel discourses can be considered to be an adequate crisis construal upon which a theory of welfare state sustainability can be mapped.

I posit here that if the understanding of the current period of crisis and the range of inter-connected economic challenges were more holistically and more accurately articulated the ideas surrounding economic policy-making would be radically different from the contemporary dyadic debate between the stentorian voices of those advocating deficit reduction and those advocating a simple path of fiscal expansionism to resuscitate growth with only minor modifications. Within this discursive atmosphere, the anachronistic aspects of prevailing economic ideas and the contradictions in the ongoing constructions of the economic recovery would be more openly deliberated. With this in mind, if we are to map welfare sustainability onto a conceptualisation of the current period of crisis, it is essential that we go beyond the mainstream discourses of crisis and re-articulate more holistically the challenges which threaten the stability upon which the welfare state is predicated.

The evolution of political discourse and the empirical frames through which current crises are explored demonstrates the contingency of the understanding of the present moment of crisis upon which welfare reform has been mapped in the post-crash period. These contingent discourses produce very different understandings of crisis management, and they represent a useful contrast here to the crisis management difficulties presented by the more holistic understanding of the present crisis which will be developed shortly. I have demonstrated here the limitations and parochialism of the existing crisis discourses, and have argued that they do not represent sufficiently comprehensive understandings of the set of sustainability challenges facing the welfare state; particularly as concerns the continued marginalisation of the environment. The more holistic crisis conceptualisation offered below cannot account for the temporality or evolution of crisis discourses – instead isolating three and establishing them as a foundation for analysing welfare state sustainability in such a context – but does at least go beyond the reductive understandings of crisis which became most prominent in mainstream political discourse.

## 2.5 - Re-conceptualising the challenges to welfare state sustainability

In establishing the basis upon which welfare state sustainability can be analysed, I contend that three primary political economy challenges can be identified which are salient for this analysis. The first challenge is the problems relating to the long-term decline of economic growth in post-industrial societies and, in the short-term, the ongoing problems of formulating alternative growth models to those that proved so dysfunctional in 2007 and 2008. This can be said to constitute a crisis *of* growth for the political economies of those countries in the post-industrial world where welfare states tend to be more robust. The second set of challenges relate to the economic implications of environmental unsustainability; a set of phenomena which threatens the continuation of economic growth itself. This can be said to constitute a crisis *for* growth. The third is the challenge of public debt, which is important primarily because of its interaction with the two preceding crises *of* and *for* growth. If it is accepted that the future of growth is shrouded in uncertainty, then this will exacerbate the long-term (rather than simply post-2007) tendency for states to run budget deficits. This deep-seated tendency ostensibly forces the public finances to become contingent upon high levels of future growth.

The evolving crisis construals which dominate practical policy-making are, of course, messier and only possess potency within certain temporal parameters. In this thesis, however, it these three interconnected crises which I have analytically isolated as the most significant political economy challenges facing post-industrial societies at the current time in order to tease out the implications of doing so[[18]](#footnote-18).

**2.5.1 - A long-term crisis of economic growth**

The first political economy challenge identified in this conceptualisation of crisis relates to the radical uncertainty concerning the future of economic growth. There are both long-term and short-term elements to this uncertainty; although they are strongly related.

Firstly, let us turn to the long-term uncertainties surrounding growth. Many authors have voiced fears that economic growth has been steadily in decline in the post-industrial world since the 1973 OPEC oil crisis. The empirical decline in growth since the 1970s may have occurred in a non-linear way, but the iterative trajectory towards a growth slowdown is a real concern.

The below graph demonstrates the trajectory of year-on-year GDP growth. The graph illustrates the long-term slowdown of growth since 1961.

Figure 3

Source: Data taken from The World Bank database (2015a)

The below graph demonstrates the effect of this slowdown of growth upon the welfare state. As the graph illustrates, economic growth has failed to keep pace with the growth of social expenditure in Japan, the United States, the twenty-one nations of the European Union and the nations belonging to the OECD; leading to an increasingly disconcerting ration of social spending to GDP. Social spending currently stands at 19.2% of GDP in the United States to 24.9% in the European Union. The juxtaposition of these two long-term trends – the slowdown of economic growth and the growth of social spending – is an issue for welfare state sustainability.

Figure 4

Source: data derived from the OECD Social Expenditure Database (2014b)

This juxtaposition, of course, would be even more disconcerting if economic growth were to cease all together as part of a ‘permanent slump’.

Indeed, fears have been articulated that a permanent slump is exactly where the post-industrial world is heading. One prominent economist who has predicted a period of “secular stagnation” is Larry Summers (2013), who went so far as to call it the “new normal”. Secular stagnation can be thought of as a persistent state in which a depressed economy is the norm, with occurrences of full employment extremely rare.

In reference to the possibility of a ‘permanent slump’, Paul Krugman accepted that these ideas were radical, but no longer belonged to a fringe group of economists. Indeed, he believed that such a hypothesis – which Krugman cited approvingly – was becoming mainstream (Krugman, 2013). Krugman observed in reference to the USA that “the evidence suggests that we have become an economy whose normal state is one of mild depression, whose brief episodes of prosperity occur only thanks to bubbles and unsustainable borrowing” (Krugman, 2013). The situation which Krugman identifies though is not unique to the US.

Demographic changes have played a significant role in this economic slowdown (as well as the rise of social expenditure). With the baby-boomer generation swelling the population who are of working age are with disposable income to spend in the 1960s and 1970s, combined an increase in the number of women in the labour force, rises in the demand engendered by a young generation of workers and consumers was the catalyst for economic expansion. This is no longer the case today in the post-industrial world.

Even the OECD have voiced such fears in recent years, when they predicted a *ceteris paribas* move towards near stagnant levels of growth in Europe in forthcoming decades due to an inter-connected range of structural problems related to factors of demography, fiscal imbalances, welfare commitments, low investment, the projected rise in inequality, the shift in economic gravity to Asia and (to foreshadow a forthcoming section) environmental turmoil (OECD, 2014c). This OECD report lends weight to the claims that post-growth is something that needs to be thought about regardless of whether Western societies consciously enter a post-growth form of economics or not.

It is often assumed that *ad infinitum* growth is a natural economic phenomenon; an assertion famously associated with Robert Solow in the 1950s. But Robert Gordon (2012) amongst others has taken a more long-term historical approach to show that growth is a very recent phenomenon – dating back to around 1750 – and may have peaked in the middle of the 20th century. Gordon (2012) in his much-discussed recent report states that technological innovations and subsequently productivity gains are crucial to understanding the potentially historically anomalous growth throughout this period.

Gordon (2012) notes the primary innovations underpinning productivity gains and economic growth since the 19th century which include the creation of steam engines, cotton sinning, the railroads, electricity, the internal combustion engine, running water and a revolution in the speed and reliability of transportation. Gordon fails to mention the colonial conquest and enslavement of non-European peoples in this period which also had a significant impact upon the expansion of European economies in terms of obtaining resources and cheap labour (Galeano, 1971; Simms, 2006). Regardless, these innovations undoubtedly acted as a catalyst for a prolonged wave of economic growth, but they could happen only once. By the 1970s productivity levels flat-lined, plausibly because the innovations of these industrial revolutions had already been fully realised.

This thinking dovetails with the work of Tyler Cowen (2011) who also argues that it is possible that the Western world may have reached a technological plateau having already exploited all the ‘low hanging fruit’ available. At the very least, he argues, it is possible that technological advancements of recent years are not being translated into increased productivity and expansions of economic activity as they were in previous generations of technology (Cowen, 2011). It cannot be ruled out, but it is unforeseeable that comparable technological innovations will emerge today with positive implications for productivity or economic activity. The ‘digital revolution’ if anything has only suppressed profits through making products and services significantly cheaper or free on the internet, and online innovations have thus far been notoriously difficult to monetise.

Productivity is not the only concern in discussions of future growth production. Supporting aggregate demand is a well highlighted contradiction of the neoliberal period which has a propensity to suppress real-terms wages; eventually leading to the rise of consumer indebtedness (Gough, 2010: 55-6; Crouch, 2012: 109). The economic slowdown also coincided with the saturation of mass-produced consumer durables at the end of the Fordist period and the first oil crisis of 1973. These three macroeconomic trends also provide obstacles towards generating another sustained period of growth.

This long-term trajectory towards stagnation have been disguised and postponed in recent decades through various unsustainable mechanisms of injecting liquidity. This is the point made eloquently by Wolfgang Streeck (2014b) who believes post-industrial societies are already in the grip of the gradual but apparently “inexorable” decay of what he refers to as “late capitalism”. Streeck posits the theory that certain economies have been continually postponing an inevitable crisis through unsustainable mechanisms of injecting demand – such as through inflation, public debt, private debt or asset price appreciation – in order to overcome the contradictions and tensions created by this phase of capitalism. Streeck could have also added quantitative easing to this list of unsustainable mechanisms of eking out further demand. As such, these economies have been “buying time” but the threat of stagnation looms larger now as these previously utilised mechanisms seem to be at the point of exhaustion.

Indeed, these aforementioned economic trends are crucial to understanding the cultivation of certain national growth models in the pre-crash period. For example, the UK’s much-discussed growth model in the pre-crash period – conceptualised retrospective as the Anglo-liberal growth model by Hay (2011b) and as Privatised Keynesianism by Crouch (2009), can in some respects be seen as response to these trends. The dynamics of growth between approximately 1992 and 2007 were based on a booming housing market, injecting liquidity and propping up demand through access to credit (in lieu of real-terms wage rises in the monetarist era) facilitated by the influx of capital from Asian economies (particularly China), the products and services offered by deregulated financial intermediaries, and the accumulation of private debt predicated upon a sustained period of low interest rates[[19]](#footnote-19). Injections of liquidity were not only realised through access to cheap credit cards by predatorial lenders, but the financialisation of assets which policy-makers sought to promote throughout the 1990s – both of which were precipitated by the ‘big bang’ of deregulation under Margaret Thatcher in 1986 (Glyn 2006; Crouch 2009; Langley 2004; Seabrooke 2007)[[20]](#footnote-20).

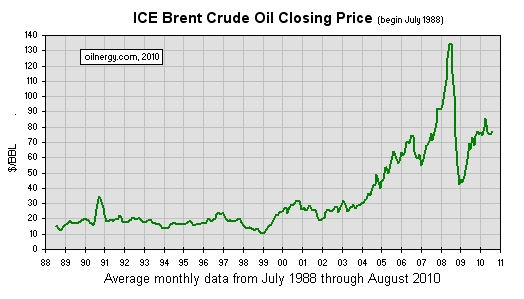
It is important to locate the formulation of this growth model, the processes of financialisation and the subsequent rise in the financial instability of the banking sector in the context of the long-term slowdown in demand, productivity, and economic growth. These processes of financialisation for a long time disguised the deep-seated structural problems in the economies of post-industrial societies, surrounding problems with continued productivity gains, investment and skills formations, which have produced tendencies towards long-term economic decline. The decline which began in the 1970s can be seen as central in inspiring processes of financialisation; an effective response to industrial slowdown and the failures to achieve productivity increases in the core economy. Financial innovation appeared to act as a proxy for falling productivity, access to credit and the housing market counteracted the fall in demand engendered by wage suppression, and thus growth was fuelled by the liquidity provided by financialisation and asset price inflation. As such, the dynamics of Anglo-liberal growth model helped to counter-act these long-term tendencies – but only temporarily (and, perhaps, unsustainably). The deep-seated economic problems which brought about fears of decline – which this idiosyncratic UK growth model was partly a response to – have not gone away. Productivity gains are still difficult to achieve (more so than ever for those economies with large service sectors) and there are ongoing concerns over what is sometimes called ‘skills formations’.

Of course, other factors underpinned the success of this model such as the availability of cheap oil and natural resources; factors which mainstream economists tend to take for granted. However, in the pre-crash period the general buoyance of an economy which was highly reliant on domestic consumption was being sustained by debt due to the long-term suppression of real-terms wages (Crouch, 2012: 109). Without the demand enabled through these means of credit provision, it is possible that Britain’s GDP would have been at, or close to, stagnant levels long before 2008.

It is crucial to note that these dynamics were also crucial to understanding the origins and contagion of the global financial crash. The systemic significance of the inherently-speculative dynamics of the financial sector alongside escalating levels of private debt and the systemic vulnerabilities to interest rate rises was a latent source of difficulties; and so it proved in 2007. The period of low inflation in the highly-leveraged heartlands of Anglo-Liberal capitalism eventually came to an end as inflationary pressures necessitated a rise in interest rates by both the Federal Reserve in the United States and the Bank of England.

Interestingly, these inflationary pressures which acted as a catalyst for the financial collapse were generated not least by ecological trends. Inflation in this period was largely driven by a three-fold increase in the price of Brent Crude oil; illustrated by the below graph.

Figure 5



Source: Oilnergy 2010

These price rises were primary underpinned by a growing demand for oil in comparison to the increasingly modest supply which the planet was able to provide. Unsustainable exploitation of this particular natural resource is crucial to understanding the appreciation of Brent Crude from $18.71 a barrel in December 2001 to $132.72 a barrel in July 2008 (EIA, 2014); and thus to understanding the environmental dynamics feeding into the inflationary headache which policy-makers were responding to in 2007 and 2008. Environmental issues, such as the availability of natural resources (what could be called eco-system services), are crucial but largely acknowledged factors underpinning economic performance (Juniper, 2013). The rise of fracking, primarily in North America, has more recently lowered the price of oil through enabling more supply, but in the long-term the growing demand for energy on a finite planet will continue to create economic volatility as long as they remain dictated by the forces of supply and demand. Cornucopian assumptions tend to surround issues of natural resources in mainstream economics; an assumption most obviously discredited by the volatility of, and uncertainty over, oil acquisition. The extent to which economic stability is contingent upon largely acknowledged environmental factors, however, was never clearer or more cataclysmic than in 2008. Ecological factors – manifested in the pricing of oil on this occasion – led to concern over the level of inflation, and this exposed the systemic vulnerability of the global economy to interest rate rises.

When interest rates were raised, mortgage repayments were raised in tandem leading to the bursting of housing bubbles on both sides of the Atlantic. Many sub-prime mortgages (particularly in the US) were defaulted on almost overnight; creating toxic assets which were magnified and dispersed internationally throughout the banking system due to the re-packaging of these high-risk but previously profitable obligations onto third parties in the form of Mortgage Backed Securities (Peston and Knight, 2012: 90). This led to the seizing up of inter-bank lending and credit in general, otherwise known as ‘the credit crunch’, as fears grew in the international financial sector that those who asked for loans in this period must in some way be implicated. Banks who were seen to be ‘too big to fail’ received bail-outs as private debt was essentially nationalised in order to ward off financial collapse. The belief that free markets would self-regulate and self-correct if necessary was exposed as a fallacy (Greenspan, 2008).

The public debt resulting from the recapitalisation of the banks was then augmented by the (internationally-coordinated) political decisions to maintain temporary fiscal deficits in the subsequent economic downturn. This decision was made to help sustain demand and limit the scale and length of the downturn, but led to a larger accumulation of public debt than the bank bail outs themselves (Hay and Wincott, 2011).

The consequences of the housing bubble being deflated did not only affect sub-prime mortgages, however. More directly impacting upon demand was the decreasing value of house prices generally and the subsequent depreciation of equity. The implications of this for consumer demand were dire. These economic forces in combination meant that credit seized up, demand fell and unemployment rose. The desire to intensify levels of consumption to maintain growth levels, even resorting to encouraging even higher levels of indebtedness to make it possible, led to the economic volatility of personal and corporate leveraging which proved to be untenable.

It is disconcerting then that it is the largely unmodified dynamics of growth upon which the supposed economic recovery is being based. This is a point which current discourses of growth miss. There is a great danger that the progressive discourses focused on the social consequences of economic stagnation may lose political traction as growth returns, and distract attention away from the unstable and fragile dynamics upon which prosperity is founded.

Yet it is even more disconcerting to realise that these dynamics of inspiring growth have been resuscitated precisely because no alternative growth model has been formulated. For a while in the UK, the idea of rebalancing was high on the political agenda but has since become marginalised. This is largely due to the failure of the UK economy to capitalise on a weak currency and booming markets in Asia to forge a more prosperous export-led industrial sector. Meanwhile countries who are reliant upon exports for fuelling growth, such as Germany, cannot afford to be too smug because their growth is often parasitic upon the demand generated by unsustainable borrowing in foreign markets where exporter countries maintain trade relations. It is sobering to realise that no country has all the answers to the problem of sustaining growth in the long-term. Streeck’s (2014b) point stands that economic stagnation is being staved off through various mechanisms of injecting liquidity, whether asset price inflation, public debt or private debt, in order to counteract the decay brought about by the aforementioned deep-seated economic trends. As such, post-industrial economies have been ‘buying time’ but the mechanisms through which this has recently been achieved seem to be at the point of exhaustion.

Gamble (2014) concurs that deeper, structural economic, political and social challenges exposed by the crash have not been dealt with, despite the immediate fallout of the crash having being largely contained. He also concurs that the crisis has only been postponed and that it “will erupt again, if nothing is done” (Gamble, 2014: 5). The paths forward are numerous and far from predetermined; a new wave of growth is not ruled out by Gamble. However, there remains great uncertainty over the future of economic growth. He argues that the foundations upon which market orders have previously relied are becoming less secure (Gamble, 2014: 8); a situation he defines as the “Growth Conundrum”.

The historiography above demonstrates the paucity of the hypothesis that the financial crash was somehow an exceptional and temporary moment of disequilibrium. Instead, the crash was an expression of the systemic frailties of the prevailing economic system; depicted here as an unstable growth model situated within more profound and deep-seated economic problems. With this historiography in mind, the reductive and myopic portrayal of present crisis in mainstream political discourse can be appreciated.

Recessions, such as those experienced in the last decade, are nothing new, and can actually be seen as beneficial in some narrow sense for capitalist renewal. However, these are normally thought of as cyclical and temporary shocks which eventually move the economy to a new phase of equilibrium of economic stability. Fears about the steady trajectory towards economic stagnation, however, point to a more systemic and distressing issue.

The volatile dynamics upon which growth has been predicated in recent years highlight the difficulties of maintaining macroeconomic performance, and a re-formulated economic strategy will have to respond to these issues as well. As Wolfgang Streeck has pointed out, it is difficult to detect the dynamics upon which the next wave of growth will be based (Streeck, 2011). This constitutes a crisis *of* growth.

Indeed, the recessionary period since 2008 has shown that growth does not simply return ‘naturally’. The period of recession in Europe particularly has been far more prolonged than anyone anticipated. Gamble (2014: 152-153) reflects the sense of disequilibrium when he states that the political classes “have no vocabulary to address this situation and have no clue as to how it could be managed”. Growth returned in some countries (and to some extent) around 2013, but the economic recovery (if that is what it is) is still only embryonic and fragile.

**2.5.2 - A crisis of environmental sustainability**

The second major set of challenges to the political economies of post-industrial societies is the issues relating to environmental sustainability. Environmental forces may have played only a supporting role in instigating the financial crash – through the appreciation of Brent Crude oil in generating the inflationary headache of 2007 which led to interest rate rises – but these factors will need to increasingly become a key component of mainstream economic thinking in forthcoming years. It currently remains strangely compartmentalised in the policy-making processes and largely abstracted from the political discourse on the topic of the economic recovery. But ecological conditions have increasingly impacted upon economic processes and ought to be central in thinking through what a sustainable economic recovery might look like.

A host of factors are contained within this analytical category. Rapid deforestation, biodiversity loss, the collapse of fish stocks, water scarcity, and the pollution of soil and water supplies are all elements of environmental degradation. An oft-quoted forecast is that two thirds of the world’s population will live in areas of water stress or scarcity by 2050 (UN, 2014). The *New Economics Foundation* meanwhile have reported that currently “it takes the Earth almost 18 months to produce the ecological services that humanity uses in one year” (NEF, 2011a: 5). However, the best known – and potentially the most de-stabilising – form of ecological degradation is climate change. There has long had sufficient empirical evidence that climate change is real and man-made (IPCC, 2013), and it was famously described by Stern as the most serious existential threat facing the global economy (Stern, 2006). As the IPCC (2013: 4) stated in their report, *Climate Change 2013: The Physical Science Base*, the “warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, sea level has risen, and the concentrations of greenhouse gases have increased”.

Itemising the ramifications of ecological degradation in its totality is an inherently uncertain exercise but has been attempted elsewhere; with Stern (2006) and the IPCC (2012) particularly offering insights into potential causal sequences which vary only slightly in their warnings of social and economic catastrophe. In a political economy thesis such as this it is sufficient to state that the insights scientific research has given us into changing material conditions means that mitigation is a first-order imperative and that our “actions over the coming few decades could create risks of major disruption to economic and social activity, later in this century and in the next, on a scale similar to those associated with the great wars and economic depression of the first half of the 20th century” (Stern, 2006). As such, what is important is that analytically scholars throughout political economy ‘bring the environment back in’ and deliberate appropriate policy responses to these phenomena.

A failure to recognise the systemic nature of financial risks being taken in the years preceding 2007 played a significant role in the economic turmoil witnessed that year, but now it is the failure to take cognisance of the systemic nature of the environmental risks being accumulated which poses just as severe a challenge to economic stability. There is a very real danger that the environmental dimensions of the current economic model could be sowing the seeds of the next major economic crisis. But this is disconcerting territory precisely because recognising the challenge of environmental unsustainability in political economy may mean questioning the notion of *ad infinitum* economic growth in the affluent, post-industrial societies of the world (Anderson and Bows-Larkin, 2012).

This is certainly the proposition of the post-growth literature (although they are not alone) – that tackling climate change is incompatible with *ad infinitum* economic growth – and there is a significant body of empirical evidence to support this hypothesis. Economic growth is strongly correlated with worsening carbon dioxide levels, soil and water quality, deforestation and steadily demands ever greater levels of natural resources (UNDP, 1996; Rockström *et al*., 2009; IPCC, 2012; McNeill, 2000; Tapia Granados *et al*., 2012; Dinda and Coondoo, 2006). John Barry (2012: 140) states that “orthodox, undifferentiated economic growth under capitalism is the dominant cause of actually existing unsustainability”, and Jarvis *et al.* (2012) demonstrate the long-term empirical correlation between economic growth and carbon emissions dating back over 150 years according to the observable data.

Anderson and Bows-Larkin(2012) at the Tyndall Centre for Climate Change Researchin Manchesterhave long argued that economic growth cannot continue to be pursued if Western societies are to realise the necessary carbon reduction targets. Anderson and Bows-Larkin are scathing in their criticism of those scientists who “repeatedly and severely underplay the implications of their analyses. When it comes to avoiding a 2°C rise, ‘impossible’ is translated into ‘difficult but doable’, whereas ‘urgent and radical’ emerge as ‘challenging’ – all to appease the god of economics” (Anderson and Bows-Larkin, 2012).

Whilst there is no guarantee that weaning societies off growth altogether will sufficiently render those societies ‘environmentally sustainable’, it is considered by many to be a prerequisite for environmental sustainability. It may even be the case that (temporarily at least) post-industrial societies need to contemplate an even more drastic course of de-growth in order to work towards the parameters of ecological sustainability.

Preserving business-as-usual approaches to economics which presuppose GDP growth – seemingly the implicit consensus amongst the major political parties throughout the post-industrial world – is reliant upon a drastic ‘greening’ of the economic processes which produce growth. One key component of this would be to decouple GDP growth from carbon output, in order to mitigate climate change without challenging the broader economic system.

Stern (2006) is one author who is outwardly optimistic about the prospects of green growth if the political will can be summoned to enact ‘minor’ and relatively low cost (by his own projections) mitigation strategies.

Currently, there is an unspoken but prevailing tendency to believe that technological progress will eventually decouple the relationship between economic expansion and environmental degradation. Some have even deployed a quasi-scientific and methodologically-contestable ‘Environmental Kuznets Curve’ to demonstrate how freer markets and deregulation could produce such a decoupling through raising incomes beyond a certain threshold (Grossman and Krueger, 1991; Perman and Stern, 2003; DEFRA, 2010). This is particularly true of many in the Ecological Modernisation literature which is characterised by techno-optimism and belief in simply ‘greening’ business-as-usual economic approaches (Hajer, 1995; Mol, 1995, 2002; Janicke et al., 2000; Huber, 2004). Some authors also tend to support a prominent role for the state in enacting environmental change – through regulating production, encouraging innovation, investment in human capital through welfare spending and subsidising low-carbon industries – as part of a package of ‘green social democracy’ (Barry and Paterson, 2003; Barry, 2004; Jacobs, 1999, Jacobs, 2012). Weale (1992: 78) went as far as to say that Ecological Modernisation amounts to a ‘coping strategy’ by states in the face of both environmental pressures and the continuing demand for economic growth.

That technology is capable of resolving this discord between economic and environmental imperatives is not only the foundation of Ecological Modernisation, but also an article of faith in the institutions of government and in the private sector. Simms (2013: 180-181) has stated that “our mainstream culture is such that to be sceptical of technology in any way is to be dismissed as a Luddite”.

Such is Naomi Klein’s (2013) distaste for the Ecological Modernisation and green growth discourses that she recently argued that the discourses of climate change denialism may actually be more benign than the politically-disabling denialism of the political and economic implications of climate change. The unwillingness of some in the traditional progressive parties on the left to openly deliberate the methods of climate change mitigation and adaptation outside of the bounds of market-centric, neoliberal economic governance has drastically underestimated and blunted the radicalism demanded by the observable environmental phenomena (Klein, 2013). This has been compounded, as Anderson and Bows-Larkin (2012) argue, by the climate change scientists themselves “soft-peddling the implications of their research” in order to “appear reasonable within neoliberal economic circles” (Klein, 2013). Klein contends that taking environmental unsustainability seriously demands a profound contemplation of our sacred cows; and that technology alone will not provide all the answers. It seems highly unlikely, however, that the sacred cows Naomi Klein had in mind concerned the institutions of the welfare state.

The scepticism that technology alone will resolve issues of environmental unsustainability seems to be well founded. UNCTAD adopted a global outlook and calculated that in order to keep below the 2°C climate threshold, the carbon intensity of each dollar’s worth of output would have to fall from 770g to just 6g… requiring a daunting 11% average annual reduction in carbon intensity (Simms, 2013: 276). Jackson (2009: 14) meanwhile points out achieving growth without expending resources and increasing carbon output has no historical precedent. He admits that ‘relative decoupling’ has occurred – in that there are now less emissions attributable to a Dollar of output than previously. However, absolute decoupling – a reduction of emissions in spite of growth – has not occurred (Jackson, 2009: 14). Of course, it is absolute decoupling which is required if a transition to environmental sustainability is to be realised.

Camara (2013) disagrees with Jackson that decoupling GDP and carbon is without historical precedent, but demonstrates that these examples of decoupling are extremely rare; he identified 13 out of 125 countries in the period from 1980 to 2005 which successfully decarbonised whilst maintaining growth. Camara’s research, however, comes with a substantial caveat. The carbon footprints attributable to certain nations been disguised by the parochial forms of carbon accountancy adopted by those nations themselves and propagated in political discourse (Camara, 2013). Adopting national forms of accountancy has allowed countries to ‘outsource’ their carbon footprints along with manufacturing (Helm, 2012). This has led to a certain triumphalism of ‘greening’ by some hoping to legitimise the economic *status quo* but a planetary perspective allows us to see the hollowness of this form of decarbonisation. A prime example of this triumphalism is a report released by DEFRA (2010), a governmental body in the UK, which lauded the reduction of the national carbon footprint; a claim which was consequently undermined by a report by the UK’s House of Commons Energy and Climate Change Committee (2013) demonstrating that adopting a consumption-based carbon accountancy methodology shows a 20% increase in total carbon emissions. Pasquier (2012), Ghertner and Fripp (2007) and Caviglia-Harris *et al.* (2009) have all conducted empirical research in this area and verified that when ‘domestic’ emissions fall, the emissions attributable to other countries tend to rise; and the increases are invariably in those countries which are economically geared to serving external consumption needs through its production and export sectors.

When viewed from a planetary perspective, the empirical relationship between GDP growth and the growth in carbon emissions – to select just one element of ecological degradation – is arresting. Clearly, other factors are involved in the trajectories of both GDP and carbon output (including the implementation of nuclear power – which is a largely carbon-neutral although still a controversial source of energy in terms of its ‘green’ credentials – and the rise of financialised capitalism which may have also weakened the relationship), but there is a significant correlation between the two.

Figure 6

**The relationship between global GDP growth and global carbon growth**

Source: Data sourced from the World Bank, (2015a and 2015b)

The empirical data broadly speaking conforms to the analytical premise of the post-growth literature, that decoupling has not materialised on the scale necessary to begin considering the plausibility of ‘environmentally sustainable growth’. It is certainly unlikely that any decoupling could take place on the scale necessary to significantly mitigate the onset of global warming. Indeed, this is only one element of an economic ‘greening’ amongst many, and so (although it is an ever evolving issue) it would be contentious to talk uncritically about growth in the foreseeable future.

Post-growth theorists, therefore, are critical of any ‘green growth’ or ‘sustainable growth’ slogans in terms of how achievable and universalisable such concepts are (Victor, 2008; Jackson, 2009; Latouche, 2009; Martínez-Alier, 2012; Dietz and O’Neill, 2013; Simms, 2013); seeing it as a politically-appealing chimera. Accordingly, they believe there should be no *a priori* assumption that the recent absence of growth was a temporary interlude from the economic equilibrium. Consequently, whilst contemporary economic trends present the welfare state with a problem *of* growth, environmental trends may present affluent post-industrial societies with a problem *for* growth.

In fact, even if the moral or normative commitment to environmental sustainability continues to struggle to impact upon the policy-making process, there are forecasts which estimate that the economic recovery will exacerbate the ecological processes which may subsequently frustrate economic efficiency even in its own market-centric terms. The ‘Growth isn’t Possible’ report by the *New Economics Foundation* used the second law of thermodynamics to further the argument that not only is economic growth not working for everybody in society it also cannot be sustained indefinitely (NEF, 2011a). This argument is largely based on observable global bio-physical constraints, such as the limited carrying and absorbing capacity of the biosphere and the finite nature of our natural resources (particularly cheap energy) – constraints which tend to be assumed away by mainstream economics, including those economic models of ‘sustainable development’ advocated by figures such as Lomborg (2001), which tends to treat natural resources as infinite. Yet these the erosion of the planet’s carrying capacity and the abundance of cheap and accessible resources threatens to impact significantly upon economic activity (Rockström *et al*., 2009); indeed, this chapter has already outlined the role of oil scarcity – manifested in rising oil prices – in instigating the financial implosion of 2007. When these bio-physical constraints and the finiteness of resources are recognised, Peter Victor believes that we now face a future “where economic growth, as we have known it, is no longer a long-term option for the world at large” (Victor, 2008: 168). As Gamble observes, there are thus two key arguments concerning environmental sustainability:

“The environmental argument is both a moral argument and an argument about efficiency. The moral argument is about fairness and intergenerational justice and urges a cultural change and a behavioural change to support a different way of living. The efficiency argument focuses on the imbalance between the industrial system and the ecosystem and the increasing costs this is likely to impose on the industrial system, slowing the rate of economic growth through the emergence of ever more serious physical constraints upon it” (Gamble, 2014: 146).

The processes of climate change will particularly impact upon economic processes if they are left ignored by policy-makers clinging on to antiquated growth-based business-as-usual economic strategies. Stern warned that “if we don’t act the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever” and his most dire scenario was that the global economy could lose up to 20% of its GDP (Stern 2006: vi). The EU (2007) reported that the global economy lost more than €86 billion in 2004 (£67.8 billion) alone as a result of climate change related disasters, and the *New Economics Foundation* meanwhile has forecast that “the cumulative cost associated with climate change will range from £1.6 and £2.6 trillion” between 2012 and 2050 (NEF, 2009: 4). Indeed, many companies are already reporting that extreme weather events and shortages of resources are having significant impacts upon their profitability (Confino, 2014b), and Rockstrom *et al*. (2009) have argued that environmental constraints upon aggregate economic performance are increasingly becoming apparent. This is a crucial point because although the costs of pursuing a path of environmental sustainability are often depicted as exorbitant, these studies highlight that the costs of business-as-usual may also be enough to eradicate economic growth.

There is no more apt time to point out that delineating the economic implications of climate change highlights the fact that the market-based solutions being proposed will eventually even frustrate economic efficiency in its own terms and that the factors previously considered to be ‘non-market externalities’ will soon need to be integrated. Such a moment of bifurcation would imply a divergence from the misguided attempts of both parties to resuscitate a discredited growth model which generated unsustainable ecological and financial debts.

Climate change and resource constraints will be compounded by the expansion of the world population; forecast to reach 9.6 billion by 2050 (UN, 2013). This trend seems to exacerbate the ecological phenomena of concern, and underlines the urgency of re-imagining an alternative economic model. Following Jackson:

“A world in which things go on as usual is already inconceivable. But what about a world in which an estimated 9 billion people all achieve the level of affluence expected in the OECD nations? Such an economy would need to be 15 times the size of today’s economy (75 times what it was in 1950) by 2050 and 40 times bigger than today’s economy (200 times bigger than in 1950) by the end of the century. What on earth does such an economy look like? What does it run on? Does it really offer a credible vision for a shared and lasting prosperity?” (Jackson, 2009: 13-14).

Even the costs of climate change adaptation alone, without the mitigation enabled by a conscious post-growth transition, could be substantial enough to choke off growth in some part of the world. The IPCC (2014: 19) recently estimated that the costs of adaptation could be 2% of global GDP per annum or higher. Assuming that post-industrial countries accept proportionate accountability for their role in enacting tumultuous climate change carbonisation since the 18th century, it is these ‘developed’ economies with large welfare regimes which would have their bottom lines threatened more than any other. Ironically, then adaptation alone may be enough to eradicate growth in the heartlands of welfare capitalism.

Although the scale, accountability, urgency and normative force of climate change is seldom disputed in the post-industrial world, it remains an idea largely abstracted from day-to-day economic governance (Giddens, 2009; Bailey, 2015a). Issues relating to climate change mitigation and adaptation have continued to be compartmentalised in specific ministries, rather than a central aspect of the dominant philosophies of economic governance, and have consequently been marginalised in discussions about re-configuring the post-crash economic model and on the sustainability of the welfare state. Yet it remains a significant sustainability challenge which needs to be addressed by political economists, including those concerned with the welfare state.

Following Gamble (2014: 207), the effect of human activities on the earth’s climate is such “an existential threat” that to “take the warnings seriously would involve changes to the organisation and lifestyle of modern societies and the form which economic growth has taken for the past two centuries which are so radical that it is hard to imagine how they can be implemented through the procedures of normal politics”. An existential threat such as environmental unsustainability seems to demand profound economic and political transformation.

In the context of these environmental pressures on the economy, it has been argued that formulating a radically different economy which does not rely on economic growth for its stability is vital if we are to achieve ecological sustainability. Operationalising a low-carbon and sustainable model of capitalism – referred to as a steady state economy by Daly (1977) – would appear to be one potential policy pathway.

Bearing in mind the radical implications of these environmental challenges onto economic processes, it is vital that political economists begin to recognise environmental degradation as a significant constituent of the current crisis facing the welfare states of post-industrial societies. In recognising this component of the present crisis, scholars can begin to systemically engage with its implications for economic processes and perhaps even the formulation of alternative economic models. It is necessary to recognise the possibility that the environmental crisis is a systemic challenge and thus a catalyst for the more intensive deliberation of a future without economic growth.

This is at odds with the understanding of crisis prevalent at the moment and accordingly the type of economic recovery being nurtured (Bailey, 2015a). Martin Wolf summed up this strange absence of environmental change in political discourse at the height of the concern of public debt and its consequences of inter-generational equitability. He stated that:

“What makes the inaction more remarkable is that we have been hearing so much hysteria about the dire consequences of piling up a big burden of public debt on our children and grandchildren. But all that is being bequeathed is financial claims of some people on other people. If the worst comes to the worst, a default will occur. Some people will be unhappy. But life will go on. Bequeathing a planet in climatic chaos is a rather bigger concern. There is nowhere else for people to go and no way to reset the planet’s climate system. If we are to take a prudential view of public finances, we should surely take a prudential view of something irreversible and much costlier” (Wolf, 2013).

The marginalisation of the environment crisis narratives in political discourse has perpetuated the orthodox and unsustainable economic perception of environmental factors as ‘externalities’. Accordingly, it nurtures an economic recovery which de-prioritises climate change in order to focus on market-centric crisis management approaches perfunctorily designed to restore demand and growth. These orthodox crisis management strategies do have implications for welfare reform, but I will argue shortly that so too does the environmental crisis; particularly if there are ramifications of it upon economic growth.

This uncertainty over the future of growth dovetails with, or is perhaps compounded by, pre-existing concerns over the long-term trajectory of economic growth towards stagnation in the post-industrial world since the 1970s. Even when environmental factors are ignored, there remains great uncertainty that post-industrial economies will be able to return to such high levels of growth, but the environmental dimension complicates questions over the design of a sustainable economic recovery even further.

Consequently, the interaction between these economic and environmental problems means that is very difficult to envisage what kind of growth is feasible and sustainable from this point forward. It is possible that technological innovation followed by a wide-ranging series of roll-out programmes from both the public and private sector will allow a low-carbon wave of growth to come to fruition. Such a scenario cannot be ruled out. However, until this occurs it is necessary for the social sciences to deliberate more intensively a world without economic growth and all the repercussions this would have. Scholars in this field can no longer comprehensively discuss any area of political economy, including the welfare state, without integrating metrics of environmental governance.

**2.5.3 - A crisis of public debt**

The third and final challenge facing welfare state sustainability concerns public debt. This is an inclusion which I should justify after approvingly citing above the claims by the likes of Blyth (2013) that the deficit reduction agenda is entirely disproportionate and that this framing emanates from a neoliberal logic of crisis management. It is not disputed here that the fixation with public debt disguises the complexities and severity of the economic implosion and diverts attention from the economic assumptions central to it. As such, the understanding of the present crisis as simply synonymous with high levels of public debt is extremely reductive and draws upon a specific and contestable neoliberal understanding of economics. The inclusion of public debt in this conceptualisation of the present moment of crisis is primarily due to how public debt interacts with the two crisis narratives isolated above. If the radical uncertainty surrounding future levels of economic growth is accepted, then current levels of public debt should be seen as a far more structural component of the economies of post-industrial countries, rather than a cyclical phenomenon which can be eroded as economic expansion resumes. However, even more than that, even if these levels of debt could be eroded, significant welfare reform could be demanded due to the fact that in the past four decades a host of post-industrial states have become accustomed to running budget deficits – in other words, spend more than they bring in through taxation revenue. The long-term tendency of these governments to run budget deficits and accumulate debt was exacerbated by, but far precedes, the 2008 financial crash. The intractability of establishing a truly sustainable economic recovery places even greater pressure on the finances of a capitalist state and its accumulation of debt than seen in the years since the financial crash.

Firstly, it is important here to historicise the public finances beyond the financial implosion of 2008. The below graph demonstrates just how many governments are in the position of running budget deficits even during periods of growth. It is these countries which are most dependent on further economic expansion simply to balance the budgets, else they will need to countenance some form of cuts to state spending.

Figure 7

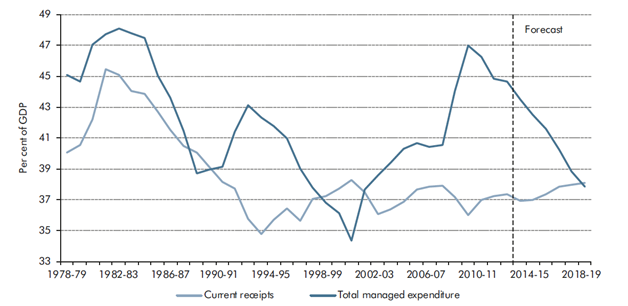
Source: Data taken from the World Bank (2015c)

This point perhaps relates less to the likes of Denmark, Finland and Canada who were all consistently running budget surpluses during the so-called ‘great moderation’ between 1999 and 2008. For other nations, however, the radical uncertainty surrounding future growth compounds the budgetary issues that were being experienced even during the time of economic expansions. This includes the United States, Japan, Portugal, the UK, Austria and France. Indeed, even Germany failed to achieve a budget surplus from 2001 and 2011.

In fact, the UK has only avoided running a budget deficit on six occasions since the 1978/1979 financial year; the last of which was in the 2000/01 financial year. The below graph illustrates the propensity and consistency with which UK state expenditure outstrips taxable income, regardless of the government in office.

Figure 8

**Total Public Spending and Receipts**



Source: OBR (2014)

So whilst a great deal of the accumulated public debt today is attributable to the recapitalisation of the banks and the large budget deficits in the post-crash years, we should be aware of romanticising the pre-crash period. Many states – run by governments of all colours – were failing to consistently run balanced budgets heading into the crash. Schumpetarian concerns over the disparity between the capacity of the state and the inclination of democratically-elected politicians to make commitments to the electorate are apt here. Ironically, these budget deficits may be the result of tax evasion and the increasingly regressive tax system just as much as, if not more than, populist and profligate politicians as Schumpeter (1918) predicted. However, these fiscal trends of public finances can be perceived as a significant concern under *ceteris paribus* circumstances[[21]](#footnote-21).

Compounding these matters are the current levels of private debt. This type of debt receives far less political attention; perhaps surprising given the extent of debt overhang and its continuing role in hindering global demand. In 2011, private debt currently as a percentage of GDP stood at 153.6% in Germany, 199.6% in the United States, 232.2% in Canada, 221.4% in France, 241.3% in the UK, 267.5% in Spain, 275.3% in Spain, 275.3% in the Netherlands, 279.1% in Sweden, 286.3% in Denmark and 310.1% in Portugal (OECD, 2014d). Thus, debt, both private and public, forms a structural and long-term facet of the economies of numerous countries which boast a large welfare regime.

The current levels of debt are not an insuperable problem *per se*. Present levels of debt can be deemed manageable as long as there is economic growth which could raise incomes and incrementally diminish the size of the debt relative to the size of the overall economy. However, as the two crises delineated above show, the future of economic growth is shrouded in uncertainty for deep-seated economic reasons and for environmental reasons. If any demonstration of the effects of an economic slowdown upon levels of debt were needed, the post-crash period has provided it.

Thus, the nature of the current crisis can more accurately be conceptualised as encompassing an inter-connected nexus of economic challenges – economic, ecological and financial. The more holistic depiction of a period of crisis composing economic, fiscal and environmental challenges establishes a complex and contradictory framework for establishing a sustainable economic recovery.

## 2.6 - Conclusion

This chapter has made a case for the political significance and contingency of crisis framing, and the implications this carries for the shaping of crisis management responses by policy-makers. I have also argued that the set of crisis narratives characterising contemporary political discourse are dangerously reductive, simplistic and parochial. In light of the inadequacy of these crisis framings as templates of adjudicating welfare state sustainability, I have posited a more holistic understanding of the present crisis. This understanding of crisis is based on three pathologies, and can thus be thought of as a ‘triple crisis’ of the welfare state. The three pathologies which have been isolated for analysis above concern a crisis of growth, a crisis for growth brought about by apparent environmental unsustainability, and the state’s long-term accumulation of public debt. These pathologies form an understanding of crisis upon which welfare state sustainability will be mapped in the remainder of this thesis.

Responding to such a crisis is far from simple. Whereas adjudicating welfare reform on the basis of a ‘public debt crisis’ understanding simply entails the implementation of widespread cutbacks, this particular understanding of the present crisis *prima facie* promotes a complex and contradictory set of political imperatives.

The first two crises – of debt and growth – already constitute a formidable set of challenges for the welfare state to respond to. However, the inclusion of the emerging environmental crisis engenders a far more complex understanding of the nature of the present crisis, and complicates the future of the welfare state further. The environmental challenge seems to be too important to ignore during a crucial period of economic regeneration, but by recognising ecological degradation in our collective crisis understanding we are acknowledging the complexities of constructing a ‘sustainable recovery’ which casts doubt on areas of political economy which have long been de-politicised.

Indeed, perhaps this is the major reason the environmental crisis continues to be marginalised in mainstream political discourse. The peripheral status of the environment in political economy mainstream discourse means that understandable and easily transmittable business-as-usual discourses which presuppose economic growth can continue to flourish; and can be represented by politicians as panaceas. Marginalising the environmental crisis means that the short-termist, myopic but vote-winning solutions to the present economic malaise can be utilised. Even if this does mean re-animating the economic engines of ecological degradation; a formulation of a very unstable and unsustainable foundation for the economic recovery.

It is highly inconvenient, therefore, that crucial periods for both economy and ecology have converged at the present moment in time; demanding as they do a set of contradictory political directions. Nonetheless, these are both prominent challenges for policy-makers to respond to at the present moment. None of these inter-locking challenges can be ignored and this is the map upon which welfare state sustainability will be analysed in this thesis.

This conceptualisation of crisis and the sustainability challenges it carries will constitute the foundation of the following analysis. Upon these foundations we can begin to interrogate how these challenges impacts upon our analysis of the sustainability of the welfare state and problematise conventional crisis management strategies. In the subsequent chapter this nexus of sustainability challenges is applied to the concept of welfare state sustainability as it is conventionally utilised in the welfare state scholarship, in order to critique the logics and discourses predominant within in. It is to this to which I shall now turn.

**Chapter 3**

# The environmental dimensions of welfare state sustainability

## 3.1 - Introduction

The previous chapter posited that a more holistic conceptualisation was required of current period of crisis, which incorporates the systemic accumulation of public debt through running budget deficits, the existence of a dysfunctional growth model, environmental degradation and the radical uncertainty surrounding the future of economic growth. This chapter will go on to apply such an understanding of the current crisis to conventional analyses of welfare state sustainability in order to investigate the biases and adequacy of existing research in this area. As such, this chapter will develop a more comprehensive conception of what it means for the welfare state to be sustainable (or perhaps for us to judge the welfare state on its *sustainabilities*) and forces us to think both about the welfare state in a more nuanced and environmentally-aware way.

This chapter will map conventional understanding of welfare state sustainability onto the construal of the present crisis outlined in the previous chapter in order to achieve two primary goals. Firstly, to offer a clear account of the problems facing progressive discourses of welfare state sustainability when presumptions of future economic growth are questioned. Secondly, in order to discredit the conventional and parochial notions of sustainability typically found in the welfare state scholarship.

In order to gain a deeper understanding of how these crises relate to the discourses welfare state sustainability, it is important to explicate the history and evolution of the welfare state sustainability literature in order to appreciate its deep-seated assumptions and the particular arguments which have been deployed to resist welfare retrenchment. In short, in the welfare state scholarship progressives are inclined to rationalise a large role for the welfare state on the basis of its ability to promote competiveness and ‘healthy’ levels of economic growth. Various authors have argued that the welfare state can boast of these competitive-enhancing externalities due to *inter alia* the provision of demand, investment, facilitating the greater participation of women in the labour market. However, the presumption of economic growth, and the assumption that the welfare state can contribute to it as normatively good, is questioned by the environmental dimension to the current period of crisis. The body of work on sustainability, then, currently tends to concern only understandings of fiscal sustainability and ignores concerns over ecological sustainability (or indeed the effects of ecological unsustainability on economic processes). This is an approach which should be considered antiquated today.

It follows that there is a need in this particular political economy literature to understand welfare state sustainability in a different and more nuanced way; rather than simply in terms of its contribution to the prevailing economic model. A more wide-ranging and environmentally-aware understanding of welfare state sustainability can be achieved through an analysis of how conventional ideas of its viability map onto the more holistic understanding of crisis outlined in the previous chapter. Moreover, through reconceptualising welfare state sustainability in this way, an urgent need is highlighted to re-formulate the institutions of welfarism and progressive policy directions in the 21st century.

This chapter is divided into five sections. The first details the terms in which welfare state sustainability is commonly discussed – in the context of neoliberal or heterodox economic ‘paradigms’ – and the presuppositions which scholars have become accustomed to adopting in light of such analytical frameworks. Secondly, I will examine how various narratives which rationalise welfare retrenchment have emerged from a neoliberal disposition – most recently, the logic of appropriateness which has led to ‘the crisis of public debt’ becoming the primary understanding of the current crisis – and the punitive welfare reforms this has precipitated. Thirdly, I will document how the demographic pressures upon the welfare system feed into these debates and ‘lock in’ the need for growth to resolve the additional fiscal burdens brought about by an ageing society. Fourthly, I will analyse how growth-centric progressive discourses of welfare capitalism have been shaped and entrenched through a resistance to these fiscal, ideological and demographic pressures upon the welfare state. Couching welfare sustainability in the language of the growth secured through welfare capitalism has historically been seen as an effective response to controversial neoliberal discourses, but unfortunately may not be an appropriate logic for responding to the understanding of crisis outlined in chapter two. This will bring us to the final section, where I will analyse the environmentally problematic nature of the assumptions contained within these growth-centric discourses and the implications of this for the concept of welfare sustainability. This section will highlight why the ecological critique of the post-growth movement is so difficult to reconcile with the progressive positions espoused in the welfare state scholarship; in order to emphasise the radical change required in this particular discourse of progressive politics in the 21st century. It concludes by questioning whether the amalgam of ideas thought of as social democratic are still an appropriate vehicle for the left in a period of crisis which will increasingly need to concern itself with matters of ecological, as well as fiscal, sustainability.

## 3.2 - Notions of fiscal sustainability as rooted within competing ideational frameworks of economics

Firstly, it is important to briefly enunciate the development of the welfare state and the literature concerning its sustainability in order to draw out the underlying presuppositions of its current viability and the economic approaches which frame the literature. Contextualising its evolution will allow us to understand its central assumptions and the terms in which welfarism has been rationalised in recent decades.

The terms in which welfare state sustainability in the scholarship dedicated to this topic are discussed have until this point solely concerned issues of fiscal sustainability. To be clear, fiscal sustainability in this political economy literature does not simply mean its affordability with pre-given economic constraints. Fiscal sustainability also typically refers to the contested contribution of the welfare state to macroeconomic performance. There tends to be two distinct approaches to the economic value of welfarism; rooted in competing philosophies of economic governance. On the one hand, there are those who advocate a supply-side, neoliberal position prescribing welfare and state retrenchment in order to reduce the tax burden on private enterprise, minimise the distorting effects of the state on the processes of the ‘free’ market, control inflationary pressures, and reduce unemployment through ‘incentivising’ those without jobs through disciplinary measures. On the other hand, there are those who resist the retrenchment of the welfare state by arguing that these policies and institutions are cornerstones of welfare capitalism; a form of capitalism which is capable of addressing the contradictions of neoliberalism (such as counteracting the deflationary effects on wages and demand) and ultimately deliver another wave of economic prosperity. The welfare state scholarship has developed with the discourses of these competing camps in mind. For us to understand this literature and its approach to fiscal sustainability it is important to examine its history.

To broadly sketch out the historiography typically propounded by the welfare state literature, the welfare state as it is conceived today has experienced two phases in the post-war period. In the literature these trajectories are commonly explained through a ‘paradigm shift’.

A paradigm is defined by Hall (1993: 279) in his seminal conceptualisation as “a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing.” These are approaches or analytical frameworks (derived from certain economic theories and an assortment of fallible assumptions) which attempts to model and endow meaning to the complex and contradictory myriad of political and social events. Paradigms then have a crucial role in determining how policy-makers conceptualise the world and subsequently shapes the policy-making processes. This understanding of paradigms and paradigmatic shifts are particularly central to constructivist political economy which analytically privileges the role of ideas. As Craig (2015) notes, policy-makers interpret the context in which they govern through the involuntary ‘lens’ of intersubjective bodies of ideas. These lenses are often described as paradigms – although the notion should be treated with caution as it seems to denote something rather pure, scientific and prone to sudden and comprehensive substitution – emerging as it does from the work of Kuhn (1962) on the natural sciences. As an analytical category, it tends to simplify (like all analytical categories to some extent) the messy, pluralistic, asymmetrical, iterative and non-linear character of political trends and discourses.

As stylised a concept as a paradigm may be, a qualitative shift in the central principles of the hegemonic philosophy of governance certainly took place throughout the 1970s and 1980s in the post-industrial countries identified. From 1945 to the 1970s, there was an idealised period of ‘social democratic’ post-war expansion which some have seen as a ‘golden age’. It was a period of sustained welfare expansion where a symbiosis between state and market was recognised in enhancing economic performance (Hay, 2008). Indeed, it was also a period which saw a sustained period of economic growth and rising living standards, brought about by a model of growth – sometimes called welfare capitalism – which provided a healthy and educated labour force, political stability, high levels of demand, a safety net that encouraged risk-taking, innovation and entrepreneurialism and an abatement in crime rates. As Karl Polanyi conceptualised it, the institutionalisation of welfare programmes after the Second World War can be analytically situated within the dual processes of commodification and decommodification which characterised the 20th century (Polanyi, 1944); which attempted to describe the simultaneous trends of unleashing the ability of market forces to further socio-economic development and attempts by governments to mitigate the negative externalities of these market forces where possible.

Thereafter, a dramatic change in trajectory saw a change of perception in the merits of public welfarism and a change in welfare policy under a ‘neoliberal’ mode of governance (Hall 1986, 1993; Gough, 1979; Offe, 1984; Marglin and Schor, 1990; Pierson, 1994, 1998; Taylor-Gooby, 2002). Broadly speaking, across the post-industrial world this has led to a retrenchment in a host of welfare budgets, at least in terms of the generosity of the benefits if not in absolute terms[[22]](#footnote-22). Neoliberalism has impacted upon national economies and societies in varied ways as this set of ideas interact with national institutions and traditions (Ong, 2006), however it is broadly defined by Peck (2010) as attempts to promote economic performance through deregulation, privatisation and state and welfare retrenchment.

The paradigm shift was brought about in the 1970s and 1980s, at a time when European economies particularly seemed decreasingly able to enforce stable prices and full employment. In this context an increasing number of commentators began questioning the efficacy of the state to regulate an increasingly international post-Fordist economy and the advantageousness of such a large state to competitiveness (Scharpf, 1991: 274; Marquand, 1994). Living standards were deteriorating as wages were failing to keep pace with high levels of inflation, partly caused by the OPEC oil crises of 1970s and the end of the Bretton Woods currency system, leading to a growing belief that the post-war settlement should be considered archaic. Traditional Keynesian policy tools struggled to ameliorate the economic circumstances of the time and, foreshadowing the looming deference to the financial markets, “governments that wanted to spend to protect their citizens from the effects of the recession found that they could not do so if they lost the confidence of the financial markets” in the words of Gamble (2009: 68); who pointed to the three distinct cases of Britain in 1976, France in 1983 and Sweden in 1992 to reinforce this point (Gamble 2009: 68). In this context, the post-war consensus – an era of Keynesian welfarism and ‘embedded liberalism’ with the welfare state at its core – became questioned more vociferously than ever. As Stephanie Mudge put it, stagflation in the 1970s appeared to expose the limits to Keynesianism and rendered political elites “amenable to a different system of thought” (Mudge, 2008). The increasing agreement over the limitations of Keynesian policy tools to manage the accumulation of socio-economics ills – the raw ingredients for a far-reaching political transformation – was united with the ascendency of a primed alternative policy framework drawn from a set of liberal ideas including monetarism and the Austrian school of economics. These ideas formed what Gamble termed the “formidable discourse” of neoliberalism (Gamble 2009) which began to become more influential in policy-making circles during this period.

Neoliberalism remains an over-used, fungible and nebulous political category. It is often said that it is a ‘free market’ philosophy, although this is disputed by a host of scholars who acknowledge that the very idea of a market is predicated upon a state with the capacity to establish the legal framework for its existence. The state is required then to at least fulfil a limited but strong custodial role, a point which Gamble (1994) notes in his book entitled ‘*The Free Economy and The Strong State: The Politics of Thatcherism*’. Crouch (2012) disputes that the relationship between neoliberalism and the state is limited to a custodial role by arguing that that the ‘free market’ language masks a deliberately disingenuous pro-corporate strategy of politically-authored market rule in order to further the material interests of an oligopoly and supporting big business, including through the mechanisms of the state when and where appropriate as occurred in the wake of the global financial crash of 2008. David Harvey (2005) meanwhile has articulated the Marxist belief that neoliberalism is merely a tool of ideological legitimisation designed and deployed to serve the interests of a ruling class. Whereas Jamie Peck in contrast sees no covert strategy but a set of unevenly developed, inconsistently implemented, mongrelised, occasionally contradictory and temporally transformative ideas that are best defined through its (often self-defeating) impulses towards privatisation, deregulation, marketisation, and state and welfare retrenchment in order to promote economic health or a certain idea of competitiveness (Peck, 2010).

Peck’s understanding of neoliberalism is the one adopted in this thesis, but there is a broader consensus that neoliberalism has placed a great deal of pressure on the welfare state and has been a major causal factor in enacting welfare retrenchment. Public welfarism has suffered not only because of neoliberalism’s idealised size of the modern state but also its form. From Peck’s perspective, the neoliberal state is geared towards enabling market competitiveness and growth, and the welfare state is (perhaps mistakenly) not seen as being conducive to these objectives. Indeed, welfare entitlements are seen as disincentives for the labour market. The relationship between neoliberalism and the state has varied internationally and temporally, but the state is invariably seen as the facilitator of market provision of resources rather than a substitute for them. Pressure has been placed on the welfare state, therefore, because of these impulses towards privatisation, deregulation, marketisation, and state and welfare retrenchment in order to promote economic health or a certain idea of competitiveness which Peck (2010) identifies.

This is the ‘paradigm’, or set of impulses, which continue to prevail amongst a great number of influential policy-makers across the post-industrial world today. Whilst neoliberalism has no ‘fixed coordinates’ conceptually or internationally and evades any firm or permanent definition (Ong, 2006; Plehwe, 2009), the intensification of the impulses identified by Peck (2010) can certainly be identified and a greater political hostility towards the welfare state took hold.

Those predisposed to neoliberal principles of political economy hold deep antipathies towards collectivist or Keynesian economic programmes articulated through demand management strategies and the mechanisms of welfarism, in spite of the state intervention enacted after the 2008 financial crash which can be seen as an inter-paradigmatic mechanism of rescuing the existing paradigm rather than the heralding of a paradigmatic shift (Hay, 2011b). Milton Friedman, whose seminal ideas greatly influenced the (temporaneously countervailing) New Right movement of the 1970s and 80s, regarded the growth of public sector spending as the primary source of economic problems such as high inflation, low growth and high unemployment (Friedman, 1962). Broadly speaking, neoliberalism is bound up with the internalised *a priori* assumptions that individual, ‘rational’ profit-driven agents within a ‘free market’ will place resources efficiently to provide optimal economic outcomes (Barr, 2004: 70), and that state interference – which had supposedly become far too prominent in the 1970s – distorts these processes. The state is, thus, rendered “subordinate to the requirements of economic freedom for the masters of the economy with the suppression of any regulation of any market” (Bourdeiu, 1998: 4). It is this normative logic – which selects, prioritises and endows significance to the range of statistics available – which remains predominant today. Neoliberal approaches tend to propound the deregulation of markets, the privatisation of many state-run industries, and a significant reduction of state spending. Such an understanding may be broadly accurate in articulating the essential impulses of economic policy-making; even if such an essentialist analysis belies the complexity and internationally heterogeneity of the neoliberal project (Ong, 2006).

From this vantage point, those inclined to these impulses in order to promote economic health viewed the welfare system as a drag on overall economic performance. As these ideas became ascendant in the 1970s and 1980s the very notion of that socio-economic risks are best managed collectively was under attack and so “began the need for the Welfare State to find a fiscal justification for its existence” (Hay, 2008: 158).

It is difficult to generalise across all countries, but it is widely recognised that welfare states have been subjected to increasingly rigorous fiscal audits in this economic epoch. This has not always translated into reduced welfare spending at the aggregate level, as Pierson (1994) acknowledged, primarily due to the increased welfare need brought about by demographic changes and indeed the desire of electorally-minded politicians to court the ‘grey vote’. However, across the post-industrial world there has been a widely observed tightening of eligibility criteria, a declining generosity in provision and the implementation of means-testing in numerous areas of welfare spending since the 1980s (Esping-Andersen 1996a; Ferrera 1998; Jordan 1998; Rhodes 1997; Stephens 1996; Stephens, Huber and Ray 1999; Hay and Wincott, 2011)[[23]](#footnote-23).

The 2008 financial crash, which neoliberal dictums were at least partly culpable for, momentarily threatened to instigate a transformative challenge to the dominant principles of political economy. Some aspects of neoliberalism may have been discredited, particularly in terms of the banking sector and the faith in free markets (Hall, 2013: 27), with the Occupy movements and *Los Indignados* particularly prominent in voicing opposition and demanding change. Neoliberal impulses, therefore, may appear to be more vulnerable to critique than before, but thus far “there are few signs of a paradigm shift in the priorities of public policy” (Gamble, 2010: 12). Following Peck (2010), the global crisis and the austerity measures which followed “seems to have been associated with a geographically uneven reformatting and reconstruction of neoliberal rule, not its wholesale collapse”. Indeed, the technocratic reassertion of neoliberal values in the midst of the European sovereign debt crisis in 2010 and 2011 – manifested in a series of draconian cuts supposedly in order to appease the financial markets and credit rating agencies whose reactions had become barometers of public policy appropriateness – indicates that its principles were depicted as ‘common sense’ for policy elites throughout Europe, and its proponents (such as Mario Monti and Lucas Papademos) were represented as sober, apolitical experts taking the necessary difficult decisions. The UK Chancellor, George Osborne, was vocal in making the case for the free market as the greatest vehicle of generating prosperity very recently when speaking to business leaders at the Institute of Director’s annual conference. Osborne noted the opposition to free markets ideas which had intensified since the financial crash and pleaded with business leaders to join him arguing for “an enterprising, business, low-tax economy that delivers prosperity for the people and generations to come” (Allen 2014). He stated that the country was at a crossroads and we would need to decide “about our future, about whether we are a country that is for business, for enterprise, for the free market” (Allen, 2014).

It seems therefore, that the state interventionism that marked the immediate post-crash period can be seen as a mode of preserving the status quo (through acquiring an unfortunate cost to the taxpayer) rather than heralding a moment of transformative change (Hay, 2011b). This is not to deny that some significant political and economic reforms have taken place –the introduction of macro-prudential policy in the Central Banks of the UK, New Zealand and Switzerland would have seemed to politically incongruous with orthodox economic thinking in the years preceding 2007 but their existence today exemplifies the reductivism of, and analytical limitations to, the concept of ‘paradigms’ in the social sciences (Carstensen, 2011; Craig, 2013). Important vicissitudes have occurred yet these *a priori* normative assumptions and fiscal pressures upon the state and the welfare state delineated above have, in certain areas, actually intensified in the post-crash period. Many doctrines of the free market philosophy may be debated more intensely now than in a generation but the downward neoliberal pressures on welfare expenditure have been greatly exacerbated. In fact, some argue that neoliberalism has actually emerged from the crash more politically powerful than ever, partly due to the debt crisis diagnosis and subsequent framing of events (Crouch, 2012; Hay, 2013; Schmidt and Thatcher, 2013).

Indeed, the global financial crisis ostensibly has highlighted the pre-existing claim of some political actors that 'there is no alternative' to neoliberal governance. In the face of neoliberalism’s recent resilience, the ideational backdrop in which welfare state sustainability continues to be debated – and it is debated more vociferously now than it has been in a long time – remains largely unchanged. Both progressive and conservative discourses on welfare state sustainability have been attuned to, or shaped as a counter-point to, the impulses of the dominant policy paradigm. Various forms of retrenchment have been advocated due to *inter alia* the supposed “entitlements culture” or “benefits culture” (DWP, 2013), the perceived drag of welfarism on competitiveness (Cerny, 2005) and, most potently in the current political context, the supposed need for severe and urgent deficit reduction. As such, in spite of the resistance to welfare retrenchment from progressives, the welfare system has been subject to a perpetual fiscal audit in political discourse.

Neoliberalism, however, is not without its contradictions. Paul Pierson (1994; 1998) noted that the persistence of high levels of welfare spending in a supposedly ‘neoliberal era’ constituted a real puzzle; research which dovetailed with Gamble’s (1994) observation that, in spite of the free market language neoliberal dictums are couched in, neoliberal economies seem to require strong states. Others have since highlighted how the socioeconomic hardship caused by neoliberal strategies for wealth accumulation tends to create additional costs for the state through, for example, the additional costs of incarceration or the enlarged welfare bills to support the low paid or unemployed (Weston, 1999; Crouch, 2012; Peck, 2010; Jennings, Farrall and Bevan, 2012; Farrall and Hay, 2014).

The neoliberal lens through which the welfare state is understood, therefore, imposes downward fiscal pressure upon it. The welfare state, for those predisposed to neoliberal ideas, is viewed as an objectionable drag on economic performance. This is not only a perspective which becomes ‘actionable’ in times of recession (although the political ground is perhaps more fertile for drastic reform at such times), but also in times prosperity. Those on the left have refuted such this perception and have subsequently promoted the welfare state’s virtues – at least in this particular field of political economy – as a cornerstone of a more inclusive strategy of achieving growth. These dual discourses have become even more entrenched in the post-crash period, as I shall now explore in more detail.

## 3.3 - Neoliberalism and public welfarism: discourses of retrenchment and resistance

Appreciating the paradigms through which the welfare state is viewed, therefore, helps us to appreciate the pressures already facing the welfare state. The most acute fiscal pressures on the welfare state have been brought about through the framing of the current period of crisis as primarily a crisis of public debt; a situation which apparently requires a drastic and speedy reduction of debt through public spending cuts – an understanding already addressed in the previous chapter. In resistance to the assumptions and implications of these narratives (and fuelled by the faltering economic recoveries), the alternative heterodox economic approaches which advocate the key aspects of welfare capitalism – which in the present context involves resuscitating growth through cultivating a new economic model with a robust welfare system and greater regulation in line with traditional economic principles of social democracy – have been entrenched in recent years.

These discourses are not always couched in explicitly ideological terms. In the UK for example, David Cameron has invariably avoided making any explicitly normative pledges to “roll back the state” when speaking about welfare reform as Margaret Thatcher once did. Instead, his public statements were characteristically couched in the pragmatic language of welfare retrenchment as a necessary evil in order to respond to the external constraints imposed upon the country by the public debt crisis (or Labour’s public debt crisis). This is best crystallised by an analysis of Cameron’s New Year’s message for 2011 – only a few months into his premiership – where he stated that he “didn’t come into politics to make cuts. Neither did Nick Clegg. But in the end politics is about national interest, not personal political agendas… We’re tackling the deficit because we have to – not out of some ideological zeal. This is a government led by people with a practical desire to sort out this country’s problems, not by ideology” (Cameron, 2011). However, as he delivered the 2013 Lord Mayor’s Banquet speech, the Prime Minister provided an insight into the ideological, rather than pragmatic, forces driving the austerity project when he declared that the squeeze on public sector spending needed to be a “permanent” feature of the British political economy (Cameron, 2013). The speech revealed Cameron’s belief that the state needed to be “leaner” and “more efficient” (Cameron, 2013); imagery which dovetails with the portrayal of a “bloated” welfare state found in a certain section of the mainstream media but also revealed the beliefs in how best to promote a ‘healthy’ economy. The speech, thus, signalled a break from the tendency to speak in pragmatic terms about the necessity of deficit reduction, as it articulated a belief in the *desirability* of a much smaller state (Bailey, 2013).

The deployment of narratives rationalising welfare retrenchment through appealing to non-negotiable constraints, however, is hardly novel. A series of narratives can be identified since the 1970s which have been reified to this end. These narratives have included the overload thesis and the globalisation hypothesis. The former argued that social democratic economies had produced a bifurcation between available state resources and the increasing expectations of state assistance from the citizenry (encouraged by the populist actions of politicians) (Buchanen and Wagner 1977, 1978; Crozier, Huntingden and Watanuki, 1975; King, 1975); a bifurcation which could potentially induce a fiscal crisis for the encumbered state of the type that had been prophesised by Joseph Schumpeter (1918). As a result, there was thus a concerted attempt to rein back the scale of government in this period in accordance with neoliberal principles, particularly but not exclusively in the Anglo-liberal economies (Gamble, 2014). The globalisation hypothesis outlined the notion that internationally-mobile capital would force nation-states to competitively lower taxation rates and labour regulations in order to remain attractive locations to do business (Ohmae, 1996; Scharpf, 1991). Under such neo-Darwinian conditions states would have to less agential space to pursue regulatory and interventionist measures. Instead states would have to concern themselves with efforts to ensure the competitiveness of national firms and designing economic policies in order to placate global markets (Cerny, 2005). Such a theory was difficult to reconcile with empirical evidence and the continuation of national specificities (Weiss, 1998), but the influence of this discourse may have partly stimulated the prophesised neoliberalising conditions through its exertion of pressure on politicians fearful of ignoring its warnings and not placating capital under such circumstances. As such, the discursive power of these narratives which rationalise welfare retrenchment, such as the globalisation hypothesis, may act as a self-fulfilling prophecy to some degree (Watson and Hay, 2003).

These economic narratives and imageries have of course never been the sole justificatory devices for welfare state retrenchment; they have typically acted in tandem with a range of discourses centred on themes of social justice. These have included contentious narratives of a ‘benefits culture’, a ‘something for nothing culture’ or ‘entitlements culture’ which welfare recipients could get ‘trapped’ within. In the UK, this terminology has even been utilised and, thus, legitimised by the official government publications of the Department for Work and Pensions (DWP, 2013). In Germany, the right-wing press routinely attempt to justify cutbacks to the welfare system through constructing the benefit recipient as lazy subject who should be undertaking community service whilst unemployed; not least by FDP leader Guido Westerwelle (2010). Disturbingly, there is also often a racial element to these debates in Germany with Turkish immigrants often depicted as typical benefits recipients. Thilo Sarrazin (2010), a former member of the SPD, in his best-selling book ‘*Deutschland schafft sich ab!*’ (Germany is abolishing itself) attacked the belief in multiculturalism which was preventing politicians from tackling the ‘lazy’ Turkish and Arab communities from integrating and living off the overly-generous benefits system. Meanwhile, in France the *Union pour un Mouvement Populaire*, and Laurent Wauquiez in particular, has often used the pejorative ‘assistanat’ for people who receive assistance from the state and claimed that they are the ‘cancer’ of society (Le Monde, 2011).

These narratives and policy reforms have instigated an understandable resistance from progressives who refute the polemical depiction of the welfare system and its place in an economic recovery. Counter-narratives have been fuelled further by the faltering economic recoveries across Europe. These dialectical processes entrenched the alternative heterodox progressive discourses which advocate the core tenets of welfare capitalism; in other words the quasi-Keynesian or Social Democratic belief in resuscitating growth through cultivating a new economic model with welfarism playing a central role. In these discourses, welfare is not seen an unequivocal drag on the economy, but as part of a crucial package of public investment. Strands of this tradition of thought can be identified in the public proclamations of Nicola Sturgeon of the Scottish National Party, Matteo Renzi of the *Partito Democratico* in Italy, the Dutch Socialist Party, Martine Aubry of the *Parti Socialiste* in France, Pablo Iglesias of the *Podemos* party in Spain, and (at least between 2010 and 2013) Ed Balls of the UK Labour Party. As I shall soon explore, these discourses have been entrenched in recent years in response to a different understanding of crisis than the one which has been conceptualised in the previous chapter. Before that, however, it is important to note the existence of another social trend which places fiscal pressure upon welfare services and seemingly further ‘locks in’ these discourses – namely, the existence of an ageing society.

## 3.4 - Demographic pressures upon the welfare state

Life already looks tough for the welfare state not only because of economic considerations. An ageing society – in addition to the fiscal pressures noted above – constitutes additional welfare need, through higher pension and healthcare costs particularly, which will demand an expansion of funding in future years. This pre-existing set of concerns is not a crisis in itself, but certainly demands greater expenditure (and subsequently revenue) in future years which has further cemented growth-centric progressive discourses. The changing demographic composition of post-industrial societies, therefore, is another factor will has shaped the assumptions of the welfare state scholarship.

Increasing life expectancy and, to a lesser extent, declining fertility rates have transformed the demographic make-up of the post-industrial world. This has presented a challenge to welfare systems, not only because of the additional costs of supporting a non-working, ageing segment of society, but also because it has incrementally changed the ratio of working people contributing income taxation to the welfare system and those out of work who are entitled to welfare support. This effect is currently being amplified by the passing of the post-war baby boom generation into retirement. In some countries, immigration has helped offset the implications of this for welfare spending, and will continue to do so, but the proportion of the populace over or quickly reaching the age of retirement still poses questions of the post-war pension settlement.

As Esping-Andersen noted, the “post-war retirement contract was founded upon robust economic growth and a favourable balance between an active workforce and an economically inactive demographic sector” (Esping-Andersen, 2002: 23). It has been argued that demographic changes constitutes a credible long-term reason why the welfare state already requires some type of reform. It provokes concerns over inter-generational equitability which are only exacerbated by possible fluctuations in the provisions of private pensions and the cost of services such as elderly care; factors which may exacerbate inter-generational inequalities (Esping-Andersen, 2009: 156). Reform may be particularly pertinent in the case of the pensions system, which is invariably the largest component of welfare expenditure in the economies within the OECD (OECD, 2014a)[[24]](#footnote-24).

The increase in the sector of the population over the pensionable age has increasingly inflated the public pensions budget and has posed questions of inter-generational equitability. The OECD have stated that “on average across OECD countries, public spending on old age increased from 5.1% of GDP in 1980 to 7.0% in 2005. Similarly, public expenditure on health increased from 4.6% of GDP in 1980 to 6.2% in 2005” (Adema and Ladaique, 2009). For projections of future welfare spending (which invariably assume ‘normal’ levels of economic growth) these trends mean that “as the population ages, spending will increase, from 36 per cent of GDP in 2016–17 to 41 per cent by 2061–2... Rising health spending is the main factor, followed by pension and social care costs” (Taylor-Gooby, 2013: 20). Making analogous assumptions of economic expansion, the European Commission (2012: 36) in the *2012 Ageing Report* forecast a 3.3% to 4% increase on welfare expenditure as a percentage of GDP between 2010 and 2060 as a result of demographic change. It is important to note that it is a decreasing working population will be asked to shoulder the burden of increasing public expenditure in the areas of healthcare, long-term care and state pensions through rising productivity and (taxable) economic output.

The ‘grey vote’ will continue to deter politicians from making any substantial reform to pensions, whilst any politician who does attempt to do so will inevitably provoke questions of fairness and equitability. What makes this topic so difficult to broach for policy-makers, is that reform is equally difficult to design in countries beset by extreme levels of inequalities in such a way that avoids questions of intra-generational fairness and equitability. The pensionable age is already barely higher than life expectancy in some of the poorer sub-national territories of the post-industrial world; meaning that the collectivised pensions system is already being drawn upon for far longer by wealthy pensioners than the poorest. Indeed, a collectivised pension system in a country with such inequality can be seen as a form of upward redistribution. At the very least, it is difficult to talk of a ‘fair pensionable age’ under such circumstances. Therefore, the demographic crisis provokes issue of inter-generational equity, but the reform of the pensions system raises issues of intra-generational equity. Inequality haunts political attempts to reform the pensions system and any attempt to engender a fiscally sustainable reform of the welfare system.

However, it is important to emphasise that this changing ratio is not a problem *per se*. The demographic transformation poses additional financial burdens, but this does not make the welfare state unaffordable; they will remain affordable as long as there is a citizenry willing to fund them. These additional financial burdens could be managed through citizens electing to pay more taxes, by making cuts elsewhere in the public finances, cutting pension entitlements (perhaps by raising the age of retirement) or through the enlarged tax take reaped from an expanding economy. The latter, of course, remains the politically easiest and least controversial form of mitigating financial burdens on the state as it does not require any significant structural change to the pensions system. To put it simply, if productivity rises were to be extracted out of the remaining pool of workers and greater levels of wealth were to be accumulated – in other words, if the motors of economic growth can continue to function at a certain level – then the shifting ratio of workers to non-workers could be mitigated or entirely overcome.

Therefore, when deliberating this demographic transition in conventional growth-based terms it is fair to argue that these challenges should be kept in perspective. Gøsta Esping-Andersen (1996b: 14) famously estimated that the “demography bomb” is not an axiomatic problem *per se* and can be managed if ‘western’ economies maintain a modest growth rate of between 0.5% and 1.2%. Taylor-Gooby concluded that on the basis of his analysis that the increased costs of welfare need are “not insuperable” and require only modest economic growth, a moderate increase in spending from the state as a proportion of total expenditure and a slight increase in the age of retirement to manage these extra costs (Taylor-Gooby, 2013: 20).

Allocating the additional financial burdens of an ageing populace, thus, poses significant political questions about equitability, but “while there is good reason to re-write the retirement contract, there is no need to abandon it” (Myles, 2002). If growth can be maintained, the additional wealth created can be used to finance the burdens begot by an ageing society with little need for any grander structural change.

What I have hoped to show so far in this chapter by detailing the ideational context in which welfare reform is commonly discussed, the controversial narratives rationalising welfare retrenchment, and the changing demographic composition of Western societies is the fact that the welfare state is already shrouded in difficulties. Its sustainability is subject to a range of fiscal pressures and, to compound matters, any reform in a country characterised by inequality is going to be dogged by questions of fairness. The approach of welfare capitalist has, however, thus far been an adequate response to these issues; capable of generating a virtuous circle of economic growth and meeting growing welfare need.

It is in this context and from this perspective that the progressive discourses in the welfare state sustainability literature have been shaped. Progressives have typically responded to periods of economic turmoil through a fiscally-expansionary crisis management approach, but the demographic transformation of post-industrial societies has seemingly demanded a course of fiscal expansion (in parallel with economic expansion) even in times of prosperity. Appreciating this context is vital if we are to understand how the resistance to welfare state retrenchment interacts with the progressive discourses which concern environmental sustainability. For those on the left, the fiscal pressures on the institutions of the welfare state – derived from ideational, discursive, economic and demographic factors – have ‘locked in’ the discourses which call for economic growth through forms of welfare capitalism. It is to this which I now turn.

## 3.5 - The entrenchment of growth-centric progressive discourses as a response to these pressures: Rationalising the welfare state through its contribution to macroeconomic performance

What I have delineated in this chapter so far constitutes a disconcerting set of pressures which have imposed a severe fiscal audit – to differing degrees internationally – on the institutions of the welfare state. In response to these pressures, progressives have attempted to resist welfare retrenchment through emphasising the instrumental value of the welfare state to a capitalist economy. They argue that economic growth can be achieved through a form of capitalism which maintains a more interventionist and regulatory state, and a large welfare system. The proponents of this economic strategy argue (perhaps contentiously) that on the whole this model of capitalism delivered stable growth consistently on the whole in the decades following World War Two, and that it compares favourably to the unstable, deregulated, free-market form of capitalism which precipitated the financial crash of 2008. What Ian Gough (1979) referred to as the ‘competitive-enhancing externalities’ of a welfare state are held up by progressive political economists as reasons why welfare retrenchment should be considered an economically self-defeating policy direction. A number of critical scholars have contested the fiscal unsustainability of the welfare state, as well as the neoliberal rationales for its diminution, in these terms. In this section, I will focus on explicating in detail the logic and assumptions underlying the conventional progressive discourses of ‘welfare capitalism’. Laying out these discourses in detail is vital if we are to appreciate the paradoxes facing progressives between realising fiscal and environmental sustainability.

The welfare reforms in Europe and North America in recent decades have demonstrated the current dominant tendency amongst policy-makers to view the welfare state as an expensive luxury. This reform has been guided by a philosophy of economic governance which posits that state retrenchment is beneficial in terms of unleashing the entrepreneurialism of the private sector and instigating another wave of economic growth. The typical progressive position, in contrast, is to claim that the institutions of the welfare state are conducive to economic growth in what can be seen as a self-reinforcing, symbiotic relationship. This is particularly but not exclusively the case in times of recession when the mechanisms of welfare can act as instruments of ‘crisis management’.

The claim that welfarism is irredeemably a drag on economic performance has been compellingly and rigorously refuted by a host of authors seeking to empirically verify the positive effects of welfarism on demand management, attracting investment, providing a safety net which encourages entrepreneurialism and the cultivation of an educated, productive and healthy labour force (Gough, 1979; Hay and Wincott 2011). Critical scholars in this field argue that the welfare state is a valuable asset and that its effects on the wider economy and GDP growth need to be appreciated. These are the traditional cornerstones of a Keynesian approach to an economic downturn and mainstays of the social democratic commitment to redistributing the proceeds of growth and supporting jobs (where appropriate) in the boom years.

The strong correlation between welfare expenditure and economic performance has long been identified in the welfare state scholarship. Between the late 1940s and the 1970s, post-industrial societies broadly speaking experienced a large expansion of the public sector coinciding with a sustained period of economic growth; repudiating neoliberal logic and substantiating social democratic claims (Lindert, 2004a). The research of Cameron (1978) empirically revealed that the presence of a large public sector (as a proportion of the overall economy) was economically beneficial; and this work was re-confirmed with a study of over 100 countries by Rodrik (1997) after suggestions that globalisation had rendered the research obsolete. Research from Cooke and Noble (1998) demonstrated that Foreign Direct Investment is attracted to countries with large welfare spending and Katzenstein (1985) explicitly argued that the strategy of social transfers strengthened competitiveness. This body of research did much to debunk the ‘competition state’ concept, or at least its homogenous applicability. Research which empirically repudiates the claims that public welfarism is economically detrimental, then, can be traced back a long way.

The traditional progressive claims have more recently been emboldened by the perceived failures of (what is often depicted as) a neoliberal form of economics. Two key (and interconnected) recent events revitalised the potency of this critique. The first was the financial crash and the second was the onset of austerity. That the financial implosion was brought about by a cocktail of deregulated markets, the availability of credit from financial institutions and consumer spending which was fuelled by this credit in lieu of demand produced by raises in real-terms wages demonstrated the systemic risks of the global economy and the principles which has guided its evolution. This bolstered the claims of the progressive economists who had developed a critique of this form of financialised capitalism (Montgomerie, 2007; Crouch, 2009, 2012; Hay, 2011b; Duménil and Lévy, 2013). The claims were emboldened further by the failures of austerity. Aside from its horrific social consequences for the poorest and most vulnerable, austerity measures were widely condemned for holding back the economic recovery (Blanchflower, 2011; Blyth, 2013; Stiglitz, 2012; Krugman, 2012a; Vermeend and Van der Ploeg, 2013; Montebourg, 2014; Dullien, 2014; Bofinger, 2014; Renzi, 2014a). Not only that but the approach was seemingly also counter-productive in meeting its *raison d’être*, reducing levels of public debt, due to the effects on demand, business confidence and growth (Blanchflower, 2011; Münchau, 2011; Mulheirn, 2012; Blyth, 2013). It was argued that austerity measures were particularly counter-productive when replicated internationally as this led to downward spirals of economic activity in economically intertwined nation-states (Münchau, 2011). Gamble (2014) points to the contradictions inherent to the neoliberal capitalist order that capital accumulation is contingent upon states to reproduce the social, political and cultural conditions which sustain favourable market conditions; but that these conditions are continually threatened by neoliberal ideas. Similarly neo-Marxists such as Jessop (2002) have long recognised the capacity of the state in overcoming the tensions of capitalist relations (albeit imperfectly and temporarily); this thinking has enjoyed greater salience since 2008 in response to this crisis of growth. In the context of these perceived failures of a discredited policy framework, exponents of a progressive economic position have felt vindicated in their beliefs. As such, an alternative heterodox approach towards inspiring an economic recovery has gained some degree of political traction in political discourse, with prominent economists such as Krugman (2011) and Stiglitz (2013) supporting a fiscally expansionary direction.

In the light of these recent failings and the wealth of research empirically refuting the claims that the welfare state is unequivocally and universally a drag on the wider economy, a more nuanced understanding of how the welfare state relates to the wider economy is required. Ian Gough’s seminal work on the Political Economy of the Welfare State (Gough, 1979; 1996) provides such a framework of analysis for studying the relationship between welfarism and economic strength. Gough concedes that there are ‘competitive-corrosive’ externalities to the welfare state (such as the need for higher taxation and potentially ‘crowding out’ private sector investment) but that these can be offset or overcome by ‘competitive-enhancing’ externalities in the cases of certain synergistic growth strategies. These positive externalities include macroeconomic stabilisation realised through counter-cyclical demand management, investment in skilling and educating (and medically treating where necessary) a post-Fordist workforce (Jessop, 2002), enabling the participation of women within the labour market (Esping-Andersen, 2009), and reducing crime and the cost of incarceration through promoting social inclusion (Weston, 1999; Jennings, Farrall and Bevan, 2012; Farrall and Hay, 2014).

According to Gough, it is fair to estimate that the competitive-corrosive aspects of welfare will have a more detrimental impact upon those nations whose growth models or competitive advantages rest predominantly on price competitiveness and thus relentlessly attempt to lower the costs of doing business. Yet, post-industrial societies which generally rely more on the quality, innovativeness and entrepreneurialism of their labour market and the disposable income and propensity to spend of their citizenry to spur growth should be more concerned with eroding the competitive-enhancing aspects of its welfare system (Gough, 1996; Garrett, 1998; Hay, 2008). Progressives have consequently argued on the basis of this logic of growth and competitiveness that the welfare state is far from being a social indulgence and there should be prudent economic limits to welfare retrenchment.

This lineage of research has been enriched and made temporenously relevant by the work of Hay and Wincott (2011) in the post-crash period. As they point out, these competitive-enhancing externalities are perhaps even more indispensable in those countries with pro-cyclical growth models and where the welfare system has effectively contributed to propping up demand. Indeed, far more could have been done to redistribute wealth from the affluent who have a propensity to divest and save in the midst of recessions (regardless of how low interest rates are set) to the poorest who tend to spend (largely through a lack of choice). This is particularly the case when disposable income is reaching ten-year lows, consumer confidence is low and commodity prices rising (Krugman, 2012b). The view that fiscal policy is more vital than ever when those with capital are unresponsive to monetary policy has been propounded by such esteemed authors as Lord Robert Skidelsky (2010: 177), Joseph Stiglitz (2013), and Paul Krugman (2011).

In the United States, Barack Obama has repeatedly argued that a social safety net can promote innovation and that much of what is called ‘welfare’ spending can actually be seen as forms of social investment (Obama, 2013). These ideas of welfarism as a form of social investment in a ‘knowledge-based economy’ also underpinned the formulation of the Europe 2020 agenda and the ‘Social Investment Package for Growth and Social Cohesion’ launched by the European Commission (Hemerijck, 2014). Rhetorical acknowledgement of public welfarism as social investment has been echoed by Prime Minister Matteo Renzi (2014b) of the *Partito Democratico* in Italy and Hannelore Kraft of the SPD in Germany (*Die Zeit*, 2012).

The Labour Party in the UK have not always been associated with the left’s attempts to resist welfare retrenchment but the now former leader of the Labour Party, Ed Miliband, spoke to the mutually reinforcing tendencies of economic and social systems at the SPERI Inaugural event in February 2012. In the speech, Miliband conceptualised the New Labour project, or ‘Third Way’, as an (inadequate) attempt to forge an uneasy combination between “neoliberal” or “Thatcherite” economics and a larger role for the state than the Conservatives would characteristically be comfortable with (Miliband, 2012). It was an attempt to use the welfare system as an instrument to combine human capital led growth with higher social spending which was for a long time garnered great electoral support from both the working and middle classes. In this sense, Miliband claimed that it was an attempt to maintain “the economic settlement” that had existed “since 1979” but breaking with “the social settlement” that he believed existed “from 1979 to 1997” (Miliband, 2012). From this standpoint, he argued that New Labour recognised that free market economics and deregulation financed was not seen as antithetical to a high public expenditure or a robust welfare system by the Labour Party of the time; indeed, the two were seen, and still could be seen, as “mutually reinforcing” (Miliband, 2012).

An analogous viewpoint has been echoed by the LSE Growth Commission (2013). In their report they advocated renewed attempts by an interventionist state during the economic downturn, partly in terms re-thinking its industrial policy to help re-balance the economy, but also in terms of investing in its ‘human capital’ – via the institutions of the welfare state – to equip citizens with the skills to compete in the global economy.

These ideas have seeped through to some policy-making circles and has at least competed with concepts embraced by neoliberal approaches. Ferrera and Maino (2014) of the University of Milan, in a report written for the EU’s European Economic and Social Committee, generalise across the nations of the EU when they state that for at least two decades reform of European welfare models has been guided by a “number of common principles including financial sustainability, social inclusion, innovation and social investment”.

A slight variation of the above argument concerning the value of welfarism to a capitalist economy is made by Wolfgang Streeck (2014a) who posits the theory that the stability of a healthy capitalist system is predicated upon a balance between market forces and collective countervailing institutions – such as the welfare state – which subject capital accumulation to checks and balances and make growth more inclusive and equitable. It is these countervailing forces which endow capitalism with a sense of legitimacy and reproduce the social institutions upon which long-term growth relies. Streeck rightly points out that the processes of neoliberalisation have incrementally stripped away these countervailing forces since the 1970s. David Harvey (2014) would go further and argue that private accumulation itself constantly undermines the social, political and environmental conditions upon which its success is predicated. As a result, capitalism has been far more prone to instability and questions over demand particularly since the 1970s.

The failures of neoliberal economics and austerity measures in the post-crash period, then, have fortified the claims of the alternative heterodox economic project, which prescribes a growth in welfare spending as part of a strategy to remedy the ills of the existing economic model. Several dictums of the neoliberal policy approach have been questioned in the post-crash period, creating the political space for those sceptical of the constant drive towards welfare retrenchment.

It is clear therefore that many on the left have united around the promulgation of an economic strategy, aligned with a welfare system capable of contributing to economic performance, along traditionally social democratic lines. As Gamble (2014) made clear, the financial crash was not an aberration of an otherwise harmonious and stable political economy; instead the crash was embedded within the contradictions of the neoliberal capitalist order. A robust welfare system can play a role in addressing three of its central shortcomings. Firstly, the low demand and high private debt relationship which has held back the economic recovery could seemingly be mitigated by enabling a set of counter-cyclical mechanisms to shorten the economic downturns. Secondly, a welfare system could mitigate the growth in inequalities which has been empirically linked to slowing growth rates (Wilkinson and Pickett, 2009). Thirdly, the welfare state provides investment in the future foundations of capitalism through harnessing human capital, innovation and productivity in the future so-called ‘knowledge-based economy’ in which post-industrial countries wish to become competitive within. Consequently, a strong welfare system can contribute towards strong and stable economic growth through forming part of an expansionary fiscal policy in the short-term, as well as providing re-producing a skilled, intelligent and healthy labour market capable of boosting productivity and innovation.

These are the terms in which welfare state sustainability has been traditionally discussed, at least within this specific field of political economy. The welfare state is widely seen as being legitimised through its symbiotic relationship with certain models of economic growth. This is how progressive political economists have come to resist calls for retrenchment.

In terms of how progressive political economists have typically responded to demographic pressures, it has been argued again that growth through some form of welfare capitalism is the answer. Significant economic expansion would increase state resources and thus offset the growth in demand for welfare services brought about by an ageing society; and it is argued that the welfare state can play a key role in achieving this. In addition to the aforementioned, and specific to the demographic crisis, evidence has been put forward showing that the provision of childcare has been shown to boost fertility and allow women particularly to re-enter the labour market (Esping-Andersen, 2009: 80; Blau, 2001; Blau and Robins, 1989; Del Boca, 2003; Aaberge *et al*., 2005). Boosting fertility would of course assuage anticipated demographic shifts to some extent, allowing for a larger future workforce who would be capable of perpetuating the pensions system through hypothecated taxation[[25]](#footnote-25). Meanwhile a welfare state which includes childcare, in countries such as Denmark, allows parents and guardians to re-enter the workforce and contribute to economic output – thereby potentially contributing more to the tax system than the cost of the childcare services provided by the state. As such, the public expenditure dedicated to childcare, which can *prima facie* be seen as rather prohibitive, can actually be seen as rather cost-effective when taking a broader perspective on the actions necessary to re-produce the social conditions necessary to sustain economic performance in the long-term (Esping-Andersen, 2009: 110; Blau, 2001; Blau and Robins, 1989; Del Boca, 2003). The boost to fertility and the increase in economic output would thus both enhance the tax income received by the Exchequer – in either the short-term or the long-term. Similarly, investments in education can be justified by the need to remain competitive in the globalising economy through maintaining an educated labour force capable of supporting future retirees. Demographic pressures still require a certain degree of political action, but welfarism can be a valuable asset in helping to offset these pressures through spurring economic growth – both in the short-term and the long-term – through fostering an alternative economic strategy.

These responses to the fiscal and ideational pressures are politically potent and the rationales are internally coherent in their own terms. A strong case can be made for a new political economy which adheres to the conventional principles of welfare capitalism. With the economic failings of recent years, this period of ‘critical juncture’ (Blyth, 2002) can be seen as the ideal moment to instigate transformative change. This period can be seen as crucial in establishing discourses which will have ‘lock-in effects’ for many years to come. The academic theorising on this topic has been reflected in the groundswell of support in sites of governance for a more fiscally expansive approach aligned to a robust welfare state, as exemplified *inter alia* by the Keynesian rhetoric of the Scottish National Party in Britain, *Die Grünen* in Germany, *Podemos* in Spain and D66 in the Netherlands.

In response to the fiscal and ideational pressures upon the welfare state, progressives have traditionally coalesced around the idea that the welfare state can play a crucial role in economic performance; and indeed how a symbiotic relationship can be cultivated between the two. Scholars have further shown the empirical paucity of the neoliberal arguments which posit that economies with smaller welfare systems possess more buoyant economies. The logic of this line of attack is extremely persuasive in its own terms. The analysis of Gough (1979), and Hay and Wincott (2011) in more recent years, have demonstrated that welfare state cutbacks can be considered economically damaging in numerous ways. Resistance against welfare retrenchment has been emboldened, then, by rationalising the welfare state’s existence in terms of its instrumental contributions to capitalist processes. This is understandable given the mainstream rendering of the present crisis and the discourses presented by those intent on reining in welfare spending. Such a pathway responds to the crisis of growth and argues that the debt-to-GDP ratio is best ameliorated through a long-term fiscally-expansionary approach. Moreover, the demographic conditions seem to have further ‘locked in’ the need for growth in the future and the welfare capitalism template has much to commend it. Consequently, the potency of this argument in public debate in recent years has entrenched the existing logic and assumptions of welfare state scholarship. However, as I shall now explore, there are severe limitations to the logic of these discourses in the context of the crisis construal utilised in this thesis. These are limitations presented by adopting a more holistic understanding of the current crisis and as a consequence acknowledging the tensions between fiscal sustainability on the one hand and environmental sustainability on the other.

## 3.6 - The viability of the Keynesian crisis management approach of rationalising welfare state sustainability

In its own terms, therefore, the discourses and logic pertaining to a heterodox economic approach is extremely persuasive, validated by a selection of empirical evidence and politically seductive. Yet, this section will demonstrate the limitations and epistemological blindspots of these logics by mapping them onto the more holistic starting point of the crisis construal outlined in chapter two. Primarily, this means bringing the environment back in to our analysis. Fostering a debate within these narrow parameters – which presume the positive normative character of concepts such as competitiveness and growth – is difficult to reconcile with an understanding of crisis which includes ecological degradation. As already stated, this thesis takes seriously the analytical premise of the post-growth literature – which is corroborated by the wealth of empirical data detailed in the previous chapter that demonstrates the correlation between GDP growth and emissions, use of natural resources and ecological degradation (Anderson and Bows-Larkin, 2012; UNDP, 1996; IPCC, 2012; Jarvis *et al*., 2012; Dinda and Coondoo, 2006; NEF, 2011a; Jackson, 2009; Klein, 2013) – that environmental sustainability cannot be reconciled with *ad infinitum* economic growth. Accordingly, this section will argue that the environmental dimension to the current crisis and the ecological implications of economic growth throws into question the appropriateness of the heterodox approach and the welfare discourses it is aligned with. In the delineated context, the logic and assumptions underlying the discourses of welfare capitalism and the rationale for welfare state sustainability are certainly more problematic than the welfare state sustainability literature is currently willing to acknowledge. The other layer of analysis teased out in this section is that such a recognition brings sharply into view the dualism of ‘sustainabilities’ being deliberated when these literatures are brought together; on the one hand issues of the *fiscal* sustainability of the welfare state and on the other hand the *environmental* sustainability of the macroeconomies in which they are situated and contingent upon. In this section I will explore how the traditional progressive discourses on welfare state sustainability are problematised by the environmental crisis and then explore the tensions between these two concepts of sustainability before contemplating what this means for conventional economic strategies embraced by those on the left.

In the post-war period, the Keynesian social democratic strategy was seen as a panacea for progressives, in that it constituted a political strategy capable of optimising economic performance whilst simultaneously promoting the living standards of the poorest in line with a progressive commitment to social justice. The welfare state was central to both this economic strategy and the ethical commitment to protecting the poorest. However, if the hypothesis of the post-growth literature is true – that green growth is an oxymoronic chimera (and there is good reason to believe there is as outlined in chapter two) – in the 21st century this policy package may no longer be seen as being as progressive as it once was[[26]](#footnote-26).

The empirical correlation between economic growth and ecological degradation is well established (Jarvis *et al*., 2012; Anderson and Bows-Larkin, 2012); which seemingly creates a series of political trade-offs between economic goals and environmental needs during periods of crisis for both the economy and the environment. As such, the growth-based logics of welfare state sustainability and the discourses which rationalise the welfare state’s existence in terms of its contribution to economic growth can be seen as far more contentious when situated within the demarcated construal of crisis. The environmental dimension to the current period of crisis when viewed from the perspective of the post-growth literature leads us to believe that the Keynesian social democratic policy framework of the post-war period would, if reinstated today, threaten to ‘lock in’ an economic path which promises further ecological degradation.

The policy proposals emerging from the heterodox economic alternative approach – including those put forward since the financial crash of 2008 – focus on modes of enhancing demand, consumption, productivity and GDP growth in order to cure our economic ills. These are solutions which could achieve certain short-term economic goals but simultaneously establish path-dependencies for the intensification of carbon-intensive economic activity. Indeed, just as with all forms of mainstream economics, these solutions rely on the empirically-erroneous assumption that the bio-sphere is an inexhaustible sink capable of absorbing the excesses of human activity. The post-growth movement would see these policy proposals as being contrary to the direction the economy should be heading; preaching instead less consumption, less productivity in the overall economy (in order to maintain employment), and a labour force which spends a decreasing amount of time in the workplace. As such, certain political and economic solutions that were effective in the post-war period are not easily transposed into an era which attempts to cultivate more environmentally-harmonious economic strategies.

For example, the argument made by Blau (2001) above that the public provision of childcare facilitates private sector productivity and profitability through enabling female participation in the labour force is a very sophisticated argument which demonstrates how the relationship between the public and private sector can be mutually-supportive and is one of the heterogeneous expressions of this delineated logic. But this argument is irrevocably couched in the language of growth and so is problematised by an understanding of crisis which incorporates the radical uncertainty surrounding the future of growth. Nor can post-industrial governments promote a population boom – through methods such as the generous provision of childcare – to ameliorate the demographic imbalance without producing an enlarged generation of Western citizens who will all inescapably convey their own carbon-footprints upon the planet. Attempting to address the welfare state’s demographic crisis through encouraging a population boom will inescapably exacerbate the environmental challenges prompting this quandary. These solutions are entirely appropriate if the uncertainty surrounding growth continues to be ignored but they are not easily reconciled with the crisis construal outlined in chapter two.

The arguments to bolster provision of mental health care are also invariably couched in the language of growth. Layard (2006) and Steadman (2013) – although not strictly within the bounds of the welfare state scholarship – are instructive here in that they make the argument that providing such services will come at a cost to the taxpayer, but will radically lower the costs of mental illness on domestic economies. Overall, they estimate on the basis of the UK case, mental healthcare would produce an economic dividend to national economies. Accordingly, mental healthcare is rationalised in terms of its contribution to economic performance, productivity and competitiveness.

The tension between economic imperatives and ecological imperatives here is profound. The example of the role of consumption crystallises these trends perfectly. In mainstream economic discourses, boosting demand has been normalised as innately positive. Meanwhile, increasing attention has been placed in recent years on the role played by carbon-intensive consumerism in driving ecological degradation (Tukker, *et al*., 2011). Dieter Helm (2008) has argued that the citizens geographically located in America and Europe particularly “will have to lower their own consumption considerably – and quickly”. A recent study for The Royal Society (2012: 101) concurred by concluding that reducing carbon-intensive consumption in the short-term was an exigent political issue. It stated that “in the short term it is of the utmost urgency to reduce consumption and emissions that are already causing damage, for example greenhouse gases, deforestation, and land use change amongst others”. The pressing environmental imperative to reduce the carbon footprint of Western consumption in order to work towards environmental sustainability *prima facie* clashes violently with the fundamental objectives of the traditional progressive economic projects which are to enhance demand and growth. The same could be said for the role of production. The tension between meeting economic and ecological imperatives is clear.

Yet even within a purely economic analysis, as adopted famously by Nicolas Stern (2006), long term carbon-intensive economic activity simply cannot continue at present levels without befalling “the greatest market failure the world has ever seen” (Stern, 2006). The paradox between environmental and economic imperatives, therefore, is primarily short-term. In the long-term, environmental catastrophe will impinge upon economic performance too. This only serves to underline the environmental unsustainability of modern economies and the need to formulate a ‘green’ alternative; an economy which can be sustained.

This point demonstrates the temporal limits of the current set of economic discourses prominent today. The growth-centric rationales for welfare sustainability are rooted within economic strategies which appear to be environmentally unsustainable. These discourses, then, are not adequately suited to responding to the crisis construal deployed here.

Some in the environmental movement, such as Nicolas Stern (2009), would contend that a Green New Deal could bring together a quasi-Keynesian stimulus with a form of ‘green’[[27]](#footnote-27) re-balancing which would put in place the infrastructure for a low-carbon future. Certainly, the notion of legislating for a series of capital investment projects designed to decarbonise energy and transport infrastructures and prepare for a low-carbon future is environmentally sound. Green New Deal proposals gained some degree of political saliency immediately after the financial crash but, as Jackson (2009: 118) argued, “the broad assumption behind all the recovery packages put forward through the crisis was that they would help to stimulate consumption growth. Credit would flow, consumers would spend, business would invest and innovate, productivity would return and the wheels of the machine would start turning again”. The idea of counter-cyclical spending is that the budgetary deficits of today will be remedied by the growth-driven budgetary surpluses of the future. In this way, a Green New Deal ‘locks in’ the need for future growth, in order to finance the governmental investment of the present. The growth generated from this Green New Deal approach may be relatively ‘greener’ – to the extent that carbon output would be lower than the obvious alternative – but the post-growth literature’s hypothesis leads us to believe that even this type of growth cannot be deemed environmentally sustainable. As such we should be sceptical of the ecological benefits of green growth stimuli such as this (or at least the extent of counter-cyclical spending which needs to remedied in future years) as it threatens to lock in a path-dependent future which includes economic growth. Whilst post-growth scholar Tim Jackson is careful to emphasise his inclination to low-carbon projects being instituted, he makes clear that the “default assumption of even the greenest stimulus package is to return the economy to a condition of continuing consumption growth. Since this condition is unsustainable, it is difficult to escape the conclusion that in the longer term something more is needed” (Jackson 2009: 104). Consequently, in the absence of truly green growth it remains problematic to justify welfare state sustainability through its contribution to a heterodox Keynesian project; even if the carbon output attributable to the growth it produces is preferable to the growth produced by a conventional business-as-usual strategy which remains largely ignorant of the environmental challenge. If the range of contemporary challenges were more holistically articulated and acknowledged, these growth-based welfare solutions would surely not be as readily propounded by progressives.

However, to be clear, this construal problematises not only onto Keynesian social democratic rationales of welfare sustainability, but also the appropriateness of all growth-based economic discourses. Achieving a recovery through an economic philosophy aligned to neoliberal principles is unlikely to be less carbon or resource intensive. In fact, the income inequalities generated by the upturn of GDP since 2012 has not only perpetuated carbon-intensive patterns of economic activity, but may have actually fostered their exacerbation. The consumption of the poorest (which already carries a substantial carbon footprint due to the nature of modern global supply chains) tends to be less carbon-intensive than that of the more affluent (Gough, *et al*., 2011; Druckman and Jackson, 2009). It should be emphasised, then, that despite progressive welfare solutions being the focus of this thesis – designed as it is to bring together the progressive tendency to support both environmental sustainability and welfare state sustainability – free market approaches to growth and welfarism are no more suited to addressing the present environmental crisis.

The ideas associated with the heterodox economic alternative, however, remain complicit in catalysing further ecological catastrophe. The environmental crisis is perhaps the most profound socio-economic threat in the 21st century to countries across the globe, and yet it is not only largely marginalised in this potentially path-shaping critical juncture but policy-makers are perfunctorily focusing all efforts into achieving the resuscitation of an unsustainable and dangerous levels of environmentally deleterious activity. If, and when, these policy-makers are successful, they will indeed temporarily restore growth, but at the expense of further environmental degradation (and consequently future economic growth, if Stern (2006) is to be believed).

The consequences of this for the welfare state are clear. As Fitzpatrick (2002a: 65) memorably put it: “the welfare state helps to regulate the depletion of the very resources, and the degradation of the very environment, upon which it itself depends”.

The traditional solutions emanating from a welfare capitalism mindset are likely to act as a catalyst for the intensification of a host of ecological risks in the 21st century. This is seldom acknowledged in the welfare state scholarship. The welfare state is routinely legitimised in terms of its contribution to the wider economy within this strand of scholarship, but these forms of legitimation seemingly can’t be reconciled with the urgent need to tackle climate change and others types of ecological degradation. If the environmental dimensions to growth and the growth-based rationales of welfare state sustainability remain unacknowledged, progressive voices in this field of research will help entrench policy discourses which ensure the exacerbation of ecological degradation and climate change. The corollary of the post-growth literature’s central insight, then, is that traditionally progressive discourses are environmentally unsustainable. The orthodox rationales for resisting welfare state retrenchment in this context are significantly discredited.

This dynamic is crucial to understanding the dilemma facing welfare state sustainability. Either the exponents of welfare state sustainability remain complicit in an ecologically deleterious growth model on the basis that it contributes to economic performance, or they acknowledges that the economic rationale for the welfare state’s existence is no longer valid as a tool of crisis management just at the moment when the drive for state austerity measures is prominent in political discourse. The welfare state is thus stuck between a rock and a hard place; and it is important that the welfare state scholarship begin to acknowledge and theorise upon this dilemma.

If this problematique is acknowledged, then this brings us to what ostensibly could be seen as a ‘crisis of crisis management’, to appropriate Claus Offe’s felicitous phrase (Offe, 1976). That is to say that whereas once the institutions of the welfare state were capable of playing a key role in managing crises, now they cannot be seen as being such salient instruments. A welfare state which has customarily been discursively legitimised by economic growth in the relevant literature holds an equivocal role in responding to and managing a crisis that is as multifaceted as this one. This makes the present crisis a profoundly unsettling one for those on the left. As such, there will be a temptation to disregard the research and empirical data of those within the post-growth literature. However, there should be an awareness that the economic *status quo* appears to be equally as de-stabilising for the prospects of the welfare state and the wider economy it is situated within.

The other layer of analysis it is important to bring out here is the tension between the two concepts of ‘sustainability’ being utilised when these literatures are brought together; and perhaps in political discourse more generally. On the one hand, the welfare state faces questions of fiscal sustainability. On the other hand, the welfare state faces issues of environmental unsustainability due to its reliance upon growth-based economic strategies.

This twin crisis of sustainability, or of ‘sustainabilities’, cannot easily be remedied through conventional means. Through this analysis, it has become clear that the factors put forward to bolster claims of fiscal sustainability tend to be deleterious for environmental unsustainability. The following chapter will tease out how the reverse is also true. Indeed, it is also not necessarily the case that progressives can choose to pursue one over the other, such is the dependence of certain economic processes on favourable ecological conditions. In essence, it will be impossible to deem the welfare state sustainable when it is situated within such a profoundly unsustainable economy.

Fundamentally, there is a need to adopt a more nuanced understanding of ‘sustainability’ when applying the concept to the welfare state. Think about sustainability purely as a set of fiscal and economic issues when discussing the welfare state’s viability in future years is entirely inadequate. This approach to welfare state sustainability should be considered myopic and anachronistic in light of the current crises faced. The notion of welfare state sustainability needs to be thought of as something more multi-layered than in previous decades. Consequently, it would be more accurate if the welfare state literature begins to adopt a more nuanced understanding of sustainability than it has until now. Alternatively, it would be prudent to talk of sustainabilities (or unsustainabilities) in the plural to reflect the nexus of direct and indirect contingencies upon which welfare institutions rest.

As tempting as many would find it to simply ignore the environmental situation, I argue that it is no longer possibly to do so when sustainability is the concept being appealed to. If for no other reason, a failure to appreciate the ecological dimension of the nascent economic recovery could sow the seeds of the next economic catastrophe. As policy-makers failed to appreciate the financial risks in the years leading up to 2008, now they fail to fully appreciate the environmental risks of the economic model that is being regenerated. If the environment and the radical uncertainty surrounding growth is not recognised as being part of the series of economic crises faced, then achieving the welfare state’s ‘fiscal sustainability’ as part of a fiscally expansionary, quasi-Keynesian project may well be a pyrrhic victory.

It follows that we must question whether the ideas associated with the heterodox social democratic project, or welfare capitalism, are appropriate lodestones for those on the left in the 21st century. If progressive politics does care about both of these sustainabilities, therefore, it appears to be time to jettison the traditional modes of politics which are unable to respond to both. It must begin to deliberate more intensely on a future without growth and formulate a profoundly different economic strategy that responds to this particular set of economic challenges.

Therefore, when the range of political economy challenges are more holistically articulated, the ideas underpinning economic policy-making at the governmental level seem to be far more problematic. Mapping mainstream political debate onto this crisis construal would almost certainly produce a set of discourses which would deviate drastically from the dyadic debate witnessed in recent years between austerity and fiscal expansionism. In this context, the anachronistic aspects of prevailing economic ideas and the contradictions in the ongoing constructions of the embryonic economic recovery would be more openly deliberated. Now appears to be the time for a more profound and radical deliberation of the future of progressive politics.

## 3.7 – Conclusion

The existing literature on the sustainability of the welfare state has up to this point concerned itself with the welfare state’s contribution to overall macroeconomic performance. As such, the welfare state sustainability literature has become accustomed to defending welfarism in the instrumentalist terms of its value to the market rather than through overtly normative arguments of social justice. Making such a case has been partly driven by those on the left who have been keen to refute the caricatured, polemical depictions of welfarism as a drag on the economy and offer a more nuanced understanding of welfarism’s economic effects through empirically exhibiting the extent to which welfare states’ possess externalities which can be ‘competitive-enhancing’ to various types of economic models. Such discourses speak to a welfare capitalism strategy which is associated with a heterodox economic alternative; and has been a useful counterpoint to the neoliberal and demographic pressures exerted on welfare expenditure.

Yet as I have shown, there are great dangers to rationalising welfare state sustainability in such a way when the radical uncertainty surrounding the future of economic growth is acknowledged. When mapped onto the crisis construal outlined in chapter two, resisting welfare retrenchment primarily on this market-centric logic can be seen as increasingly inadequate – or tragically counter-productive – as a discursive tool.

Such a mentality feeds into a set of discourses which reinforces a *status quo* that begets ever greater socio-environmental risks and the exacerbation of ecologic degradation (which subsequently, and ironically, threatens economic growth according to Stern (2006: *xv*) and Juniper (2013)). As a corollary, it is now important to question whether these discourses of the left are environmentally sustainable in the 21st century. Indulging a set of environmentally-illiterate economic narratives will not enable us to come to terms with the “dilemma of growth”, as Tim Jackson called it (2009), or the necessity of reconciling the state’s social commitments to environmental imperatives. As Andrew Simms rather dramatically put it: “economics… becomes redundant if it can rationalise an exchange that sells the future of humankind” (Simms, 2013: 62) – and the logic of indefinitely expanding the welfare state budget conforms to this mode of economics.

This is a critical point for the academic scholarship on welfare state sustainability. Its foci cannot continue to simply remain on a set of state-funded programmes financed (indirectly) by a carbon-intensive growth dynamic. In short, the academic literature on the sustainability of the welfare state needs to begin to think about sustainability in a more sustainable way! That is to say, that scholarship in this area needs to factor in not only conventional understandings of fiscal sustainability, but also the ecological sustainability of the economic system that welfare state funding is derived from and in whose language this expenditure is justified.

This is deeply unsettling territory for the left. However, to ignore these issues on the basis of an empirically-unwarranted and purely speculative belief in future technological innovations to come to the rescue is hardly a satisfactory position. Progressives must have the courage to think critically about the conventional lines of argument in reference to the welfare state and the problematique outlined here. If progressive politics is to seriously pursue its traditional social and environmental proclivities in the 21st century these are issues which demand greater attention.

If it is true that economic growth cannot be reconciled with environmental sustainability, then such a crisis construal demands a radical break from the set of growth-based business-as-usual economic discourses propounded by mainstream political parties today. This has implications for the welfare state which has been born of precisely this type of growth-based, environmentally deleterious economics. However, following Ian Gough and Göran Therborn, it appears as though “the 20th century formula of economic growth and social security/justice will no longer be adequate” (Gough and Therborn, 2010: 757).

Consequently, it is prudent to pose the question of whether the bundle of ideas thought of as social democratic remain the optimal vehicle for the left. Should a project which is reliant on the Sisyphean pursuit of an ever larger economy be so central to the goals of the left from this point on? It appears as though if progressives are to search for a political direction which responds to both social and environmental imperatives the conventional politics of recent decades should be deemed myopic and antiquated; and this act should underline the urgency of developing new forms of progressive politics.

With the orthodox modes of progressive politics being so poorly-equipped to manage the current set of crises, alternative discourses and economic strategies demand our attention to see if reconciling our economic imperatives and social commitments is plausible through an alternative framework of governance. One obvious alternative is the set of economic ideas referred to as post-growth economics, which has enjoyed a renaissance since 2008. It is to this literature which I will now turn.

**Chapter 4**

# Situating the welfare state within a post-growth transition: Fiscal constraints and the growth of welfare need

## 4.1 - Introduction

The previous chapter outlined how the critique presented by the post-growth literature and the end of growth itself problematises the conventional progressive discourses within the welfare state sustainability literature. This chapter follows on from there by continuing to explore the tensions between the ecological imperative to end growth and welfare state sustainability. However, whereas the previous chapter focused on the welfare state sustainability literature and its assumptions and blind-spots, this chapter will analyse the tensions from the perspective of the post-growth literature to explore the assumptions and blind-spots held by this area of research. Whilst it is true that the post-growth literature contains important insights for the welfare state sustainability literature the welfare state sustainability literature also contains important insights for the post-growth literature. More specifically, this chapter will argue that the post-growth literature refuses to acknowledge or engage with the implications of its advocacy for the fiscal capacity of the capitalist state, which constitutes the funding base of the welfare state, and the growth of welfare need in such a scenario.

The post-growth movement postulates that the transition to a post-growth society is both ecologically necessary and even socially desirable given its potential implications for wellbeing. However I will argue that any post-growth transition seemingly poses severe fiscal implications due to the suppression of monetised economic activity and, consequently, the need for some permanent form of state austerity (with fiscal repercussions for welfare state). Even worse, the fiscal constraints upon the capitalist state would be imposed parallel to a rise in demand for welfare services brought about by an ageing society and the socio-economic turmoil wrought by the suppression of profit-making activity in the private sector.

This is primarily a problem for the post-growth literature, who have thus far scarcely recognised or engaged with the ramifications of their proposed form of economic governance upon the welfare state. The post-growth literature has up to this point tended to focus its analytical lens on the financial and economic implications for the private sector, as well as theorising upon how the negative consequences of post-growth in that sector can be mitigated (typically by expanding the size of the state). It’s general neglect of the consequences of a post-growth transition for the public sector – and particularly the welfare state – means that those scholars who speak of a post-growth economy as being a capitalist one have not yet built a comprehensive and coherent case for political economy of post-growth. Indeed, for the literature as a whole, there remains a greater need to theorise upon the question of what the institutions will be which will protect society’s poorest both during and after the transition. The sustainability of the welfare state, therefore poses a problem for the post-growth movement, and particularly those who posit a post-growth variety of capitalism. However, it is also poses a significant problem for progressive politics at large which tends to think of itself as both ‘green’ and supporters of robust state spending (including on the welfare state).

A post-growth transition would provoke enormous tensions between the dual imperatives of tackling environmental unsustainability and providing a robust welfare state, through its overlooking of the latter. This would throw into question the progressive credentials of the post-growth position and exacerbate the challenges faced by the welfare state when faced with the more holistic understanding of the current period of crisis outlined in chapter two. If progressives are to forge a policy direction in the 21st century that respects both the urgent ecological imperatives which the planet faces and the need to respond to the suffering faced by the poorest and most vulnerable in our societies who are being supported by state-funded welfare programmes, then developing a dialogue between these two literatures is vital.

Firstly, I will outline the vision of reform proposed by the post-growth movement, and the appeal it holds for many due to the salient critique of growth-based societies. Thereafter, I will analyse the fiscal implications of this macroeconomic strategy upon the state and, consequently, the fiscal pressure it places upon the institutions of the welfare state. I will then analyse the increased strain on the institutions of public welfarism brought about by this particular accumulation of social, economic and environmental circumstances, and how these projections relate to the public finances of a post-growth capitalist state. Once this task has been accomplished, I will outline the insights of the green social policy scholarship for this debate, given its predisposition to non-statist solutions. I will conclude the chapter by reflecting upon the ostensible need for welfare state austerity in the transition to post-growth and the intractability of the ecological and fiscal structures affecting progressive politics.

## 4.2 - The environmental unsustainability of economic growth and the appeal of moving ‘beyond growth’

As I have already mentioned in chapter two, the transition to a post-growth economy has largely been brought about by recognition of environmental degradation and the role that economic activity plays in exacerbating these processes. Economic growth carries a significant carbon footprint and currently uses unsustainable levels of natural resources (Jarvis *et al*., 2012; IPCC, 2012). Adopting conventional economic strategies in spite of this environmental dimension to the current period of crisis – which appears to be broadly the consensus amongst the major political parties of the post-industrial societies – is projected to produce the exacerbation of ecological processes which may ultimately frustrate economic efficiency even in its own terms; leading to a reduction in global GDP of up to 20% according to the Stern report (2006). In this ecological context, the need for *ad infinitum* economic growth has been questioned and many have begun to theorise about a post-growth, or ‘steady state’, economy where economic output is stabilised at around present levels. In fact, it may well be the case that a stabilisation of economic output is itself a little naïve because it is the opinion of some that a transition to post-growth is insufficient by itself to realise environmental sustainability. It is possible (if not probable) that the global economy will still be too carbon-intensive and resource-intensive to be deemed ecologically sustainable even if it continues at its current rate. This is why some authors, such as Serge Latouche (2009), go further and argue for de-growth – a period of incremental contraction of economic activity – in order to achieve sustainability. As such, there should be no *a priori* assumption that the recent absence of growth was a temporary interlude from the economic equilibrium.

The renaissance of the post-growth literature, therefore, has been driven largely by a perception of ecological compulsion. In other words, the transition to post-growth is a matter of *necessity* rather than *desirability*. However, in the post-growth literature itself an unequivocally and extraordinarily positive case is made for moving ‘beyond GDP’; based on the idea that GDP is a crude measurement of progress and that a combination of other metrics could offer a more sophisticated index of development.

The critique of GDP has been made forcefully by the wellbeing movement in recent years, and this has been embraced by those advocating a post-growth transition. It has allowed post-growth scholars to claim that moving beyond GDP is not only environmentally necessary but also socially advantageous as it would allow affluent nations to break away from the ‘addiction’ to the ‘consumer treadmill’, long working hours and the fetishisation of productivity and profit – supposedly causes of mental health issues as much as deepening ecological catastrophe.

The obsession with Gross Domestic Product (GDP) in orthodox economics has been critiqued by scholars from a host of academic disciplines (including scholars from within the discipline of economics).

Gross Domestic Product – as well as its close relation, Gross National Product[[28]](#footnote-28) – has long withstood accusations that it is a poor measurement of welfare. Robert Kennedy famously proclaimed in 1968 that Gross National Product “measures everything… but that which makes life worthwhile” (Kennedy, 1968); a speech which has influenced Barack Obama’s economic philosophy according to an interview he gave to *The New York Times* during his first Presidential campaign (Leonhardt, 2008). The notion that the crude and quantitative GDP figure should not become discursively hegemonic, however, can actually be traced back to the man who is (perhaps misleadingly) often referred to as the inventor of the GDP measurement, Simon Kuznets (1934).

John Maynard Keynes – although associated with very different techniques of economic governance – also questioned the temporality of the desire to pursue GDP growth. His renowned biographer, Robert Skidelsky (2010: 151), praised him on the grounds that “Keynes forces us to consider the question of what economic activity is for. Broadly speaking, he believed in an ethical *pareto optimum*: material progress will increase the welfare of the universe up to the point when it starts to diminish the quantity of ethical goodness”.

Keynes here touches upon precisely why a disproportionate emphasis on GDP is seen as being crude; its focus purely on material wealth and ignorance of any other forms of progress. Conventional economic models are based on the idea of *homo economicus*; a contentious notion of the citizen as being fundamentally a materialistic, individualistic, self-maximising and ‘rational’ actor. The political centrality of GDP growth began as a measurement of how the disposable income available to the national aggregation of these economic beings was steadily increasing. Beyond a certain threshold of affluence, maintaining this focus on materialistic gain as the foundation of our economic modelling has become increasingly questionable.

This tradition of thought was enriched by the Sen, Stiglitz and Fitoussi Commission, whose report detailed the numerous limitations of GDP as a measurement. In the report, they declared that “there appears to be an increasing gap between the information contained in aggregate GDP data and what counts for common people’s well-being” (Sen, *et al*., 2008: 12).

The desire to formulate ‘alternatives to GDP’ or even to transcend GDP entirely has become even more prominent since the financial crash and the agenda has been embraced by influential figures from a plethora of institutions. Ban Ki-Moon (2012) lent weight to the movement when he argued that “we need to move beyond gross domestic product as our main measure of progress, and fashion a sustainable development index that puts people first”. Angela Merkel (2010) argued that “we must learn new ways to define the concept of growth for the 21 century” in a video podcast in February 2010, and José Manuel Barroso in 2007 declared that “it's time to go beyond the tools developed for the very different world of the 1930s. It's time to go beyond today's confusing surfeit of unorganised data. It's time to go beyond GDP” (Barroso, 2007).

The limitations of Gross Domestic Product have even been recognised by UK Prime Minister, David Cameron (2010), who announced on the 25th of November 2010 that he would task the Office of National Statistics with measuring wellbeing and the resulting indicators would be used for monitoring progress, informing policy design and in policy appraisal in public policy matters (Dolan, Layard and Metcalfe, 2011: 4). In the announcement, he echoed the sentiment of the wellbeing movement that “economic growth is a means to an end”(ONS, 2010). Whilst some see this political move as being part of attempts to de-toxify the Conservative Party, it is at least borne from a broader societal feeling that GDP is no longer a sufficient metric on its own to guide policy-making.

The broadening of statistical indicators at the governmental level can be identified across the EU, North America and Australia *inter alia*; trends which reflect the growing acceptance that a citizen’s income alone can no longer act as an accurate signifier of their quality of life. There is a growing acceptance from across the political spectrum that economic expansion alone is no longer effective in enhancing wellbeing and that a more pluralistic and nuanced understanding of socio-economic ‘progress’ is a required for the 21st century.

Tim Jackson (2009) – explicitly in favour of ‘moving beyond’ GDP rather than simply supplementing it with a host of other statistics – believes that the pursuit of further growth may now actually be detrimental to wellbeing as our striving for further growth breaks communal bonds, destroys green spaces, increases inequalities, increases working hours and forces citizens onto the increasingly intensive ‘hedonic treadmill of consumerism’.

The fixation with GDP in political discourse is certainly culpable of de-sensitising political actors to a range of other statistical indicators. The extent to which it has rationalised environmental degradation has already been outlined but the fetishisation of GDP has also marginalised in political discourse disconcerting social trends which demand political attention. Most obviously this includes growing levels of inequality. Rises in inequality have been strongly linked to deteriorations in wellbeing in various forms (Wilkinson and Pickett, 2009), but action on these issues have been frequently de-prioritised by the need to pursue growth. Indeed, growing inequality has actually been justified by those who put forward the Laffer Curve hypothesis[[29]](#footnote-29) as a necessary evil.

When the nationally aggregated GDP figure is disaggregated, it is clear that the wealth that has been accumulated in the major post-industrial countries in recent decades has (to differing extents) been distributed in such a way as to deepen inequalities. The liberal economies of the USA and the UK are extreme examples of these trends, with significant and growing social and geographic inequalities being evident (Wilkinson and Pickett, 2009; Lansley, 2011; OECD, 2011; Piketty, 2014; Green and Lavery, 2014). As the Sen, Stiglitz and Fitoussi (2008) commission argued “if inequality increases enough relative to the increase in average per capital GDP, most people can be worse off even though average income is increasing”. During the monetarist era of wage repression, the proceeds of economic growth have become concentrated in fewer and fewer hands (Harvey, 2005; Duménil and Lévy, 2002; Green and Lavery, 2014) and GDP has decreasingly become a reliable indicator of wellbeing or the living standards of the majority. Plunkett (2013) is right to argue that today many societies are experiencing ‘growth without gain’ for the majority of people on low or middle incomes. Yet this stagnation of living standards during a sustained period of economic growth was disguised and rationalised by the increasing material wealth of those in the top income brackets.

Therefore, it is evident that GDP growth benefits only certain sectors of the populace. However, those who do not benefit from the proceeds of growth are not simply unaffected by these economic trends. Wilkinson and Pickett (2009) show that the forms of growth which exacerbate inequality actually lead to *deteriorations* in wellbeing. They empirically demonstrate that a rise in income inequalities is associated with a host of adverse variables such as ill-health, mental illness (including drug and alcohol addiction), violence, longer average working hours, falling levels of trust, declining life expectancy and growing infant mortality, obesity, falling educational performance, teenage pregnancy, homicide, increased imprisonment rates and lower social mobility (Wilkinson and Pickett, 2009). In his book *Affluenza*, clinical psychologist Oliver James (2007) forwards the proposition that more unequal societies systematically report higher levels of distress and anxiety than more equal societies. Psychologist Tim Kasser (2002) has also highlighted what he termed ‘the high price of materialism’ when he noted the corrosive role played by materialistic values such as popularity, image and financial success towards opposing, wellbeing-enhancing ‘intrinsic’ values like self-acceptance, affiliation, and a sense of belonging in the community. This is a point which carries more pertinence for some countries and growth models more than others, but it does seem to be the case that growth, if unevenly distributed, can actually produce greater suffering in a society.

These distributional issues constitute a real threat to the legitimacy of democratic capitalism in forthcoming years and make a mockery of the idea that GDP growth alone is a measurement of social progress. It can be argued that it is not growth *per se* which is socially harmful, and that certain growth models are capable of fostering inclusive growth regimes. This is certainly true. However, there is simultaneously a growing feeling that the correlation between economic growth and increases in wellbeing have been largely severed in mature, post-industrial economies anyway. This is a complementary critique of the political fixation with GDP growth; the critique that, beyond a certain threshold of affluence, growth has only a liminal influence on wellbeing.

As such, the notion of moving beyond GDP has gained substantial political traction in recent years; with the subjective wellbeing movement central to these developments. As noted earlier in this chapter, their agenda has been periodically reflected in the statements of prominent politicians such as José Manuel Barroso (2007), Ban Ki-Moon (2012) and Angela Merkel (2010).

The subjective wellbeing agenda has grown in confidence in recent years due to the more scientific nature of its approach, even if disagreements still persist on the most optimal ways of measuring wellbeing (Dolan and White, 2007; Costanza *et al*., 2009; ONS, 2011; OECD, 2013). There is a feeling that wellbeing is “an idea whose time has come” (Bache and Reardon, 2013).These measurements are able totake into account a range of other phenomena which GDP does not encapsulate, including social interaction, faith, intimate relationships, government spending and different political-institutional frameworks; all of which have been shown to have significant impacts upon more substantial understandings of (subjective) well-being (Bjornskov, *et al.*: 2007; Dorn *et al*.: 2007; 2008; Inglehart: 1999; Ott, 2010; Pavot and Diener: 2004).

A seminal piece of empirical research in this area has been Easterlin’s work demonstrating that increases in real national income do not necessarily lead to increased wellbeing among citizens: often known as the ‘Easterlin paradox’. Easterlin (1973) found that life satisfaction tends to plateau above a certain threshold once material needs have been satisfied.

Mishan’s insight that “aggregate growth is worthless for satisfying the relative wants of status” is key here (Mishan, 1973: 30). A great deal of research from across numerous academic disciplines (including sociology, history, gender studies, philosophy, epidiology and psychology) has been undertaken on the anxieties and mental health issues arising from societies characterised by rising inequalities and cultures increasingly fixated on (economically necessary) consumerism (Kasser, 2002; Layard, 2005; Frank, 2007; Soper, 2008; Wilkinson and Pickett, 2009).

As Latouche (2009: 22) notes, a “3% rate of growth multiplies GDP by 20 times in one hundred years, by 40 in two hundred years, and by 8,000 in three hundred years. If growth automatically generated well-being, we would now be living in paradise”. Of course, this is not the case. Particularly so in the case of the UK which, following the research of Richard Layard, has experienced stagnating levels of wellbeing for some time in spite of income growth (Layard, 2005). From this standpoint, it is entirely understandable that many in both the wellbeing literature and the post-growth literature are keen to “leave GDP behind” (Constanza *et al.*, 2014).

The United Nation’s *World Happiness Report 2013* spoke to the perception that there is a growing disconnect between wealth and wellbeing. The nations with long traditions of social democracy and public welfarism, such as Denmark (1st), Norway (2nd) and Sweden (5th), had extremely high levels of wellbeing. Meanwhile the liberal economies of the USA (17th) and the UK (22nd), in spite of the wealth within these countries, were adjudged to have lower wellbeing than Costa Rica (12th), Panama (15th) and the Mexico (16th) (Helliwell, Layard and Sachs, 2013).

As Jackson puts it, a synthesis of this research demonstrates that “prosperity itself – in any meaningful sense of the word – is under threat. Not from the current economic recession, but from the continuing surge of materialism and from the economic model that perpetuates it” (Jackson, 2009: 147). This idea that prosperity and wellbeing goes far beyond material wealth (at least beyond a certain point), and indeed that the pursuit of material wealth can be detrimental, was a sentiment that was shared by Schumacher (1973).

There is therefore a more complex relationship between growth and wellbeing – at least beyond a certain threshold of affluence – than is simplistically deduced from examining the fluctuations in GDP.

Alternatives metrics to GDP are themselves limited in various ways, and no consensus exists on how best to measure an alternative conception of wellbeing, but a dashboard or algorithm of indices seems to have the potential to offer a more nuanced and sophisticated understand of human welfare. An interpretation of Sen’s capabilities approach has already been embedded with the United Nations’ Human Development Index (HDI). While the HDI is not without its critics (for example, see Veenhoven, 2007), and several prominent scholars (including Amartya Sen) have expressed misgivings in the light of advances in measurements (Gertner, 2010), it has proved to be a durable alternative to GDP. Other indicators of ‘progress’ or economic ‘success’, therefore, are available and a nexus of these indicators arguably seem to offer more substantive insights into human wellbeing in post-industrial countries.

They attempt to re-conceptualise ‘prosperity’ within the parameters of ecological sustainability. Jackson (2009: 25) articulates a characteristic lament of modernity which resonates when he states that “our technologies, economy and social aspirations are all misaligned with any meaningful expression of prosperity” when they are geared only towards profit, productivity, material wealth and growth. Jackson eloquently argues for a root-and-branch reconceptualisation of Western political economies and social aspirations towards new visions of prosperity which relate more substantially to ecological imperatives and psycho-social wellbeing.

In more recent times there has been a renaissance of these views. Andrew Simms (2013: 393) is one who has recently constructed an extremely positive case for post-growth and claims that this transition “would help us escape the consumer treadmill in which we work ever longer hours to earn money to buy things we don’t really need, which don’t make us happy and which the planet cannot afford”. The appeal of moving beyond GDP and focusing political energies on psycho-social forms of wellbeing is identifiable in several academic disciplines.

Ironically, the Sen, Stiglitz and Fitoussi Commission (2008) also argued that the fixation with GDP has even failed us economically. They put forward the admittedly counter-factual but plausible argument that a broadened landscape of statistical indicators (including assessments of environmental and fiscal sustainability) could have tempered the euphoria of the pre-crash years and alerted us to the dangers of a growth model based on asset bubbles and debt-fuelled consumerism. Consequently, the fixation with GDP rationalised a financially and environmentally risky growth model.

The development of the global “super-bubble” in financial markets can be traced back to a succession of economic policies designed to increase liquidity *qua* stimulating demand (Soros, 2009; Speth, 2012). In other words, the glut of credit provided by highly-leveraged banks which created the conditions for the financial crash was the result of a concerted effort by governments across the globe to enable credit to flow in order to perpetuate the patterns of excessive consumption and growth. However, the mechanisms by which this freeing up of liquidity was achieved led to the implosion of the entire economic model. As Jackson observes, “the very policies put in place to stimulate growth in the economy led eventually to its downfall. The market was undone by growth itself” (Jackson, 2009: 30). One of the lessons of the crash, according to this view, is that a disproportionate focus on GDP can actually help embed dynamics of growth which are risky or unsustainable. Counter-intuitively, therefore, a fixation with GDP can be counter-productive even if the sole aim of governments were to ensure long-term economic prosperity.

Here, the broadening of governmental metrics and the de-centring of growth is seen as an attempt to ward off future financial instability and perhaps even financial implosion. The crash of 2008 has reminded us that gearing our economy towards growth is no guarantor of growth. Indeed, the pursuit of further growth can be seen as the disease which purports to be the cure of the current period of fiscal turmoil.

Strongly related to this point, the ability of GDP to disguise or marginalise inequalities can also be seen as economically dangerous. Rising inequality was a principal causal driver of the accrual of private debt and systemic financial fragility in the years preceding the 2008 financial crash – just as it has been the build-up to previous recessions and the Great Depression (Wade, 2009). A stronger focus on alternatives to GDP, therefore, can be seen as emancipatory socially, environmentally and economically.

It would be specious to suggest that GDP doesn’t have its merits as a macroeconomic indicator, but there is, nevertheless, a wealth of evidence to suggest that growth is not the elixir it is often portrayed to be. As the Sen, Stiglitz and Fitoussi Commission (2008) emphasised, “it has long been clear that GDP is an inadequate metric to gauge well-being over time… in its economic, environmental, and social dimensions”. The discursive obsession with GDP can be seen as grossly disproportionate, and perhaps even counter-productive, in enhancing wellbeing.

Post-growth advocates are keen to emphasise this research in order to further their proposition that the end of growth need not mean the end of increases in the overall wellbeing of the population. Juliet Schor (2011), for example, maintains that “the route to lower impact does not require putting on a hair shirt. Nor does it entail making consumption less important… Living sustainably… doesn't mean we can't have fabulous clothes, low-impact electronic gadgetry, great local food, and a more leisurely mode of travel”.

It is certainly the case that economic policy-making in the post-industrial world has in recent times largely been carried out in a technocratic and quasi-scientific manner, with the perfunctory pursuit of growth the *modus operandi* of economic policy-making. Economic management has been depoliticised and co-opted by economists beholden to a simplistic but influential *a priori* assumption that GDP growth is synonymous with progress. It is this mainstream conflation of GDP with ‘progress’ – a residual relic of a bygone and less affluent age when enhancing the disposable income and consumption of citizens certainly was strongly related to improving the lives and welfare on the populace – which underpins the drive for economic growth. In less affluent countries today, such an assumption is likely to still hold true. However, in post-industrial countries this is clearly flawed. More so than ever, the ideas we hold about development are “sacrificing populations and their concrete, local well-being on the altar of an abstract, de-territorialised well-being” (Latouche, 2009: 31).

## 4.3 - The uneven development of the ‘political economy of post-growth’

From this critique of GDP as an inadequate measurement of socio-economic progress, aligned with the ecological understanding of the effects of economic growth, post-growth theorists such as Daly (1990), Jackson (2009), Latouche (2009) and Simms (2013) propose a bold, radical vision of change. The post-growth literature is of course not a homogenous body of scholarship, but in terms of both critique and policy proposals, there is much that binds these authors together.

In place of growth and the economic concepts affiliated with it (such as productivity and competitiveness), post-growth theorists (broadly speaking) advocate various forms of economic re-structuring based on the virtues of altruism, community, sharing and sustainability. Jackson (2009), Barry (2012) and Simms (2013) particularly enunciate a thematic focus on tackling consumerism and inequalities, pursuing more substantive macroeconomic goals than GDP such as wellbeing, localising production and consumption, resisting the commodification of nature, a reconfigured work-life balance so that people would enjoy more leisure time and abandoning the infatuation with labour productivity.

Many aspects of the post-growth agenda have already been pursued (or paid ‘lip service’ to) in mainstream politics. The aforementioned broadening of governmental metrics in order to obtain a more statistically nuanced picture of ‘progress’ is the obvious example. Another example would be the move to greater amounts of leisure time; which has been trialled for municipal workers in Gothenburg where there are ongoing experiments with a six-hour day (Gee, 2014), and in the Netherlands and in Utah where four day weeks were introduced (primarily in the public sector but also in banking) as a cost-saving measure in the midst of a recession (Simms, 2013: 393). In these specific cases, decreasing the length of the working week has thus far appeared to boost worker happiness, lower absenteeism and lower carbon emissions due to a reduction in time spent commuting (Simms, 2013: 393). Those aware that in the UK’s forced experiment of the three-day working week in 1974 and 1975 total production fell by only 6%, may also wonder about the extent to which productivity will fall under such conditions (Simms, 2013: 394).

Bilancini and D'Alessandro (2012) calculate future trends in a host of variables (which, importantly, included only consumption, leisure and social capital) and conclude that a Steady State Economy or even de-growth need not harm human welfare. This is a conclusion which speaks to the much recited post-growth message that this economic path need not be a ‘hair shirt’ one.

Interestingly, higher levels of public expenditure also seems to be a component of the new economic settlement proposed by post-growth theorists. Tim Jackson (2009) argues that higher levels of public expenditure should be encouraged as Western societies make this transition as it would facilitate the stabilisation of GDP at presently existing levels; arguing that consumption can be replaced in its importance by increased investment, even in standard economic models (Jackson, 2009: 138).

Peter Ferguson (2013) in his article, ‘post-growth policy instrument’, also gives an interventionist state a prominent role in his vision of a post-growth economic system. He proposes a set of policies which would lessen the need for growth, and ‘public sector expansion’ is amongst them. Conforming to the norm of the literature, Ferguson proposes the expansion of the state without accounting for post-growth state’s circumscribed fiscal capacity spelled out in this analysis. The focus of his analytical attention, as is typically of the literature again, is on the economic implications for the private rather than the public sector.

Peter Victor (2008) is another who promotes a greater role for the post-growth state in ensuring macroeconomic stability. Victor (2008: 183) addresses one of a series of modelled scenarios (in which the end of growth is combined with high levels of government investment and a favourable surplus trade balance) to argue that “slower growth, leading to stability around 2030, can also be consistent with attractive economic, social and environmental outcomes: full employment, virtual elimination of poverty, more leisure, considerable reduction in GHG emissions and fiscal balance”. Victor argues that it is only such a scenario – of an economy with high government spending a favourable trade surplus – that can achieve such attractive outcomes in a post-growth context; offering an appealing – if not universalisable – alternative to those countries capable of achieving such criteria.

The appeal of the post-growth literature, therefore, is clear. Numerous aspects of what post-growth authors advocate are not only attuned to the science on the severity and implications of climate change but also to a critique of a society which is obsessed with growth, materialism and work. A society which is exploitative, high-carbon, consumer-centric and liable to intensify stress and various forms of mental health illnesses.

Yet, whilst the analytical premise of the post-growth literature may be correct that environmental sustainability can never co-exist with *ad infinitum* economic growth, scholars should remain extremely wary of the nascent and under-developed post-growth economic system proposed because of it – or at least the self-confidence with which post-growth authors present it. Daly is right to contend that our fixation with economic growth is a fairly recent phenomenon – pointing out that “mankind has, for over 99% of its tenure on earth, existed in conditions closely approximating a Steady State Economy” (Daly, 1977: 18) – but this temporally specific phenomenon has been politically and economically normalised to such an extent that the entirety of Western economics is now geared towards it continuation.

As Barry (2012) and Cato (2010) observe, the capitalist economy is now structured in such a way that it demands permanent growth. Either an economy grows – leading to environmentally unsustainable forms of material prosperity – or it fails to, leading to panic, job losses, debt and receding investment *inter alia*. How then do the left operationalise a post-growth economy that conforms to neither of the aforementioned patterns? What would such an economy look like?

As Jackson (2009: 123) himself concedes, the major problem with post-growth macroeconomics is that, although it promises to take into account important external trends typically ignored by other economists, we practically have no means of modelling how “common macroeconomic ‘aggregates’ (production, consumption, investment, trade, capital stock, public spending, labour, money supply and so on) behave when capital doesn’t accumulate”. Nor do we have models which can “account systematically for our economic dependency on ecological variables such as resource use and ecological services” (Jackson, 2009: 123). Victor (2008) attempts such a task and the vast majority of his envisaged potential scenarios seemed to promise only catastrophes of various kinds.

The post-growth scholarship acts as powerful and timely critique upon growth-centric economies and their limitations and contradictions, but its theorising on an alternative political economy is far less convincing. How, for example, would inflationary pressures (which tend to relate to exogenous factors such as the price of oil) be managed in a post-growth economy? Would interest rates still be used as a tool of controlling inflation in spite of its ostensible incongruence with an economic system which is no longer attempting to accumulate capital? How are we to think about debt – both public and private – under such conditions? How is growth to be maintained in the so-called ‘Global South’ as the pursuit of growth is wound down in the ‘Global North’? How is post-growth to be managed in the likely scenario that there is less than total international coordination across states in the ‘Global North’ in the transition to post-growth and what consequences might this have? What are the consequences of this for currency exchange rates particularly in an age of rising oil prices? What would currency volatility mean for global trade? What are the mechanisms by which growth is to be suppressed in post-industrial countries? How confidently can we project private sector investment and employment in the transition to a post-growth society? These questions, and the paucity of the answers to them in the literature, demonstrate the uneven and inchoate development of the post-growth literature.[[30]](#footnote-30)

As Matthew Paterson (2000) argues, the structures of the contemporary global political economy prevent policy-makers from taking substantive action on the central locomotives of environmental degradation (as well as remain complicit in driving the processes of ecological degradation forward). The global economy, as it is structured today, demands forward momentum for its stability. It is not simply a “drug” (Paech, 2012) or an “addiction” (Jackson, 2009) as some in the post-growth movement would have it. Indeed, this is why the growth has for so long been seen as a panacea. This is why the state has for so long supported the conditions through which capital accumulation could take place.

Currently, post-growth economics offers an understandable reaction to the excesses and injustices of the dominant economic system rather than a ripened alternative framework of economic governance. It attempts to draw intellectual strands from the discourses of social democracy, socialism and the wellbeing movement, in a way reminiscent of Voltaire’s Dr. Pangloss character’s vision of the ‘best of all possible worlds’. However, currently no comprehensive or coherent ‘political economy of post-growth’ (or of a post-growth transition) has thus far been cultivated.

The need for some sort of ecologically literate macroeconomics is self-evident if progressives accept or are even willing to countenance the plausibility of the post-growth proposition that ‘green growth’ is an oxymoron and irreconcilable with environmental sustainability. The post-growth literature is still beset by ambiguities and areas of theoretical under-development. However, arguably the most significant elephant in the room in the post-growth discourse is not any of the questions noted in the last paragraph. The biggest unacknowledged consequence of the post-growth policy approach – and the one most directly germane for the purposes of this chapter – relates to the effects of the end of growth on the capitalist state.

For economic growth *has* enhanced and will continue to enhance welfare in at least one very important respect – even in affluent post-industrial countries. It has funded the expansion of the institutions of the state; including the welfare state. The post-growth literature can be considered inchoate in many respects but nothing can be considered quite as substantial as the continued omission in the literature that the end of growth places severe fiscal pressures on public spending and public welfarism.

## 4.4 - The fiscal pressures of the transition to post-growth

The scholars associated with the post-growth movement have, therefore, offered a remarkable vision of economic change rooted in a critique of, and challenge to, orthodox economic assumptions and strategies, and the *a priori* fixation with GDP growth. Yet beyond this timely critique, post-growth macroeconomics as a framework of economic governance “still remains to be built” in the words of Chancel *et al.* (2013: 5). Various policy spaces remain nebulous or entirely unaddressed. If post-growth economics is to be a capitalist system, as Jackson, Daly and Victor suggest, then far greater theorising is required upon the institutions and structures necessary for ensuring socio-economic stability. Particularly for the purposes of this thesis, the relationship between post-growth economics and a robust state and welfare regime is unlikely to be as cosy as implied in this literature. The elephant in the room is that any transition to post-growth entails the suppression of economic activity – and thereby *taxable* economic activity. The transition to post-growth consequently implies lower tax receipts and a circumscribed fiscal capacity for state actors.

As Wolfgang Streeck accepts in his essay ruminating on the dynamics upon which the next wave of growth were going to be based, economic growth “is nearly always ‘good’ for the state… because it can only tax services that are monetized” (Streeck, 2012). This is why the state “has a strong incentive in its own interest to encourage the dynamism and the profitability of private individuals and private companies” (Gamble, 2014). Any reduction in profits or economic activity – for this is what GDP is broadly a measurement of – will inexorably reduce the income of the state. The downward fiscal pressure this would place on the institutions of the state and the welfare state in any capitalist system is axiomatic.

Victor (2012) goes the furthest in acknowledging that low growth, no growth and de-growth would impact upon the public finances (and presents graphs of these various scenarios on the topic), but fails to offer any analysis on the wider political implications of this either for the institutions of the welfare state or any other area of government expenditure.

The expansion of post-industrial welfare states in recent decades – primarily driven by demographic pressures which have increased the costs of public pensions and public healthcare – have been aided immensely by the expansion of the overall economy, which has allowed policy-makers to evade the choice of either dedicating ever greater state resources to the welfare budget at the expense of other areas of state spending or to raise taxes ever higher in order to meet the costs.

In the UK case, the Office of Budget Responsibility (OBR) has forecast that current trends of escalating welfare expenditure are set to continue (again, principally due to demographic pressures). They forecast that between the 2017-18 financial year and the 2062-63 financial year, state pension costs will rise from 5.8% to 8.4% of GDP, health spending will rise from 7% to 8.8% of GDP and long-term social care costs will rise from 1.3% to 2.4% of GDP (OBR, 2013: 8-9). It should be emphasised here that these OBR projections are based on assumptions of a sustained increase in the size of the economy! These estimates show moderate increases in cost but only in comparison to an economy which they forecast to be growing as well. The relative price effect raises some profound distributional questions even in a context where growth can be optimistically anticipated, and so dealing with these expanding costs in a post-growth framework where stark limits are inexorably placed upon the tax take seems an incredibly formidable challenge.

Peter Taylor-Gooby is right to submit that in the hypothetical context of constant economic expansion in the forthcoming decades, managing the costs of the welfare state requires extra resources but is “not insuperable” (Taylor-Gooby, 2013: 75). Following on from Esping-Andersen’s (1996b: 14) belief that for most Western economies demographic change can be managed effectively through simply achieving 0.5% to 2% growth per annum, Taylor-Gooby believes that sustaining existing welfare commitments would require increases in state spending of only around 0.4% of (expanding) GDP each decade (Taylor-Gooby, 2013: 105).

There is a reciprocity principle in that services have been funded through hypothecated taxes. In the case of pensions for instance, citizens pay as they earn and then later receive a pension. Such a principle is not rendered impracticable by post-growth alone, but it is already the case across the post-industrial world that projected contributions are being polarised from projected pension expenditures due to demographic burdens[[31]](#footnote-31). Without economic growth, financing these pre-exiting welfare commitments seems exorbitant.

In fact, the fiscal position of some states may be even worse than the projected increased costs of welfare alone suggest. The corollary of restricting (taxable) economic activity is that severe limits would be imposed upon the state’s tax income, and it is important to remain aware that many states are not running balanced budgets going into such a transition. The vast majority of states in the post-industrial world are already running budget deficits, meaning that tax income is lagging behind expenditure, as the graph below demonstrates.

Figure 9

Source: OECD, 2015b

These budget deficits seems to suggest that even *current* levels of public spending would be rendered unsustainable if GDP growth were to stabilise at current levels! Of course, if de-growth strategies were deemed necessary than the budget deficits would *ceteris paribus* worsen further.

This means that in those countries that have routinely run budget deficits in recent years, not only is future welfare spending predicated on economic growth but current levels of welfare spending are based on assumptions of future growth as well! Consequently, it is not only future public sector expenditure commitments which would need to be brought under control, but even *present* levels of public expenditure which may be seen as fiscally unsustainable when circumscribed by post-growth expectations.

Of course, the budget deficits being run today are only of limited importance here because the transition to a post-growth economy would be a very iterative process over several years if not longer. But the above graph illustrates a critical point. *Ceteris paribus* the budget deficits currently being run by the state – partly due to the relatively high costs of social protection in times of recession – would be severely questioned by a transition to a post-growth framework[[32]](#footnote-32).

Indeed, it would be salient to historicise the public finances here to demonstrate just how common it was for many post-industrial states to run budget deficits even during the ‘boom years’. Keynesian theory would prescribe the running of budget deficits exclusively in times of recession, but instead, accruing a lower tax income than the level of total managed expenditure has become a common characteristic of several government in the last 20 years.

Figure 10

Source: Data taken from the World Bank (2015c)

As the above graph demonstrates, budget deficits were not uncommon even before the financial crash of 2008. This hints at a longer-term issue with the public finances that feeds into Schumpeterian fears about a fiscal crisis of the tax state (Schumpeter, 1918).

Particularly (but not exclusively) in times of economic downturn, welfare spending, state spending and budget deficits can be justified within a Keynesian framework by appealing to concepts such as ‘macroeconomic stabilisers’, ‘counter-cyclical spending’ and ‘the multiplier effect’. In other words, current state expenditure can be seen as temporarily high spending designed to revive the locomotives of growth through demand stimulation and capital investment projects. Budget deficits can, thus, be remedied by the budgetary surpluses of a future economic boom – allowing the state to smooth over the business cycle.

However, in an economy which recognises the complications and problematic character of contemporary economic growth it is more difficult to see budget deficits in such terms; even if they are partly tolerated in order to finance a series of clean energy infrastructure projects as part of a Green New Deal. The end of growth involves challenging the business cycle and thus fundamentally problematising the idea of counter-cyclical spending (or at least *the level* of counter-cyclical spending) that can be neutralised by future budgetary surpluses.

If the transition to post-growth does indeed mean making a return to an era of balanced budgets, a host of post-industrial societies would seemingly have to undertake some significant reforms to current levels of expenditure in order to put the public finances onto a more sustainable footing; and this is before we take into consideration the additional welfare costs reaped by a post-growth society. In a scenario of a post-growth transition, post-industrial states could no longer afford to be as comfortable with running budget deficits as they have been in recent decades.

This of course applies not only to present or future budgetary deficits, but also the public debt which has been accumulated through the budget deficitssustained since the financial crash (and earlier). This debt had been accumulated on the premise that future growth would allow us to view contemporary budget imbalances as fairly benign in the long-term as economic expansion would take much of the responsibility for reducing the debt-to-GDP ratio; assumptions which may seem more contentious now than they did then.

It is difficult to disagree with the numerous political commentators who have argued that the emphasis upon public debt in political discourse is remarkably overstated, and responds to the symptom rather than the cause of the financial crash (Hay, 2013; Crouch, 2012; Krugman, 2012a; Blyth, 2013). In a context where economic expansion is foreseeable, public sector debt can be steadily eroded by the eventual increase in taxable economic activity. Yet from the post-growth perspective, where future growth is seen as radically uncertain, budgetary deficits and public debt must be seen as being a more structural feature of the economy.

Accordingly, public sector debt is a serious post-growth concern as it eventually becomes synonymous with current notions of the ‘structural deficit’; in other words an estimate (based on a belief in where national economies are in the business cycle) of the level of public debt which will not be eradicated through a return to ‘normal’ growth levels and will thus need to addressed through tax hikes and public sector retrenchment. To put it another way, if we cannot rely on economic expansion to shrink the levels of public debt, then it will only be eroded through deliberate political action. This would lead to fiscal consolidation plans far more vigorous than the varieties currently being experienced.

This would be the case even if the transition to post-growth failed to provoke the capricious and potentially punitive reactions of the financial markets and the credit ratings agencies, who could potentially heighten the cost of borrowing. The severity of such outcomes is contingent largely on the extent of international coordination, but we should bear in mind that the reactions of the financial sector could well compound these fiscal concerns in countries where a post-growth transition does occur.

Bringing down the level of public debt in a post-growth economy is possible, but public debt represents a significant proportion of annual GDP, as the below graph illustrates.

Figure 11

Source: data derived from OECD (2015c)

Whilst it is possible to continue reducing levels of public debt in a post-growth economy it can only be done through prioritising debt repayments within the public budget, and this would seem to be extremely difficult to operationalise alongside a commitment to maintaining the entirety of the current welfare budget.

When a more environmental and holistic understanding of the current political economy challenges is adopted, it is clear that it is far more difficult to rationalise a conventional Keynesian response based on re-animating environmentally unsustainable dynamics of economic growth and counter-cyclical spending to be remedied by future budgetary surpluses. If this contention of the post-growth literature is accepted as a starting point then we must acknowledge the irony that, in the long run, Keynesianism is dead.

The public finances of future years are subject to an incalculable myriad of unintended consequences and the unpredictability of agential decision-making in the political and financial arenas. However, even with these caveats in mind it is axiomatic that the end of economic expansion that more stringent structural constraints will be placed upon public spending. With the existence of such significant budget deficits in the post-industrial world, post-growth seems to infer at least some state diminution and re-structuring; and welfare states, as large constituents of state spending in all of the countries under review in this thesis, will be subject to a rigorous fiscal audit. This analysis demonstrates the difficulty of any post-growth transition on the public finances and seemingly the need for some type of welfare state reform.

Indeed, the painfulness of this reform and the likelihood of welfare retrenchment highlight why for so long economic growth has been seen as the great palliative of politics. The elixir of growth can fund public sector and welfare programmes, reduce national deficits, reduce unemployment and a range of other remedial benefits. The end of growth may be ecologically necessary, but it would bring considerable headaches to policy-makers tasked with apportioning scarce (and finite) resources. These are fiscal repercussions seldom acknowledged by those promulgating a post-growth vision of the future.

I have established, therefore, that any transition to post-growth would bring about considerable fiscal constraints for the capitalist state, with implications for the institutions of public welfarism. But a rigorous analysis of the fiscal capacity of the post-growth capitalist state should not end there.

## 4.5 - The growth of welfare need precipitated by the end of growth: The strain upon public services and the widening gap in the public finances

A systematic study of the welfare state in a transition to a post-growth economy cannot stop with an analysis of fiscal constraints. It must equally take into account the extent to which the strain on welfare services will increase as a result of that transition in a capitalist society. In this section, I outline the additional burdens expected to be placed upon the institutions of the welfare state by ecological degradation and the post-growth transition itself. Only when accounting for the full extent to which the state will be tasked with mitigating additional socio-economic risks can we truly understand the strains and the dire budgetary predicament that a post-growth welfare state is likely to find itself in.

As has already been established in this thesis, the demand for the services provided by the welfare state are already due to escalate in forthcoming years due to the demographic transformation of the post-industrial world. Ageing societies are due to come at some considerable cost for the pensions and healthcare budgets particularly. A great deal of analysis has already been conducted on the issue of how to manage the additional costs brought about ageing societies in recent years, but in the context of a post-growth transition demographic change would only be one of a confluence of factors to take into consideration.

Firstly, the processes of climate change will have significant ramifications for welfare need. The exact consequences of climate change remain uncertain and its effects will undoubtedly be more pronounced in countries situated around the equator (at least at first). However, as the Fifth Report of the IPCC emphasised upon its release in March 2014, “no one will be untouched by climate change” and its effects will be “pervasive, severe and irreversible” (IPCC, 2014). The report projected increased risks of flooding, storm surges, droughts and heat-waves; and as a result it also forecasts violent conflicts, food shortages, resource scarcity, climate migration, extinction and infrastructure damage (IPCC, 2014). These are phenomena which would rippling effects across the world. In post-industrial countries, food shortages and drastic price rises may be triggered by the disruption of global supply chains, particularly those linked to the food and fuel industries, and the increasing scarcity of a variety of resources. The nature of contemporary global food supply chains is already precarious, with Walmart claiming that 95% of its fresh produce is at risk from the consequences of global warming (Confino, 2014a). The pricing mechanism will of course ensure that it is the poorest who are hardest hit from any episode of resource scarcity. Moreover, as Cahill (2002: 14) and Meadowcroft (2008) points out, the poorest are also less likely to possess adequate insurance or be able to escape areas affected by environmental catastrophe; with the fallout of Hurricane Katrina held up by Meadowcroft to instantiate this point. Therefore, climate change may well impact upon everybody in some way, but it is the poorest who will be most precariously positioned to withstand the shocks and vulnerable to ecological risk; and thus it must be expected that greater welfare need will result from these trends.

More indirectly, the strains on the welfare budget will be exacerbated by the policy actions necessitated by attempts to mitigate climate change and resource depletion. These will in all likelihood include flat-rate environmental taxes on carbon and consumption – policies typically advocated by the post-growth movement – which regressive effect the poorest the hardest (NEF, 2011b; Gough, 2013). Taxes such as these can be seen as necessary to rein in carbon output and resource usage, but they will simultaneously squeeze the incomes of low-earners, many of whom will already be claiming some forms of state assistance in order to make ends meet.[[33]](#footnote-33)

In terms of the post-growth transition itself, this is also likely to generate welfare need in a plethora of interconnected ways. Most obviously, it should be anticipated that in endangering and suppressing the profitability of various industries the transition to post-growth is likely to threaten private sector job creation (particularly in carbon-intensive industries). This issue has been most rigorously addressed by Victor (2012), and his conclusions should pose a grave concern both because of its implications for the welfare budget and for the wellbeing of those involved. The post-growth literature does not ponder extensively upon the institutional mechanisms by which economic stability will be secured, and so it is difficult to forecast precisely what private sector activity we would see or what forms of welfare need would be generated by it. The volatility of private sector activity in a post-growth transition certainly cannot be quantified here with any degree of confidence even if it needs to be accounted for[[34]](#footnote-34). All we can predict with any confidence is that socio-economic risks would escalate in a post-growth transition, most notably in terms of employment and income support. In such a context, the bifurcation of welfare need and tax income would ostensibly go far beyond Joseph Schumpeter’s fears.

The implications of post-growth for public welfarism, moreover, will be compounded by the implications of all this for the private provision of welfare; something which should not be overlooked at this juncture. It is not only the public sector provision of welfare which would suffer in a post-growth transition. Two forms of private welfare provision would also be problematised by the end of growth; private pension funds and the continuation of ‘asset-based welfare’.

Private pension funds are reliant for their wealth accumulation on available channels in which their capital can be invested profitably. Various channels may still be open to pension funds in some low-carbon sectors and internationally[[35]](#footnote-35), but opportunities for capital to accumulate would be far more limited than at the current time. This would mean that citizens relying on private pensions to supplement their public pensions could suffer as a result of this transition; with consequences both for those citizens and the burden on the state to deal with this welfare need.

The second form of private welfare provision that would be stymied by this proposed transition to post-growth would be, what has been termed, the asset-based welfare model. Asset-based welfare is a concept denoting the wealth that has been generated by rising asset prices (particularly in the housing market) and its role in facilitating the shift in responsibility from the state to the individual investor in the provision of welfare in old age. The promotion of what has been termed asset-based welfare, particularly in the liberal economies of the US and the UK, is broadly speaking an attempt to incentivise citizens to acquire appreciating assets as forms of investments, which they later have the option to liquidate in order to fund their needs in old age. The 2008 financial crash and recession has belied this model of provision in recent years, but a post-growth transition would presumably stymie this form of provision on a more permanent basis. In the context of an ageing society, modes of private welfare provision had been seen in recent years has increasingly expedient flanking mechanisms for public welfarism in a period where its generosity was being reined in; but these modes of private provision themselves are contingent upon stable and predictable levels of growth.

Finally, if it is the case that a post-growth transition provokes some degree of state retrenchment, the aforementioned developments and the invidious cutbacks in public expenditure (in the welfare budget and elsewhere) may precipitate dangerous, circular feedback loops adding strains upon the state’s provision of unemployment insurance, income support and housing benefit (amongst other entitlements).

The aforementioned pressures upon welfare services are difficult to predict or quantify with any confidence as there is little precedent historically for such profound ecological or economic changes (at least in the post-war era of robust welfare regimes), yet it must be anticipated that a variety of additional costs to welfare states (to differing extent internationally) will be accrued. As such, there seems to be a prospective, and widening, funding gap in the welfare budget; with greater welfare need on the one hand and fiscal constraints for the state on the other.

The need for more state spending in other areas of the public finances (in addition to the increased costs of welfare) seemingly compounds the welfare funding gap of a post-growth state. The importance of a robust welfare state to address the direct and indirect effects of climate change and the post-growth economic transition is reflected by the broader demands for an expansion of state capacity in an era of scare resources and environmental degradation. As Helm clarified, climate change “implies a massive intervention in the resource allocation in the economy, and hence a much bigger role for the state” (Helm, 2011: 523). Jeffrey Sachs argues that for a green economy “we will need large-scale public funding of research, development and demonstration projects; intellectual property rights to promote rapid dissemination to poor countries; and the promotion of public debate and acceptance of new options” (Sachs, 2008: 40). Giddens contends that the state needs, once again, to become more proactive in economic planning in order to set objectives and targets, manage risks, guide industrial policy, realign prices, and neutralise negative business activity (Giddens, 2009); a sentiment echoed by Gough’s working group for *The British Academy Policy Centre* (Gough, 2011b: 53-4) two years later in the report ‘Climate Change and public policy futures: New paradigms in public policy’.

A larger and more interventionist state will be needed particularly if the private sector remains stubbornly opposed to financing a range of low-carbon capital investment projects; for example, in the energy sector. A range of low carbon capital investment projects are required if post-industrial societies are to make this transition to sustainability and the private sector cannot be relied upon to finance it (Bailey, 2014).

The calls for additional expenditure in competing government budgets mean that this welfare gap is not easily remedied. This poses severe distributional questions and places pressure on policy-makers to enact some types of reform. These are reforms which will be haunted by pre-existing inter-generational and intra-generational inequalities. Although the counter-factual example of similar generational populations and minimal inequality would still have prompted challenges, it would have been far easier if reform would not have threatened to be quite so painful.

This analysis should demonstrate that economic growth is not simply an “addiction” (Jackson, 2009), a “drug” (Paech, 2012) or a “spell” which our civilisation finds “enchanting” (McKibben, 2009) as it is depicted in the vast majority of the post-growth literature. It is presented as optional in the post-growth literature, as if the broader implications of a post-growth shift were an almost entirely psychological leap. Instead, the present economic and political structures are both geared towards, and contingent upon, economic expansion for its stability. This is not just for the sake of providing increasing tax revenues in order to service growing welfare need, but also as concerns the motors of production and tackling inequalities through the formulation of inclusive growth models; factors which potentially contribute to welfare need.

John Barry (2007; 2012) has advocated the concept of ‘economic security’ as a policy goal to supplant economic growth in political discourse. Framing economic issues in terms of security instead of growth would be a laudable direction, but how can economic security be realised in such a post-growth transition?[[36]](#footnote-36) How can the lives of the poorest and most vulnerable be protected from this cacophony of socio-economic forces, the retrenchment of the state and the onset of ecological degradation simultaneously? Almost certainly a great deal of redistribution would be called for to offset all of these effects, but (to foreshadow chapter six) to what extent is are the conventional redistributory mechanisms of the capitalist state capable of achieving this in the context of a post-growth transition? Or are more radical measures necessary in such a context? Certainly the implications of post-growth, not only for the private sector but also for the often-neglected public sector, demand an almost unprecedented level of state intervention just at the moment when the state’s capacity is being circumscribed.

Therefore, the onset of climate change and the mitigation and adaptation policies undertaken to tackle environmental unsustainability, not only heralds a tumultuous period for the most vulnerable individuals and communities in post-industrial societies but also ostensibly presents a prospective funding gap within the public accounts. As Chancel *et al*. (2013: 62) put it “weak growth makes social protection reforms all the more necessary and all the more difficult”. Welfare states are unpropitiously on course to consume ever greater public resources *ceteris paribus* whilst simultaneously experiencing a restriction in the fiscal capacity of the state to respond to welfare need. The post-growth literature has not yet systematically engaged with the corollaries of its position for the state. Weaning ourselves off growth in order to mitigate climate change seems to constrict the fiscal capacity of the state precisely at the moment where the state is required to adopt a more interventionist approach for the purposes of climate change adaptation.

The transition to post-growth, therefore, acts as a catalyst for a growing funding gap in the public finances. This funding gap seems to demand the implementation of far-reaching cuts to public expenditure, and in all likelihood this would include the areas of welfare expenditure. Indeed, the end of growth – if it is to be done within the parameters of capitalism – seemingly necessitates some invidious degree of public sector and welfare retrenchment. This is tragically ironic for progressives who have long resisted the emaciation of the public sphere.

This funding gap brought about by post-growth does not alone spell out the inevitable demise of public welfarism, but underlines the importance of a political and economic transformation more radical than is currently being openly countenanced in the discourses of the those in the post-growth movement who remain deferential to the capitalist institutional framework.

## 4.6 Green Politics and the Welfare State

It is difficult, then, to continue rationalising welfare expenditure in terms of its contribution to growth; and this points to a deeper set of tensions between economic and environmental imperatives. The few authors who have explored the relationship between the welfare policy and the environmental crisis have tended to rationalise state welfarism in terms of social justice rather than growth, but importantly are also inclined to challenge the analytical centrality of the state when deliberating how best to meet social needs. This work can be seen as being particularly relevant here. Specifically this is the work that has been conducted on ‘green social policy’ or ‘green welfarism’ and is primarily associated with the scholarly Michael Cahill, Tony Fitzpatrick and John Barry, as well as the publications by the New Economics Foundation.

The authors in this field are sceptical of the dominance of the central state and the market as modes of meeting social need. This is based upon a critique of traditional welfare measures as being overly-bureaucratic, top-down, ill-suited and unresponsive to local needs (Hirst, 1994: 6; Fitzpatrick, 1998, Cahill, 2014). It has also been criticised for treating welfare recipients as clients rather than as citizens (Fitzpatrick, 2011: 64). Therefore, the authors associated with the ‘green social policy’ scholarship do not presuppose the state as the provider of all welfare services and instead support local, non-statist approaches wherever possible.

Cahill and Fitzpatrick (2002: 470) stated that “the environment is not another topic than can be added to those which constitute the welfare state: personal social services, health, housing, education and social security. Rather, all these areas have an environmental dimension and, as Agenda 21 claimed, are part of what we mean by sustainability. Similarly, a focus upon environmental issues forces us to rework our notions of welfare”.

Two approaches to tackling welfare need are continually promoted by this literature. The first is the value of those ‘preventative’ means of tackling ill health. The second is the welfare services that could be provided by the ‘social economy’ – in other words by non-monetary, reciprocal relationships developed in local communities – instead of by the state or market.

Firstly, the preventative healthcare approach focuses its attention ‘upstream’ on tackling the unhealthy and unsustainable lifestyles in the western world in ways which highlight the interdependencies between social policy and environmental policy (Gough, 2015). One example of this is by promoting the health and ecological benefits of cycling rather than driving a car and facilitating it through building cycle lanes (Cahill, 2014: 480). Preventative solutions are particularly apposite in the area of mental health (Jenkins *et al*. 2008; NEF, 2013b). Another might be retro-fitting homes in poorer areas so that energy usage can be cut whilst lowering the cost of monthly energy bills (Jenkins, 2010).

It is in the area of healthcare where preventative measures are touted as being the most valuable. Glenda Verrinder (2011) argued that “a prerequisite for human health is a healthy ecosystem” (Verrinder, 2011: 202), and that an equitable health policy would need to cut across a variety of traditional policy sectors, including transport and labour market regulation, if it is to protect the health of the planet an citizenry.

Cahill argued that facilitating lifestyle changes should also be considered to be a key part of child obesity. He stated that “there is overwhelming evidence that children do not get enough physical exercise in their daily lives. The dangers from traffic, combined with the increasing attractions of screen-based entertainment in the home, have undoubtedly played their part. Reduced physical exercise can have worrying health consequences, such as obesity but also susceptibility to diabetes and other long-term conditions” (Cahill, 2014: 479-480). Cahill also preaches the merits of staying physically active for improving the wellbeing and quality of life of older citizens.

Meanwhile, Anna Coote of the New Economics Foundation has been propounding these ideas and preventative measures played a central role in her vision of a ‘new social settlement’ to revise and renew the welfare settlement devised by Beveridge in the post-war era (NEF, 2015a). Coote has long been a prominent supporter of ‘natural solutions’ (NEF, 2012b) and ‘local early action’ (NEF, 2015b) in meeting welfare need.

The desire to valorise preventative measures is partly borne of a critique of the state’s welfare spending as being primarily ‘defensive’ (in that it merely mitigates the excesses of a capitalist society by focusing its attention on ‘downstream’ treatment) and for the roles it plays in supporting the growth-centric economic system (for example, through education budgets).

The second key feature of the green social policy advocacy is the idea that the ‘social economy’ is underutilised given its capacity to provide many services which address social need. These are community, kin or family networks (neither ‘for profit’ or state-managed) which are capable of meeting social need through the principles of reciprocity, altruism and community spirit. Barry and Smith (2005: 252) refer to the social economy as “a broad category (or categories of organisations: cooperatives, mutual and voluntary organisations, associations and foundations that engage in economic activity (traded or non-traded) with a social remit”. Williams (2002: 157) believes can be distilled into five key features:

* It is based on co-operative or closely-related mutual principles;
* It is based on not-for-profit principles in the sense that the initiative does not seek to expropriate a profit from its operations;
* It is private (non-public) in nature even if there is sometimes public sector involvement;
* The tasks conducted by such initiatives include collective economic activities that seek to fulfil people’s needs and wants through the production and/or distribution of goods and services;
* Relative to associations between kin, neighbours and friends, it is a formal association that provides an organisational framework for the pursuit of collective self-help activities.

They are based on relationships and exchanges between actors at the community level which are not organised by either the state or profit-making firms, in a way which embodies the ethos of ‘putting people over capital’ (Molloy *et al.*, 1998). This includes “building societies, charity trading arms, consumer retail societies, community businesses, credit unions, fair trade companies, housing associations, intermediate labour market companies, local exchange trading schemes, marketing cooperatives, mutual cooperative companies, social business, social firms, voluntary enterprises, workers’ cooperatives and so on” (Barry and Smith, 2005: 252-253). It is believed that the social economy can provide the services which will help meet welfare need. In this sense building social capacity can be seen as a way of removing some of the burden for tackling social need which the state has come to presume is its responsibility.

This is related to the tradition in green thinking (as well as eco-feminist thinking; see Mellor, 1997 and Salleh, 1997) to analytical differentiate work and employment. “Rather than ‘work’ being ‘equated with ‘employment’ we should recognise a broader spectrum of participative and socially valuable contributions” (Fitzpatrick, 2011: 64); and this involves a ‘revised politics of time’. In this instance to privilege non-monetised work in the realm of welfare provision. Williams (2002: 155) states that “the widespread belief in Green political thought is that the development of non-employment forms of work enable more sustainable means of livelihood to be pursued”. As Fitzpatrick (1998:13) puts it: “the employment ethic dominates, to an overwhelming extent, the political and economic debates dealing with social policy. The ethic refers to the fact that wage-earning activity in the formal labour market tends to be valued over all other forms of human activity”. According to Fitzpatrick (1998: 18) the “dominance of the state and market sectors in social policy-making is now detrimental to personal, social and ecological wellbeing”.

Fitzpatrick instead promotes the idea of ‘welfare associationalism’; a plurality of self-governing and democratic local associations which form part of an entirely new ‘mode of production’ for meeting social need (2011: 64). He critiques the ‘clientalisation’ of welfare, and believes that a democratic self-organising is called for (Fitzpatrick, 2011: 64)’ “In short green social policies seem to require a greater degree of decentralisation and the emergence of a newly empowered ‘welfare citizen’” (Fitzpatrick, 2011: 65).

Williams (2002) states his admiration for associations which provide the platform for non-monetary exchanges – known as LETS[[37]](#footnote-37) – as a social economy initiative capable of tackling social exclusion. Williams believes that LETS not only provide a ‘springboard to employment’ but also valorise work (as opposed to employment) as a form of inclusion in itself (Williams, 2002).

Green Parties across the post-industrial world also advocate the greater use of reciprocal, local, community solutions rather than statist and bureaucratic welfare programmes; aided by the residual need for defensive spending given their anticipated socio-economic reforms. The UK Green Party has a long history of advocating just this type of social welfare policy. They have openly courted the idea of ‘smaller, more caring communities’ which would ‘reduce the need for both volunteers and social workers’ (UK Green Party, 1997, 2000: SW204). In this context, the ‘role of welfare agencies would change and diminish; they would no longer carry the main responsibility for those in need’ (UK Green Party, 1997, 2000: SW204).

This dovetails with the call made by Cahill and Fitzpatrick (2002: 11) for a ‘new welfare settlement’, where ‘the state provides a universalistic framework of regulation, accountability and basic service provision, but where greater room is made for civic associations (Hirst, 1994), decentralised policy communities (Ellison, 1999) or cooperative circles (Offe, 1996) that would control funds and allow the ‘recipients’ of welfare to become their own ‘producers’ (Barry and Proops, 2000: 93-4). In short, Green social policies seem to require a greater degree of decentralisation and the emergence of a new ‘welfare citizen’” (Fitzpatrick and Cahill, 2002: 11).

Similarly, Manuel Castells’ Aftermath Project in Spain passionately advocate the creation of a series of alternative social structures by the citizenry at the local level, in response to the failures of the state and its inability to regulate capitalist forces in recent years (Aftermath Project, 2010). This activist movement does not use the ‘social economy’ lexicon, but these ideas do find a different form here particularly in terms of the creation of new regional currencies, non-monetary currencies and social solidarity networks by self-styled ‘do-it-yourself revolutionaries’. Here, local cooperative solutions are seen as a way of circumventing the reliance upon an unpopular state during a time when governments are imposing austerity measures.

These two approaches promoted by the green social policy literature, therefore, challenge the centrality of centralised state provision in meeting welfare need. In this respect, there is much the post-growth literature can learn from it when contemplating the fiscal capacity of the capitalist state during a post-growth transition. The green social policy literature instead posit the importance of returning to simple and local lifestyles so that we can nullify health problems upstream and meet social need at more local spatial scales.

However, there are limitations to solutions which ‘green social policy’ scholars propound. This is, firstly, because those who critique the state’s bureaucratic and top-down measures to meet social need tend to adopt a more positive stance towards devolving responsibility for welfare policy to local government (Cahill, 2002; Williams, 2002). Decentralisation and local government are common features of the green political tradition, or what Mellor (1996) referred to as ‘green municipalism’. This is a stance which is informed by the green commitment to ‘localism’. The fiscal consequences of a post-growth transition, though, will also have implications for local government. Indeed, as we have seen in the UK since 2010, when fiscal consolidation is deemed to be a priority local government financing is often hit disproportionately (Gainsbury and Neville, 2015).

Secondly, the idea of social need being met by the heterogeneous initiatives reared by the ‘social economy’ can be seen as beneficial in some areas but it is hardly a silver bullet. Projects designed to meet social need at the micro-level should be applauded, but we should not be fooled into thinking they represent a systematic or comprehensive alternative to the welfare provision currently offered by the state. The social economy is composed of projects which are commendable but partial, voluntaristic, informal, temporary or provisional, precarious and liable to suffer from significant teething problems. Therefore, the social economy does not constitute a viable substitute for the state in its ability to welfare need.

Furthermore, there will potentially be severe social and gender inequalities to many of these projects. This is firstly because of the ability of the middle classes to contribute to such schemes relative to the working classes given their capacity to ‘time rich’ as well as ‘cash rich’. Secondly, the identifiable trend of women picking up the slack of any state retrenchment through meeting welfare need in informal, unpaid settings does mean that the social economy carries risks of entrenching gender inequalities; which indeed what has happened since the 2008 financial crash (Karamessini and Rubery, 2013).

As much as the initiatives should be lauded, therefore, the social economy should not be seen as a silver bullet to ameliorating the retrenchment of public welfarism. These are projects which can complement state welfarism but not supplant it. The state – and state capacity – is still seen to be an indispensable component of meeting social need. Indeed, this is a point which is explicitly admitted by most scholars in the green movement. It is not only Ecological Modernisation theorists who posit a prominent role for the state (Hajer, 1995; Mol, 2002), but also Green State theorists such as Eckersley (2004) and Christoff (2005), Eco-state advocates such as Meadowcroft (2005), and – perhaps most pertinently – the scholars who theorise the post-growth state as being a capitalist one (Jackson 2009; Victor, 2008, 2012). In the sphere of party politics, the prominent figures of Green Parties are supporters of state welfare as well; indeed they have been very vocal in their opposition to cuts since the 2008 financial crash (Lucas, 2013; European Green Party, 2015).

Fitzpatrick and Cahill (2002: 13) are clear that “green social policies are not… based upon the demand that public expenditure be reduced (George and Wilding, 1994: 170). This might be the demand of free market environmentalists but other Greens are likely to support existing or even higher levels of expenditure as a percentage of GDP”. The state is still posited as a crucial provider of social needs in the green traditional of thought, including in the green social policy literature. An active state is seen as crucial not only to provide welfare services, but also in terms its capacity to support the burgeoning social economy. As (Barry and Smith, 2005: 265) clarify, “if the role and scope of the social economy are to be expanded it must be done by an active state; there is only so much that can be done through countercultural networks. The green social economy will not (sadly) emerge ‘naturally’ but will require state support”.

Accordingly, John Barry emphasises that the social economy is not being proposed in order to “take over” state or capitalist market activities. Barry envisages “a new ‘post-growth mixed economy’ which combines elements of all three” (Barry, 2012: 181). He makes it clear that “the social economy is neither a panacea for a post-growth economy, nor so unproblematic that it can simply be left alone, that is, without some degree of state (local or national) support” (Barry, 2012: 185).

For this reason, Cahill and Fitzpatrick (2002:12) – leading figures in the green social policy scholarship – believe that “greens are far better working with the grain of existing welfare systems than supporting the dismantling of those systems” (Fitzpatrick and Cahill, 2002: 12).

Therefore, the inclination to endorse non-statist, community-level solutions to welfare need does not tend to translate into support for welfare state retrenchment for the vast majority in the post-growth scholarship or the green movement more broadly, even if state spending is bound up with an environmentally-unsustainable growth dynamic. As Barry and Doherty state: “while favouring community, grassroots, self-reliant forms of welfare provision, greens generally support the welfare state and seek to reform it so that (I) it can prevent welfare and other parts of individual and collective life from being commodified and privatised by the market, and (II) it becomes more supportive of community-based modes of organisation of social, political and economic life” (Barry and Doherty, 2001: 598).

As such, there is a ‘growing acceptance of the necessity and desirability for a more ‘positive’ attitude toward the state from an ecological perspective, and the need to elaborate the potentials (and obstacles) of the ‘greening of the state’” (Barry and Doherty, 2001: 606). This ‘turn to the state’ by Greens was noted by Catney and Doyle (2011), and was bolstered in academic circles recently when the journal *Environmental Politics* produced a special issue entitled ‘Greening Leviathan? The emergence of the environmental state’. These contributors to this special issue – including authors such as Eckersley (2016) and Gough (2016) – reaffirmed the state as a ‘central object of study for scholars of environmental politics’ (Duit *et al.*, 2016: 2). For these authors – as well as those associated with the Green State concept, Ecological Modernisation, the green social policy scholarship and inclined to a post-growth transition within the confines of a capitalist economic system – the declining fiscal capacity of the capitalist state poses serious issues. Indeed, the very notion of an ‘environmental state’ or a ‘green state’ would surely be in decline as soon as a post-growth transition commenced under such circumstances.

Those green thinkers who go the furthest in promoting non-statist welfare solutions *at the expense of* state provision tend to be those confined to the more radical and utopian wing of the green movement who subscribe to profoundly transformative anti-capitalist and anarchist ideas. These are viewpoints which endorse not only non-statist approaches to meeting social need, but the radical transcendence of both states and markets as we are accustomed to conceiving of them. Emblematic of the anarchist, anti-capitalist and anti-state wing of the green movement is Murray Bookchin (1980; 1982). For thinkers of this particular strand of green ideology, the state is constituted by a set of institutions which are irrevocably bound up with the capitalist order and a legitimiser of ecological destruction (Barry and Doherty, 2001: 597). Bookchin (1980) conceptualises the state as fundamentally an unreformable instrument of domination rather than an amenable tool for meeting social aims. This tradition of thought dates back to authors such as Polanyi (1944) and Leiss (1972) who believed that the state was irrevocably tied to a project which sought to dominate nature. I shall return to this more radical position in chapter 6.

## 4.7 - Conclusion

The post-growth literature’s renaissance has been driven both by an ecological critique of growth-centric economic systems and a broad interdisciplinary critique of the social value of growth as a route of enhancing societal wellbeing. The authors associated with the post-growth literature fuse these potent critiques to pose profound questions about the future of economic growth in affluent post-industrial societies. These critiques are not disputed here. But this chapter does question the assertion that no growth will be better for wellbeing than the continuation of growth! You do not need to be a passionate advocate of *ad infinitum* GDP growth or the veracity of ‘trickle down’ economics to appreciate that a post-growth transition would produce its own idiosyncratic set of problems.

Post-growth economics is extremely nebulous in certain areas but its most significant blind-spot seems to concern the consequences of its policy approach upon the welfare state. This is manifested both through its implications for the fiscal capacity of the state and the growth in demand for welfare services in such a context. This duality places a severe squeeze on the institutions of the welfare state. The analysis presented here suggests that a welfare state of the size which citizens in post-industrial counties have become accustomed seems unlikely to be maintained in light of the fiscal constraints facing the post-growth capitalist state.

Making this transition will be problematic enough for the welfare state, even before we consider the pre-existing demographic, economic, and fiscal circumstances as well as existing levels of inequality which would complicate any reforms through raising questions of fairness and equitability. Contemplating a post-growth transition under these conditions evokes an old joke told in Ireland about the man who asks “how do I get to Dublin?” only to hear the reply of “well, I wouldn’t start from here”. This is indeed an inopportune set of circumstances in which to make such a momentous transition to a post-growth society, but the environmental crisis is such that it would be reckless to postpone whatever mitigation policies are deemed to be necessary. It is entirely understandable in this respect, therefore, that policy-makers cling on to the hope (implicitly) that sustainability needn’t require the end of growth.

The current welfare system presupposes economic growth and – if it is true that responding to ecological catastrophe means the end of growth – then this poses serious questions of the public finances. A time-lag between these tectonic economic shifts translating into welfare reform may occur (it would certain be consistent with historical trends in welfare reform[[38]](#footnote-38)) and socially necessary, but at some point these tensions need to be negotiated if the economy is indeed to be weaned off economic growth.

Tragically for those on the left, these are pressures akin to those delineated by the state retrenchment narratives often purveyed by those of the New Right. The consequences for the welfare state and the plethora of other governmental institutions seem to be dire.

As a corollary, the state’s status as *the* traditional tool (or tools) of progressive politics – as it has increasingly been in the latter half of the 19th century and 20th century – is thrown into disarray in a capitalist post-growth political economy. It is difficult to underestimate the profundity of this shift for the left.

Does this ostensible need for austerity, then, mean the left should abandon any notion of making a post-growth transition in order to defend cherished welfare programmes? This may be a seductive conclusion to reach and yet it seems entirely inadequate for managing the set of crises at hand. Not least because perpetuating current growth patterns carry (inter-locking) ramifications for welfare need and the planet, through entrenching ecological degradation as well as through the psycho-social harm inflicted by certain mechanisms of producing growth in post-industrial countries (albeit some growth models appear to be more deleterious than others).

A‘business-as-usual’ approach may be seductive but it is clear that the status quo invites ever greater socio-environmental risks and the intensification of anthropogenic climate change; with consequences for the demand placed on welfare services. As a result, it may be fallacious to advocate the pursuit of one form of sustainability over the other. If the analytical premise of the post-growth literature is correct then mainstream economic discourses and conventional modes of meeting welfare need appear to be unsustainable, and perhaps counter-productive as well. As Simms (2013: 62) so vividly put it: “economics… becomes redundant if it can rationalise an exchange that sells the future of humankind”.

In essence, this analysis seems to suggest that it too problematic to continue to pursue growth and too problematic not to. This paradox is precisely why it is so interesting to bring the post-growth and welfare state sustainability bodies of knowledge together.

The prospect of the end of GDP growth provokes a point of enormous tension between the left’s green sympathies (and its broader social critique of GDP as an inadequate measurement of wellbeing) and the left’s deep-seated tendency to view the state as the key instrument of progressive politics and meeting welfare needs. This is profoundly unsettling territory.

The question then is how progressives can forge a political direction which meets both environmental imperatives – which may imply questioning economic growth – and social sensibilities – which historically have been met through state-managed welfare policies which are financed (indirectly) by environmentally unsustainable levels of monetised economic activity.

Seemingly, progressive politics is entirely reliant on technological innovation to facilitate a ‘greening’ of growth in order to transcend this paradox. Socio-economic innovation from within the social sciences is currently not even being contemplated in any rigorous way such is the political and economic complexity of the issues related to it.

The problems encountered by combining the post-growth literature with the literature looking at the fiscal sustainability of the welfare state are highly intractable; and should be sufficient to unsettle both those who propound either the Keynesian line of argument or those propound ideas concerned with moving beyond our obsession with GDP growth.

**Chapter 5**

# The environmental unsustainability of welfare state retrenchment

## 5.1 - Introduction

The existing literature on the welfare state can be seen as highly problematic in environmental terms. If the post-growth literature’s pessimism of green growth is valid – and the existing evidence seems to suggest that it is – then the transition to environmental sustainability demands that post-industrial societies begin to wean themselves off GDP growth. This, however, brings forth dramatic consequences for the tax base from which the welfare state is financed. The paradox then between the fiscal and environmental unsustainabilities of the welfare state is palpable. Yet the paradoxes may not quite end there, for there is still much to unpack in the relationship between the welfare state and environmental sustainability. I shall explore in this chapter the direct environmental outcomes resulting from the welfare state and, conversely, the environmental consequences of welfare state retrenchment. What I will tease out is that there is an empirical and normative case for arguing that maintaining a robust welfare state (or at least some form of welfare regime) is vital in facilitating any transition to environmental sustainability (whether that includes the end of growth or not) on the basis of a threefold analysis.

What follows, then, is a chapter which brings together three distinct arguments; centred upon public welfarism’s effects on decarbonisation, its cost-efficiency, and its normative value in an age of socio-economic turmoil. These arguments will be preceded in the ensuing section by a theorising of the non-negotiability of the fiscal constraints placed upon the welfare state by a post-growth transition. Thereafter, I will firstly make the case that robust welfare states are conducive to effective decarbonisation through their mitigation of income inequality, shaping of social relations and the lower carbon footprints associated with public rather than profit-driven welfare services. Accordingly, more traditionally individualistic societies tend to have larger carbon footprints. After making this case, I will go on to argue that the current financial rationale still stands that essential services such as healthcare can be more cost-effective in collectivist single-payer models. The cost-effectiveness, that is to say the overall costs (public and private) as a percentage of GDP, of public welfare provision continues to demonstrate the limits of welfare retrenchment even within a post-growth era with its financial implications. Finally, a more explicitly normative argument can be made that both climate change and the transition to sustainability, particularly if this entails the end of growth, demand strong mechanisms of decommodification and redistribution to stave off the threat of social calamity. These three disparate arguments will be brought together in order to make the claim that it would be disingenuous to see welfare state retrenchment as somehow ‘environmentally necessary’ in line with a post-growth economic framework. Indeed, these three arguments reveal the complex relationship between public welfarism and environmental sustainability, and the necessity of questioning the non-negotiability of post-growth fiscal constraints.

This feeds into the fourth research question laid out at the outset: what are the effects of the welfare state (and welfare state retrenchment) upon efforts to tackle ecological degradation, and what implications does this have for welfare state sustainability? The central point being that although question marks hang over the financing of the welfare state when situated within a macroeconomic system such as a ‘steady state economy’ which prioritises the environmental over the economic, there is a sense in which the welfare state and environmental sustainability are more directly related. If the welfare state should be seen as a key transitional mechanism towards a more ‘green’ period in our economic history, then welfare state retrenchment can itself be seen as environmentally unsustainable just as the moment when a post-growth economic framework would place its fiscal sustainability in jeopardy. Meanwhile, even in purely financial terms, the cost efficiencies resulting from the collectivisation of public services provides the empirical foundation for an even more pertinent argument in an age of finite monetary resources. If such an argument is accepted by the post-growth movement, it would seemingly confront the literature with a further paradox concerning the environmental sustainability of the welfare state. In other words, that a robust welfare state would simultaneously be rendered essential and yet underpinned by a diminishing fiscal base.

The analysis offered here further enriches and simultaneously complicates our understanding of how welfare state sustainability should be discussed at the current time, and also challenges the non-negotiability of the fiscal trajectory which a post-growth transition imposes upon policy-makers.

## 5.2 - Theorising Fiscal Constraints

The fiscal constraints upon the state which accompany the transition to post-growth have already been articulated, but it is worth re-stating here the theoretical approach utilised in this thesis because this approach can, to some extent, inform the academic treatment of these constraints.

The theoretical framework of constructivist institutionalism certainly takes into account material conditions, such as the processes of climate change (as discussed earlier) and the fiscal constraints outlined in the previous chapter, however it also analytically privileges the role of ideas and discourse in its analysis of policy formulation. Whilst sceptical of any promulgations of ‘material *reality*’ or ‘material *interests*’ or the evocation of these concepts as the basis of policy-making; it is already established that material *conditions* impact upon the ideational construction of our understandings of ‘reality’ or ‘interests’ (Schmidt 2011). *Ipso facto* all economies making such a transition would seem to face certain fiscal constraints in terms of the public accounts which would test the resilience of welfare state architectures. Yet, whilst material factors are taken into account, a theoretical approach which privileges ideas and discourse such as constructivist institutionalism would preach wariness in regard to taking deterministically what may seem to be the unavoidable consequences of the fiscal constraints outlined in the previous chapter.

A significant role played by a range of non-material factors in constructing processes of continuity and change – ideational, discursive, institutional – both hegemonic and counter-hegemonic and occasionally made actionable through bottom-up political action, is well established in the literature on welfare state sustainability (Cox, 2001; Hay and Rosamond, 2002; Watson and Hay, 2003; Cox, 2004; Béland, 2005). Following Cerny (1995), it is important to recognise how “the spread of the discourse itself alters the *a priori* ideas and perceptions which people have of the empirical phenomena which they encounter”. Institutions meanwhile have long been seen as analytically significant in this field of research. The idiosyncratic national specificities of institutional arrangements – which can be seen as the carrier of ideas (Rothstein, 2005) – have been seen to ‘lock in’ particular path-dependencies and have allowed for a certain degree of predictability in understanding likely welfare trajectories (Esping-Andersen, 1990). More famously, Pierson (1994, 1998) highlighted the analytical significance of institutional factors in mediating the retrenchment programmes of the Thatcher and Reagan governments in the 1980s. The welfare systems on both sides of the Atlantic were modified considerably in this period (with implications for benefit stringency and conditionalities in particular), but the cutbacks were not as considerable as were eagerly anticipated by those on the ‘New Right’. The prisms established by ideas, the interactive processes of discourse and pre-existing institutions (and the dialectical interplay between them) which play a role in interpreting given material conditions and consequently informs and animates political action (Hay, 2006, 2011a; Schmidt, 2008, 2010; Blyth, 2011). Accordingly, this theory posits that scholars must not simplistically fixate on material factors alone when analysing the causal power underlying policy-making and constraints upon agential action.

In other words, although material circumstances are significant, any deductive reasoning that state or welfare retrenchment will ‘naturally’ conform to these fiscal constraints – or that welfare retrenchment will be in any way proportionate – should be strongly resisted. Fiscal constraints tend to be subject to intersubjective interpretations which are inherently ideationally and discursively constituted and thus can never be expected to perfunctorily foreshadow or prescribe political reform (Hay, 2006, 2011a; Schmidt, 2008, 2011).

Economics is profoundly discursive in that political and media actors must always produce narratives in order to make the intangible that is “the economy” understandable and politically meaningful through the selection and prioritisation of certain material facts from the complex myriad of available information. As the history of political change in the face of climate change has exemplified, ideas and institutions about material circumstances tend to play a far greater role in motivating the political processes than raw material conditions which are able to be marginalised in public discourse.

The previous chapters may have sounded funereal in tone, but we should remain aware that fiscal pressures do not tend to result inexorably (or at least proportionately) in welfare emaciation. Historically, welfare reform has not followed economic change in a deterministic manner, as instantiated by the resilience of national ‘varieties of capitalism’ in the face of the supposedly Darwinist conditions of economic globalisation which were allegedly due to force all countries to converge around an optimal ‘competition state’ template (Hay and Wincott, 2011). Such a hypothesis was erroneous in its anticipation of incremental homogeneity, and this likewise would be a politically contingent rather than a fiscally predictable path which produces a heterogeneity of post-growth political economies in the post-industrial world. It would be a simplistic analysis, therefore, to conclude that welfare retrenchment will be a ‘natural’ and internationally uniform outcome of the fiscal pressures delineated. At the very least, significant time-lag effects can be expected between political economic change and welfare outcomes, in keeping with the historical pattern identified in the literature on welfare reform (Pierson 1994, 1996, 2001, 2004; Korpi 2003).

Depicting the intractability of post-growth financial problems must, thus, not be read as the reification of another deterministic and prescriptive rationale of ‘TINA’ (there is no alternative) which legitimises and acts as a catalyst for painful state and welfare reform. A multitude of other factors will contextualise, mediate and negotiate the tensions and paradoxes posed by these fiscal constraints and profoundly shape the policy responses to them. This allows for at least three counteracting factors for our analytical purposes. Firstly, although this will be addressed more explicitly in the following chapter, it allows academics and policy-makers to be critical of the (mutable) wider capitalist structures within which these fiscal issues are located. In other words, it allows us to ‘problematise the problem’ and theoretically interrogate some of the capitalist concepts within which these fiscal constraints are embedded, such as the notion of debt (see Graeber, 2011). Secondly, it enables us to question the centrifugal nature of economic forces and the subservience of other factors such as the environment or notions of societal wellbeing (which the de-centring of GDP would facilitate to some extent anyway). Thirdly, it means that the fiscal constraints outlined in the previous chapter could be counterposed in the shaping of political outcomes by the ideas which inform discourses of resistance. Indeed, it seems to be the case that a nexus of ideas and empirical evidence already exists which promotes countervailing arguments. Most of these arguments relate to the necessity of the welfare state for reasons of social justice and tend to be promulgated by institutions such as the *Fondation Abbe Pierre* (2015) and the Joseph Rowntree Foundation (2013). The countervailing argument I will expand on in the following section of this chapter, however, relates to the necessity of the welfare state for purposes of environmental sustainability and decarbonisation. There is a wealth of evidence to suggest that, even if aligned to a macroeconomic shift which is intended to allow for a transition to environmental sustainability, any form of welfare retrenchment as a result of the consequential fiscal constraints could be entirely self-defeating.

## 5.3 - The role of welfarism in the transition to environmental sustainability

The fiscal predicament of welfare states under post-growth conditions is clear. Welfare states are financed by environmentally unsustainable growth dynamics and, subsequently, they must be deemed environmentally unsustainable by proxy if the post-industrial world does make a transition towards post-growth. In addition to this it must be acknowledged that welfare states carry significant carbon footprints (Gough and Meadowcroft, 2010; Cahill, 2002: 92-112). Environmental imperatives, and the fiscal consequences of the post-growth transition, therefore place a great deal of pressure on the welfare state. However, the relationship between the welfare state and environmental sustainability significantly negates this logic of inexorable state retrenchment. It is vital here to contextualise the narrow financial logic with the empirical evidence which suggests that welfare state retrenchment (even if aligned to an environmentally-minded macroeconomic shift towards post-growth) is extremely damaging in environmental terms. This is, firstly, because robust welfare regimes seem to be conducive to effective decarbonisation strategies.

It can be assumed that state retrenchment would not actually abolish the need for welfare services or the need for certain institutions to meet this need. Most likely, therefore, state retrenchment would lead to the individualisation and privatisation of essential services. It is noteworthy then that, on the basis of the available data, privatised welfare services tend to carry an even larger carbon footprint per capita than their public sector equivalents. A comparison between the privatised US healthcare system and the UK’s largely public healthcare provision is instructive here. Chung and Meltzer highlight that the US healthcare system is reported to be accountable for 8 per cent of total CO2 emissions, whereas in the UK the National Health Service is accountable for only 3 per cent of total emissions (SDC, 2008); a disparity largely due to upstream supply chain procurement according to Chung and Meltzer themselves (2009).[[39]](#footnote-39) This tallies with the UK government’s assertion that public services in general constitute 2.9% of national greenhouse gas emissions (DECC, 2014: 13), partly due to the impressive 42% reduction achieved between 1990 and 2011 (DECC, 2014: 21). The higher carbon output attributable to private services demonstrates the extent to which decarbonisation can be facilitated by a larger public sector less susceptible to concerns of cost-efficiency or profit and more likely to account for ecological considerations such as carbon output.

The ecological output of privatised healthcare has led some to conclude that “a free market and insurance-based healthcare system as in the US might struggle to reach lower levels of CO2 emissions such as in the UK” (Nordensvard, 2013: 69). There is, therefore, cause for concern that privatising collective public goods and basing them on a criteria even more fixated on cost and profit could exacerbate environmental degradation. Indeed, decarbonisation may be contingent upon the proliferation of the logic more associated with the public sector than the private.

However, this is only one dimension of the advantages a robust welfare state can offer to the drive for environmental sustainability. Perhaps the most significant ecological rationale for a robust welfare regime is that they possess the ability to fundamentally modify how citizens relate to each other and the planet. Large welfare states are able to alleviate inequalities and engender a stronger sense of community and the ‘public good’; all of which tends to promote decarbonisation strategies.

There is a strong empirical basis for argument that there is a strong relationship between economic inequality and environmental deterioration. A comprehensive overview of the empirical evidence demonstrating the impacts of inequality upon various forms of environmental deterioration was recently provided by Berthe and Elie (2015). They drew on fourteen econometric studies which explored the negative (to differing extents) ecological outcomes of economic inequality. There are several explanatory theories for these empirical relationships, with significant implications for how the welfare state scholarship begins to think about welfare state sustainability due to its ability to mitigate the growth of inequalities.

The core message of Wilkinson and Pickett’s *The Spirit Level* was that more equal societies perform better on a range of indices, including those relating to ecological footprints (Wilkinson and Pickett, 2009). Wilkinson and Pickett believe that there is a sense in which inequality seems to erode community spirit and social responsibility – or what Putnam referred to as ‘social capital’ – and that this is the best mode of understanding these relationships. As is widely known, Putnam highlights in his famous book *Bowling Alone* that “community and equality are mutually reinforcing… Social capital and economic equality moved in tandem through most of the twentieth century” (Putnam, 2000: 359), and notes that the widening of inequalities since the 1980s have eroded ‘social capital’ (Putnam, 2000: 359). This correlation intersects with the notion that “policies to reduce carbon emissions depend on a wider sense of social responsibility, of cooperation and public spiritedness” (Wilkinson and Pickett, 2009: 227).

Göran Therborn more recently re-articulated the argument when he stated that “increasing social distance between the poorest and the richest diminishes social cohesion, which in turn means more collective problems and fewer resources for solving all our other collective problems” (Therborn, 2014).

Tony Fitzpatrick deploys data taken from the UNDP’s Gini coefficient and the Environmental Performance Index (EPI) to argue that ‘amongst the most developed nations, the more unequal the country the less well it typically performs on the EPI’ (Fitzpatrick, 2011: 70).

The Harvard philosopher Michael Sandel theorised in the 2009 Reith Lectures that “a common citizenship so that people from different walks of life encounter one another and so acquire... a sense of a shared life” was useful in cultivating civic virtue and enabling individuals to “meaningfully think of one another as citizens in a common venture” (Sandel, 2009). It has been difficult to promote a sense of the public good or for the state to take decisive action in countries with an individualistic political tradition such as the UK or the USA, but in more equal societies with a stronger sense of civic virtue “institutions and political culture enable an interventionist state acting to promote the public good” (Gough and Meadowcroft, 2010). There are certainly a number of studies which claim that the correlation between welfarism and indicators such as trust and social capital is a causal one (Kumlin and Rothstein, 2005; Uslaner, 2008; Aghion *et al.*, 2008). This erosion of social cohesion brought about by the rise of inequality (which is, in turn, strongly related to the residualisation of welfare provision) has significant effects of environmental attitudes (Franzen and Vogl, 2013).

There is, therefore, a sense in which a welfare system capable of reducing inequality (or mitigating the growth of inequalities) and instilling a collective belief in ‘the public good’ can be effective in cultivating more environmentally sustainable behaviour in its citizens. Accordingly, research has shown that people in individualised, unequal and liberal economies tend to have higher per capita carbon emissions (Kasser, 2001) and are more resistant to environmental legislation comparison to countries in Scandinavia and the Netherlands (Dryzek, in Gough *et al*., 2008; Gerhards and Lengfeld, 2008).

Aside from undermining a sense of the public good, inequality also appears to constitute a significant barrier to instigating environmental change simply through the price mechanism. Changing prices through enacting carbon taxes (to reflect the environmental costs of emissions) is recognised as one of the primary levers available to governments hoping to encourage low-carbon behaviour, yet it has been shown that this lever is significantly less effective in unequal countries as the relatively affluent tend to be immune from price rises designed to engender more sustainable consumption patterns (Weitzman, 1977). This is known as the Weitzman paradox. More equality thus seems to aid the effectiveness of the price in prompting environmentally judicious change.

Following on from this point, the relationship between inequality and the environment is also important in terms of levels and types of consumerism. Conspicuous consumption is, of course, one driving force behind ecological degradation, and it has been demonstrated that it is citizens in more unequal countries who tend to indulge in higher levels of conspicuous, carbon-intensive and disposable consumption (Druckman and Jackson, 2009; Wilkinson and Pickett, 2009: 222; Gough *et al*., 2011). The need to ‘keep up with the Joneses’ and maintain living standards relative to social networks is often cited as a contributory factor in driving conspicuous consumption; and these are trends which are exacerbated by growing inequalities. “A great deal of what drives consumption is status competition... if we don’t raise our standards, we get left behind and everything starts to look dowdy, shabby and out of date” (Wilkinson and Pickett, 2009: 222). Indeed, this trend towards excessive consumption in unequal societies has held true even in those segments of society which lacked the disposable income to do so, where citizens when possible resorted to taking on credit secured against future income or assets. What Latouche refers to as “consumerist bulimia” (2009: 20) then is partly driven by growing inequalities and this has significant environmental effects. Mechanisms of redistribution, thus, become all the more important in the context of an environmental crisis.

There is a significant environmental argument to be made for reducing inequalities not only due to the level of consumerism but also the type. Unsurprisingly, the consumption of the most affluent carries a greater carbon footprint than those in the lower social strata (Gough *et al*., 2011; Druckman and Jackson, 2009; Gough, 2013: 192). It is clear therefore that progressive redistribution will not only be able to mitigate levels of conspicuous consumption but also engender more sustainable consumption patterns.

It seems, therefore, that both the type and level of consumerism is affected by societal inequalities to our environmental and economic detriment. Failing to establish and protect a significant set of redistributory mechanisms to address the unsustainable consumption patterns indulged in particularly by the richest in society, would not constitute a credible response to the ecological sustainability challenge. Following Wilkinson and Pickett, “given what inequality does to a society, and particularly how it heightens competitive consumption, it looks not only as if the two are complimentary, but also that governments may be unable to make big enough cuts in carbon emissions without also reducing inequality” (2009: 215). Current consumption patterns have accumulated economic, social and environmental critiques in recent years for their carbon-intensive, conspicuous and debt-fuelled character. If Western societies are to make a shift towards environmental sustainability, it is simply not an option to overlook the need to transform existing consumption patterns and current levels of inequality. The institutions of the welfare state constitute one set of mechanisms for realising this transformation.

In the face of this data, Tony Fitzpatrick poses the question: “is social egalitarianism the *sine qua non* of ecological sustainability?” (Fitzpatrick, 2011: 69).

Esping-Andersen’s answer to this question is unequivocal. He believes that “ideological predilections aside, it should be evident to all that we cannot afford *not* to be egalitarians in the advanced economies of the twenty-first century… There are inevitably basic questions of social justice involved. But there is a very good argument that equality of opportunities and life chances is becoming *sine qua non* for efficiency as well” (Esping-Andersen, 2002: 3).

Welfare states retain the capacity to act as a vehicle of reducing inequalities (or at least moderating the growth of inequalities) and cultivating this public-spirited togetherness; a stark contrast to the individualisation of certain societies in recent decades. In any attempt at reducing carbon output it would be spurious to overlook the relations between models of welfarism and the environmentally-minded behaviour identifiable in more equal societies.

We should not understate the importance of a robust welfare regime in instigating this behaviour. Several authors have argued that the welfare state inculcates ‘social capital’ or a notion of the public good (Barr, 2004; Kumlin and Rothstein, 2005; Uslaner, 2008; Aghion *et al*., 2008). Indeed, the values which underpin an effective response to climate change – altruism rather than egoism, collectivism rather than individualism, cooperation rather than competition, inter-dependence rather than inequalities, decommodification rather than the free market – seem to also promote the core values underpinning public welfarism. The interdependencies between the two are considerable.

Fitzpatrick himself stated that on the basis of the available evidence, social policies, if properly designed and implemented, have a crucial role to play in helping us ‘achieve sustainable/zero growth’ as he referred to it (Fitzpatrick, 2011: 81). Accordingly, renewing and strengthening the welfare state warrants a position of utmost importance in his (admittedly more normative) vision of an ‘eco-social agenda’. Meanwhile, Gough and Meadowcroft have speculated that “it may well be that different welfare states will prove more or less capable of arriving at effective and equitable solutions, returning us to the distinction between different welfare regimes... evidence within the developed world that welfare regimes map on to environmental regimes” (Gough and Meadowcroft, 2010). On this basis, there are claims that it is social democratic countries with more substantial welfare regimes which will more effectively be able to prioritise the reduction of their carbon footprints (Gerhards and Lengfeld, 2008). As Dryzek theorised, “social democratic welfare states and what Hall and Soskice call coordinated market economies… are better placed to handle the intersection of social policy and climate change than the more liberal market economies with more rudimentary welfare states” (Dryzek, in Gough *et al.,* 2008). Max Koch and Martin Fritz (2014) have recently been empirically verifying these claims.

The welfare state, therefore, given its ability to prioritise decarbonisation over profit in the provision of public services, shape social relations and reduce inequalities can be, and has been, effective in governmental attempts to realise more environmentally sustainable behaviour in its citizenry. Such is its role in realising decarbonisation strategies, there is already a sense in which welfare retrenchment could be seen as environmentally unsustainable, and also self-defeating as part of a post-growth economic strategy designed to tackle environmental unsustainability.

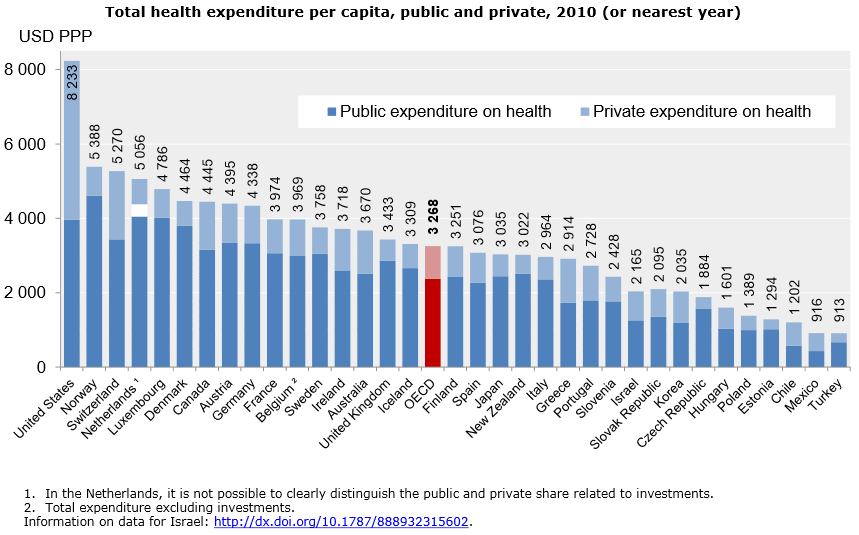
## 5.4 - Public and private welfare: the importance of examining both sides of the balance sheet

Public welfarism, therefore, is capable of facilitating decarbonisation strategies and can be seen as a set of institutional mechanisms which will allow us to use our existing ‘budget’ of ecological resources in a more efficient and equitable manner. Yet the efficiencies of a public welfare system do not end here. There is also an argument, supported by a great deal of data, which posits that privatised welfare services would also consume a greater proportion of monetary resources! The mitigation and adaptation policies demanded by the environmental crisis will contribute to the constriction of a state’s monetary resources – a situation which would be compounded by the fiscal constraints of a post-growth transition on the state – and in this context it is crucial that monetary resources are spent as efficiently as possible. Fiscal pressures upon the state may produce impulses towards retrenchment and privatisation, but when examining the overall economy there is no guarantee that privatising essential welfare services such as healthcare and pensions will actually be cost efficient.

Maintaining a myopic and asymmetrical analytical focus on public sector spending may lead us to think that any reduction in costs would be beneficial to “the taxpayer”. Yet it is clear that cutting essential services from the public sector finances will only succeed in laterally shifting costs away from the state finances towards the finances of households. These are, after all, essential services and will need to be financed by the individual if they are not paid for collectively through taxation. Rather than a way of cutting costs *per se*, state retrenchment is instead a way of shifting expenditure from the public balance sheet to the individual. As Esping-Andersen notes “if it is our aim to sustain our welfare commitments, shifting the costs to either market transactions or to familial support will not reduce the amount of additional resources that need to be mobilised. The elderly of the future may perhaps absorb less government expenditure, but that does not mean that they will absorb less of the national GDP” (Esping-Andersen, 2009: 150-151). This brings us to the important question: are these essential services more cost-effectively financed by the state or by citizens individually? In an era of constrained resources, this question is even more salient than it has been in a context of economic growth.

A comparative analysis of healthcare models is instructive in addressing this question. Taking this broader view of finances, the OECD data seems to illustrate as a percentage of GDP just how reasonable the public cost of healthcare is (OECD, 2012).

Figure 12



Source: OECD (2012)

Comparisons such as these are difficult to assess on the basis of quantitative data alone because of the varieties of provision. One of the most privatised healthcare system in the post-industrial world is that of the United States, and it is just as noticeable that the healthcare system in the United States is the least cost-efficient. Meanwhile, in the words of Richard Murphy, the UK’s largely public healthcare system is a “stunningly cost-effective supplier of high quality healthcare” (Murphy 2011a), and is far more cost-efficient than comparable nations such as Germany, France, Ireland and Australia (Murphy, 2011b). According to World Bank data, the United States spent 17.9% of its GDP on healthcare in 2012, and the United Kingdom spent 9.7% of its GDP in the same year (World Bank, 2015d).

The above data demonstrates the deceptive costs of mimicking the privatised model in the United States of America. Even in the context of their privatised system “65% of American federal non-interest spending went to health care, income security and pension programmes” in 2012 (The Economist, 2013); this is perhaps partly because treating the uninsured typically entails more expensive types of medical treatment rather than cheaper preventative alternatives.

The asymmetrical focus on public finances and the state is also palpable in the debate on pensions. In this area, an ageing society has harnessed calls for a reduction of state spending and the encouragement of private pension saving in order to reduce the strain on the state. But such a discursive framing produces fallacious conclusions, partly because private pension funds would suffer their own difficulties in the transition to post-growth and partly because privatisation does not reduce the amount of additional resources that pensioners of the future will require (regardless of whether these pensions funds are sourced from the public or private sector).

Pre-existing inequality again is a factor here. In any privatisation of collective insurance services, it is the poorest who will suffer most; a key point in an era of rising inequalities (Piketty, 2014). There is a danger that, for example, intra-generational inequalities (partly reinforced by the increasing reliance on private pensions) would see many in lower social stratas effectively priced out of market services in areas such as residential care (Thompson, 1998: 44).

Furthermore, even in the context of a welfare regime which relies more heavily on the delivery of private provision, it is still the case that the state remains the “*de facto* guarantor” of essential services (Helm, 2011: 527). As the state intervention of 2008 demonstrated, the core services of national importance such as private pension funds which are handled by hedge funds and investment banks in the private sector are effectively (but implicitly) underwritten by, and will be bailed out in critical periods of systemic crisis by, the public sector. Whilst it is difficult to quantify these contingencies in the public finances, the state’s role as guarantor would need to be taken into account under circumstances of welfare privatisation.

Examining both public and private welfare expenditure is instructive in determining if and how welfare costs can be brought down. If it is true that the fiscal constraints imposed by a transition to environmental sustainability demands some form of public sector retrenchment, it would be imprudent to ignore the substantial private costs and public sector risks which accompany the individualisation and privatisation of welfare provision.

There is a parallel here with the work of Bruce Weston (1999) in that there seems to be unanticipated financial costs that are revealed when stripping back a welfare regime to its most residual elements. This is a more environmental argument, but it is still worth speculating that the ramifications of welfare retrenchment and privatisation (as well as the effects this has on inequality and social mobility) can create additional costs for the state’s public healthcare, education and income support budgets (Wilkinson and Pickett, 2009; Therborn, 2014). Reduced state support and equality may potentially also lead to increased criminality which effectively reduces the costs of welfare but only at the expense of the far more onerous costs of incarceration (Weston, 1999).

The argument that public welfare services should be maintained because they are more cost-effective than private welfare services and thus tend to consume a lower percentage of GDP is not novel. But it is even more salient in an age of constrained monetary (and ecological resources). The question, therefore, perhaps should not be: is the welfare state fiscally sustainable? But rather, is welfare state retrenchment environmentally sustainable?

Following this analysis, there remains an ecological and financial rationale to the collective, single-payer model of welfare services; which should be taken into account when discussing welfare sustainability. Martyring public provision of essential services in order to cut costs would at the aggregate level constitute an extremely self-defeating policy direction. Substantial mechanisms of collective action can continue to be vital in keeping aggregate costs down as well as facilitating decarbonisation and protecting the poorest and most vulnerable in our societies.

If this is true, this analysis would seem to present stark limits to welfare retrenchment, even under (or perhaps because of) the crisis construal delineated in chapter two. The institutions of the welfare state constitute a powerful set of mechanisms with ecological and financial benefits. Welfare retrenchment, therefore, would seem to be environmentally unsustainable and financially counter-productive to the overall economy, in spite of the fiscal constraints imposed by environmental imperatives. This enriches further our understanding of welfare state sustainability and the paradoxes inherent within this concept.

## 5.5 - Normative progressive commitments in the midst of socio-economic risk: Inequality, decommodification and social protection

The third prong of this analysis concerns the fundamental normative case for sustaining a robust welfare state in order to decommodify market forces and protect the most vulnerable citizens in the face of increased economic uncertainty, environmental volatility and socio-economic risk. In this context, the need for mechanisms of decommodification and social protection becomes all the more compelling; particularly when considering the levels of inequality that exist heading into such a transition. The end of growth is likely to exacerbate these socio-economic risks, as it currently remains unclear how economic or social stability is to be secured if such a transition were to be enacted. If regressive welfare retrenchment were to accompany the radically destabilising processes of climate change and economic reform, it is difficult to forecast anything other than a painful (as well as potentially counter-productive) transitional period. In this scenario, social unrest and distributional questions would surely arise from considerations of social justice.

As noted earlier, pre-existing levels of income inequality and welfare need precipitated by the financial crash and economic recessions already constitute a compelling set of issues for the welfare state to manage at the present time. If existing levels of welfare need are compounded by the effects of ecological degradation, the policies designed to reduce carbon output and perhaps even the policies designed to usher in a post-growth period – and the regressive tendencies of these policies have already been noted – then the poorest face a horrific precipice that poses substantial distributional questions.

Socio-economic risks – exactly the type the welfare state was introduced to counteract – will escalate in such a scenario. Amongst other trends that could be witnessed, stagnating wages, rising unemployment in the private sector if not the public sector as well, rising inequality, rising cost of living and falling welfare benefits. Chancel *et al*. (2013) make the normative case for a far greater policy effort in a post-growth context. A low-growth society must thus redouble its efforts to redistribute wealth or improve access to essential services such as education, healthcare and pensions. Likewise, weak growth reinforces the need to reform social protection systems in order to secure their funding” (Chancel *et al*., 2013: 64).

In such a context, the normative case for a renewal of welfare state services to decommodify citizens from market forces and protect society’s poorest and most vulnerable would be compelling and of some urgency.

Strongly related is the point made by Henry Wallich, a former Economics Professor at Yale and Governor of the U.S. Federal Reserve, who was a proponent of the position that economic growth “is a substitute for equality of income. So long as there is growth there is hope, and that makes large income differentials tolerable” (Wallich, 1972). If he is right, then existing socio-economic relations would soon become intolerable under the zero-sum conditions of *pareto optimality* associated with post-growth economics.

The consensus that economic growth is a way of facilitating social mobility and expanding the resources of some in society without detracting from anyone else’s utility has allowed questions of distribution and inequality to be marginalised. However, it is more difficult to see these questions being marginalised indefinitely if post-growth were to be accompanied by an escalation of social turmoil, growing inequalities and rising welfare need. If this is true, then the welfare state has a vital role to play in the transition to post-growth in terms of ensuring social harmony and must therefore be part of the political argument for such a socio-economic transformation.

This is a significant departure from justifying the welfare state through its complicity in growth-centric development, but it could well be a necessary one. In such a context it is important to embed public welfarism in a different understanding of socio-economic governance.

Welfare states, therefore, have prominent roles to play in any transition towards low-carbon economies and their retrenchment at the current time should be regarded as environmentally unsustainable and fiscally counter-productive, as well as being contrary to the welfare need prevalent throughout the post-industrial world today. This is a very different logic than the welfare state is traditionally justified in the welfare state sustainability scholarship, but these strands of arguments could form part of the justification for public welfarism within a more environmentally-literate understanding of socio-economic governance. This is a form of governance which does not appeal to concepts such as growth, competitiveness, demand and human capital; but rather to discourses of decarbonisation, inequality, the hidden costs of privatisation and equitability. The necessity of this transformation was noted by Latouche who wrote that transcending GDP growth “does not imply abandoning all the social institutions that the economy has annexed; it means embedding them in a different logic” (Latouche, 2009: 92).

## 5.6 - Conclusion

Investigating the welfare state’s relationship to environmental sustainability therefore generates significant insights for the concept of welfare state sustainability. The fiscal pressures brought about by political action designed to counteract environmental degradation (the most severe of which would include the end of economic growth, as the post-growth movement would advocate) place the funding base of the welfare state in jeopardy, and yet simultaneously there are certain advantages pertaining to the welfare state during this transition to environmental sustainability and post-growth. Firstly, that the welfare state is able to facilitate decarbonisation strategies either directly through ‘greening’ public services or indirectly through shaping social relations, mitigating inequalities and harnessing ‘social capital’ or a notion of the ‘public good’. Secondly, that collectivising services in several key areas of welfare need remains the most cost-efficient mode of welfare provision; a key insight if post-industrial economies are to enter a post-growth period where resources are scarce. Moreover, the foreseeable accumulation of socio-economic risk precipitated by such a tumultuous economic transformation is likely to instigate a progressive renewal of resistance to any welfare cutbacks anyway. We should probably hesitate to draw strong conclusions from the above empirical evidence, but it is sufficient to force us to consider the significance of the welfare state in tackling environmental challenges.[[40]](#footnote-40) This is a dimension to the concept of welfare state sustainability which cannot be overlooked here. With all this evidence in mind, perhaps the institutions of the welfare state can even be viewed as crucial transitional mechanisms in the face of the conceptualisation of the current crisis outlined in this thesis. This of course does not mean that there is not much more to be done in terms of ‘greening’ the welfare state – and indeed more to do be done to ‘green’ the state more broadly (particularly those state bodies complicit in capital accumulation and deferential to business interests) (Eckersley, 2004; Barry and Eckersley, 2005; Meadowcroft, 2008) – only that it is important to countenance the possibility that retrenching public welfarism may be a direction which entrenches environmental unsustainability.

This analysis brings us to a great paradox for the post-growth literature. As has been outlined in the previous chapter, the transition to an environmentally-sustainable economy may rely upon a constriction of economic activity which places great fiscal pressure upon the welfare state through circumscribing the fiscal capacity of the state. However, at the same time, the post-growth transition ostensibly relies upon a mode of governance which possesses the ability to facilitate this transition and doing so in a way which minimises financial and social turmoil. The benefits pertaining to the welfare state here could constitute the empirical basis of argument which contextualises the narrow financial logic outlined in the last chapter and negates any logic of inevitable welfare retrenchment.

Just as Offe’s paradox stated that capitalism cannot live with or without the welfare state, now it appears as if the transition towards environmental sustainability cannot live with or without robust welfare states. The transition to environmental sustainability is partly operationalised by the mechanisms of the welfare state (or at least the environmental, social and financial outcomes it provides) and yet concurrently the welfare state cannot continue to be financed by an environmentally deleterious growth dynamic. It is simultaneously an essential transitional mechanism and one which the government is decreasingly able to fund.

Welfare state sustainability is thus a concept which has been developed through this analysis. The fiscal and environmental dimensions have been drawn out in previous paragraphs, but this chapter illustrates that the environmental sustainability of the welfare state cannot simply be reduced to concerns over the public finances in a transition to post-growth. Indeed, it provides another layer to the analysis of welfare state sustainability and contributes to the nexus of sustainability issues demanding analytical attention.

The traditional solutions for promoting a positive outlook for the welfare state – specifically, more growth and expenditure – can no longer be seen as environmentally acceptable, following the warranted claims and reasoning of the post-growth literature. The environmental rationale for maintaining a robust welfare state is laid out here, but this is itself problematised by the capitalist post-growth framework which has been reified largely in order to mitigate ecological degradation. So where do we go from here?

One thing is for sure, we cannot simply resort to welfare state abatement; which appears to be a harmful and counter-productive policy direction. Concerns over the fiscal sustainability of the welfare state are pertinent, but we should be equally attempting to determine the extent to which welfare state retrenchment is either sustainable in light of socio-environmental interdependencies and overall cost-efficiencies.

**Chapter 6**

# The (limited) modes of renewing public welfarism within a post-growth transition

## 6.1 - Introduction

It is important to note the intractability of the aforementioned problems for adequately addressing the welfare needs of the 21st century. Living within the ecological parameters of sustainability is a first-order imperative and it is appears unlikely it can be achieved whilst the Western world holds onto the dogma of ceaseless economic growth. At the same time, growth has been the great elixir of politics for decades and has funded welfare provision even in a time of an ageing population and the heightened pension and healthcare bills this has entailed. The end of growth would create greater welfare need for the state to deal with but simultaneously a curtailment of tax receipts and, as a corollary, state expenditure that could be deployed to tackle these welfare problems. Moreover, they are constraints which seem to rationalise a series of cutbacks which are likely to be counter-productive from an environmental standpoint. This is the unacknowledged but formidable problematique of combining the two literatures I have brought together in this thesis, as a result of mapping the concept of welfare state sustainability onto the crisis construal outlined in chapter two.

When adopting the more nuanced understanding of welfare state sustainability advocated in chapter three, it is clear that addressing unsustainability – in both its fiscal and environmental dimensions – entails severe paradoxes and certainly eludes conventional political economy logics and strategies. So where do we go from here? How can these structural constraints and paradoxes be approached and governed by policy-makers? And can they be managed in such a way which circumvents an additional crisis of democratic legitimacy whilst a ‘steady state’ or de-growth form of economics is in the cradle?

After outlining the constraints brought about by combining the logics of these literatures, this chapter will attempt to question the *ceteris paribus* assumptions, which have been set up for analytical expedience in the preceding analysis, through bringing political agency back in. This chapter largely speaks to the anticipated retort of the post-growth movement that political agency still matters in the face of constraints[[41]](#footnote-41). Indeed it does. Policy-makers retain powerful roles in counteracting the fiscal ramifications of post-growth, constructing welfare policy and in articulating, shaping and managing a post-growth transition. Steady state advocates have explicitly stated that a post-growth transition requires a sustained political attempt to mitigate inequalities (Daly, 1973); but the focus in this chapter will be on how this is possible through the traditional capitalist mechanisms. Certainly, it is “hard to see… how Greens can pursue egalitarian politics without some state-like institutions to enact measures to reduce inequalities of various sorts” (Paterson, Doran and Barry, 2006: 138); and yet as this chapter will demonstrate the conventional methods of fostering egalitarianism in a post-growth context will be severely hampered.

The focus of analysis in this chapter, then, will be on the extent of policy-makers’ agency to see how the welfare state could be renewed in line with a capitalist post-growth transition and the normative commitments of progressive politics towards both social and environmental protection. Thereafter, I will question whether these partial governance solutions would accumulatively allow post-growth capitalism to be seen as legitimate.

However, it should be re-stated at the outset of this chapter, that no meta-solutions are evident – or will be offered – to entirely resolve these fiscal tensions and paradoxes of welfare state sustainability. No grand roadmap for welfare reform in a post-growth transition can be offered in this chapter and it is important to retain a great degree of analytical humility. Some governance techniques and open-ended approaches are put forward which potentially offer partial, fragmentary ways of mitigating this problematique or draw on literatures which can at least fruitfully contribute to the conversation. However, this is not to say that I will propose any governing blue-print of managing welfare state reform during a post-growth transition; or that such a blue-print would be deemed legitimate by the citizenry. Indeed, ultimately I will be very pessimistic about the chances of achieving welfare state sustainability (in the more nuanced sense of the concept proposed in chapter three), particularly in a way which avoids a further crisis of democratic legitimacy.

With that said, certain policies to mitigate such a budgetary gap in the public finances, or useful ways of thinking about it, are immediately apparent. Starting with the most obvious conventional capitalist modes of addressing budgetary crises for the state, a potential way of looking at this problem is to explicate further the ways this budgetary tension could be ameliorated by increases in the ‘tax take’. Here I will give a theoretical overview of the agential space open to policy-makers in the post-industrial world regarding both progressive tax hikes and the issue of tax havens. Secondly, but also from within the vantage point of conventional capitalist responses to the budgetary issues raised by this transition, it is also worth exploring the question of whether any cuts could be made to welfare expenditure which wouldn’t be detrimental to society’s most vulnerable. This is a section which starts by reflecting upon why post-industrial societies require such a large welfare state in the first place. For example, with income support and housing benefit now large components of the welfare budget, it is worth considering whether costs could be brought down through interventionist regulation which forces employers to pay a living wage and through enacting rent controls. A raft of policies which brings down welfare costs through shifting responsibility to affluent corporations and private individuals can be seen as a form of ‘progressive retrenchment’; however bizarre that notion sounds. It is a form of retrenchment which is realised through challenging the inequalities of unregulated private sector provision and the need for such a large re-distributive state. From this perspective, a smaller welfare state would perhaps be entirely acceptable as long as it is embedded with a wider economic system which provides relatively egalitarian outcomes without such a reliance on the state.

A combination of progressive tax rises and ‘progressive austerity’ may seem to form at least part of the answer to these budgetary concerns. I will argue, however, that there are profound limits to both of these modes of attempting to address the problematique. Accordingly, it is analytically important to explore alternative ways of tackling the problematique through a renewal of welfare state governance. Questioning the conventional analytical centrality of the state – and whether supplementing state-run programmes with political action at the international and the sub-national community levels – may deliver a more optimal mode of thinking about post-growth welfare sustainability. A greater emphasis on coordination rather than competition between nation-states, and a broader and more influential institutional configuration at the European and global level, is vital for governing welfare issues in a post-growth transition. At the local level, the most significant set of devices for meeting welfare need in ways which circumvent the fiscal constraints of the post-growth state, is the set of welfare solutions offered by co-production welfare approaches. Some co-production ideas are likely to feel a little uncomfortable for the Left; echoing as they do a Big Society tone of discourse. Yet many ideas under this semantic umbrella offer great potential for meeting welfare needs and need to be taken seriously, particularly in the areas of care for the young, old and disabled. Moreover, they do so whilst operating outside of the confines of the market economy and without relying upon an increase in monetised activity for its expansion. One such technique is Timebanking, which has developed as almost an alternative form of (non-monetised) currency where citizens can contribute to the welfare system through donating non-monetary resources such as time rather than tax money. Again, such a renewal of welfare governance would hardly constitute a ‘silver bullet’, but it would impact upon the way progressives think about welfare state sustainability and potentially act as a catalyst for mitigating the welfare need and fiscal constraints created by a post-growth transition.

It is likely, however, that these modes of viewing the problem, even cumulatively, are unable to constitute a welfare system as robust as the one the citizenry of the post-industrial world has become accustomed to. To emphasise my position, the contribution of this thesis is primarily to demonstrate the limitations of the existing economic narratives and logics of mainstream politics and those adopted by the two literatures I am looking at. Attempting to prescriptively offer a ‘solution’ or an alternative system of welfare provision is beyond the scope of this thesis. It is important to acknowledge the agency within the delineated structures and note the approaches which offer open-ended ways of thinking about the problematique but they certainly do not constitute a blue-print for its transcendence. No firm roadmap or grand meta-solutions can be outlined here which illustrates what a welfare system would look like in the mooted transitional period, and democratic processes would presumably play a considerable role in shaping welfare programmes and broader resource allocations anyway. The approaches looked at in this chapter may be interesting ways of viewing this paradox, and may possess insights for how it can be mitigated in various ways; but these approaches – perhaps necessarily so – are fragmentary; they are partial. They should not be read as possessing the potential to be a comprehensive surrogate welfare system. These modes of thinking about the environmental paradox of the welfare state all possess flaws and are limited in a variety of ways. Yet, simultaneously, it would not be prudent to ignore these approaches which potentially provide fruitful insights into how these issues should be considered.

Before explicating these ways of viewing the problematic, the analytical difficulty of engaging with these ideas should be noted. Specifically, it is difficult to know which assumptions of the capitalist status quo to insulate from criticism and which to open to interrogation when talking about a post-growth transition. Almost all ‘steady state’ conceptualisations involve some form of economic re-structuring which tackle existing conventions; and changes to both the system of taxation and the shape of the state budget would fall into this category. Much of the policies contemplated in this chapter will seem quite divorced from the discourses prevalent in the political hubs of global governance such as Brussels and Washington. Yet the post-growth transition itself is a movement which has not gained major political traction in these hubs either and it this shift which I am deliberating here. Consequently, much of this chapter is written in the subjunctive. It is indeed a chapter of subjunctive politics; it expresses what could possibly be. However, it would be too crude and convenient to use this to justify the analytical liquidation of all economic and ideological structures which agents work within. For example, it would be extremely crude to pretend here that the ideological predispositions of policy-makers, the tendencies of state-centric political actors to prioritise the ‘national interest’, or the vested interests embedded within existing political systems are simply going to dissolve. These seem like quixotic fantasies and analytically contentious choices to make here. If post-growth is going to be conceived of as a capitalist system (and I will acknowledge this caveat again shortly) then certain structural constraints will continue to be present in the transition. Consequently, many *ceteris paribus* assumptions concerning the continuation of existing structures (excluding those already demarcated for transformation as part of a post-growth transition) will be deliberated in this chapter but many others – particularly exogenous constraints and those related to the private sector – will remain largely unchallenged within this thesis.

## 6.2 – Addressing a post-growth transition as a capitalist one

The position adopted by this thesis in relation to the ongoing debate concerning whether or not a post-growth form of economics constitutes a capitalist system has already been articulated in the introduction. However, it is important to reiterate now for purposes of clarification the particular understanding of the political economy of post-growth due to the nature of the current chapter. This chapter will seek to ‘bring agency back in’ by questioning the *ceteris paribus* assumptions made so far and postulating that policy-makers could offset the budget deficits brought about by a post-growth transition through a variety of conventional capitalist mechanisms. Such a chapter is necessary to rigorously address the question of the post-growth public finances and the sustainability of the welfare state which is predicated upon it, but we should remain aware that to do so is to define a post-growth system as a capitalist one.

A variety of authors within the post-growth literature do define a post-growth economy as a capitalist one, including authors as prominent as Herman Daly (1990), Peter Victor (2008), Tim Jackson (2009), Philip Lawn (2011) and Hubert Buch-Hansen (2014). There is by no means a consensus on this topic, with authors such as Serge Latouche (2009) seeing post-growth as post-capitalist; and for them this research will be less relevant as such a scenario could be at least partially offset by an interrogation or abolition of capitalism’s foundational concepts and its ‘fictitious commodities’. In this thesis, however, I will speak to those in the post-growth movement who speak of a post-growth economy as a capitalist one. This is particularly relevant to the analysis in this chapter as I will attempt to explore the modes of addressing the fiscal constraints of this economy and sustaining public welfarism in the familiar surroundings of a capitalist system.

I will do this if only to demonstrate the limitations of such a transition being situated within a framework of conventional capitalist concepts and the implications of this for welfare state sustainability. This assumption, however, I shall return to throughout the analysis and in the conclusion when I argue that the identified problematique can be addressed within the current state-centric political settlement and the capitalist structures with which it is associated.

## 6.3 - Questioning *ceteris paribus*: A renewal of the tax system

Two routes forward would be intuitive for policy-makers within a capitalist system tasked with governing these paradoxes. These are the conventional routes concerned with maximising state revenue and minimising the welfare budget. Firstly, the far from infallible *ceteris paribus* assumptions made thus far relating to an unmodified taxation system in this analysis need to be interrogated.

A more progressive architecture of taxation is perhaps the most obvious measure policy-makers could take in order to address the widening fiscal issues presented by a post-growth transition, and indeed post-growth authors invariably note their support for such a reform. Reforms to taxation imposed upon income, corporations, inheritance, and consumption *inter alia*, combined with the introduction of an international financial transaction tax and a substantial clamp down on tax evasion are all appropriate to such a transition. These measures are already within the existing discursive terrain of mainstream politics in the post-industrial world.

Currently, the most potentially lucrative forms of taxation are those imposed upon income, corporations, and consumption. There are, however, significant limits to even the most progressive of reforms to these forms of taxation in a context in which the *very point* of such a transition is to move towards economies based on lower levels of production, consumption, profitability, and work. The aim of the post-growth movement is to engender economies with lower levels of monetised economic activity and, as a corollary, the scope for extracting taxation from the affluent or corporations through these means will diminish. In fact, when considering the impact of a post-growth transition on private sector jobs and profitability (and particularly so if this transition is achieved through or combined with increased taxes on businesses and consumers), it may be prudent to expect a reduction in tax income from these revenue streams, even if more progressive measures are put in place.

In the context of a post-growth transition, therefore, it is likely that there would need to be a change in emphasis in terms of the composition of state income. Several new and existing revenue streams are worthy of consideration. However, it would remain prudent to proceed with caution because, once again, economic or social limitations to these forms of taxation can be identified.

Modifications to VAT – in terms of both the rate and the commodities it is levied upon – may be effective in increasing tax receipts; and as a double dividend it could also be useful in discouraging the more carbon-intensive forms of consumption (Daly and Farley, 2009: 444). Certainly in the short-term moderate increases in VAT revenue could be implemented; although fears that it is a regressive tax cannot be ignored when the reform is being designed by policy-makers. Taxes on advertising – or what has been called “the propaganda wing of a consumerist ideology” (Lewis, 2011) – may also be prudent in tackling carbon-intensive forms of conspicuous consumption as well as tempering certain threats to societal wellbeing.

Wealth taxes seem to offer the most promise for enhancing state revenue; targeting as they do the accumulation of wealth from the growth era rather than the receding accumulation of the post-growth era. The notion of a global tax on wealth was recently suggested in the well-publicised work of Piketty (2014). In Piketty’s native France there already exists a solidarity tax imposed upon those with assets in excess of €1.3 million (Impôt de solidarité sur la fortune). Wealth taxes could also come in the form of tax on properties valued above a certain threshold or a tax on land. The primary concern with obtaining wealth taxes relate to the international mobility of capital in the current era. The existence of tax havens presents another stark limitation on the current tax take and plays a role in the collection of all the forms of taxation mentioned above. Clamping down on tax havens would do much to change the picture on state capacity in a post-growth transition. Political action has thus far been extremely underwhelming in this area but perhaps, if one were an optimist, it could be the case that a point of ‘critical mass’ exists in the state of the public finances where governments begin to work together more rigorously to address budget deficits. The political inaction on tax evasion so far suggests that this point of critical mass – if it does exist – has not yet been reached; in spite of public debt being so central to political discourse in post-industrial countries in recent years.

Yet, even if tax havens were to be eradicated and the powerful vested interests defeated in the implementation of such a tax regime, the temporality of this strategy of funding the welfare state is also questionable. In the short-term undoubtedly wealth taxes could make a significant contribution, but there should also be concern that the longer this period of high tax, no growth, and equality reduction persists the more modest the pool of wealth targeted will become. This is not to say that it is not a worthwhile political endeavour under such conditions, only that it may not be considered a long-term basis of welfare state sustainability.

Another new source of tax revenue which would appear to be appropriate for such a transition would be the financial transactions tax, also known as the ‘Tobin tax’. This is an idea which has been discussed for many years in the context of the desire to temper the volatility of the financial sector and has already been adopted by eleven European countries including Germany, France, Italy, Spain, Belgium, Austria and Portugal (Barker, 2013).

Perhaps the methods of accruing additional tax income most attuned to the spirit of a post-growth transition, however, would be those taxes which are conducive to facilitating the development of a more environmentally sustainable age. Environmental taxes, or ‘green taxes’, would in this regard be entirely appropriate and a relatively untapped source of boosting tax revenue. Jackson (2009: 106) has in fact suggested shifting the emphasis of taxation from ‘economic goods’ (such as income) to ‘ecological bads’ (such as pollution), although Daly (1977: 63) would rather place the tax burden on a set depletion quota rather than on pollution in order to avoid increased competition within the recycling industry. A carbon tax – often thought of as Pigovian tax[[42]](#footnote-42) – is the most well-known form of green taxation. A carbon tax would face intense resistance from business lobbies but is likely to be effective in reducing emissions according to amongst others, the World Bank (2014). A great deal of tax income could be generated from this tax – the exact amount of course would be contingent on the rates that are set and the forms of activity which are taxed – which would, at least partly, help address the budgetary gulf created by the end of growth.

Four issues, however, need to be taken into consideration on the topic of green taxation; all of which hint at the limits of this form of taxation for fuelling welfare expenditure. Firstly, green taxes tend to be regressive overall, as noted even by its advocates such as the *New Economics Foundation* (2011b), James Robertson (2002) and Ian Gough (2013) *inter alia*. This means that the idea of green taxes funding the welfare system is more equivocal than it first appears. Indeed, they would increase the capacity of the state and some of the revenue would be appropriated to the welfare state to protect the most in need; but it may well be the most vulnerable who also suffer the most from green taxes[[43]](#footnote-43). As such, in some cases they could be counter-productive measures to some extent. The second is that such taxes may further incentivise and exacerbate the out-sourcing of production and jobs from the high tax and no growth economies to those more business-friendly economies not committed to post-growth transitions; with obvious consequences for private sector jobs and unemployment in the post-industrial societies. Thirdly, the revenue generated from green taxes are likely to be earmarked for projects explicitly designed to counteract environmental turmoil or facilitating the transition to greener lifestyles such as capital investment projects or subsidising low-carbon energy sectors. It is highly likely that at least some of the green tax revenue would be hypothecated in this way. Finally, green taxes would (hopefully) be declining revenue streams as environmentally-harmonious behaviour becomes normalised and low-carbon energy sources instituted. It would be extremely contentious for any government to (even partly) ground the welfare state in the funding obtained from the revenue generated by environmentally unsustainable behaviour whilst simultaneously remaining committed to the broad principle of challenging this behaviour and tailoring macroeconomic policy to this end. As such, the left should hope that green taxes would be receding forms of taxation rather than a stable, long-term foundation of state capacity. All four of these points need to be taken into consideration when thinking about the role of taxation in addressing the welfare state’s budgetary gap in a post-growth transition.

These tax reforms are fairly open-ended in both their rates and scales of applicability, and thus no cross-country estimations can confidently be made on the amounts that can be accrued or the maximised size of the tax base at any phase of a post-growth transition. Certainly, tax reform is one component of the political action needed in a post-growth transition, and wealth taxes represent the most unproblematic source of bolstering state capacity for progressives if the necessary political and legal battles can be won against powerful vested-interests. However, I believe we should remain sceptical that tax increases alone represent the start and end of this conversation. It is tempting for progressives to conclude that if the welfare state can no longer be funded by the expansion of taxation produced by economic growth, then the welfare state can instead be funded by an indefinite growth in levels of taxation. Yet it would be wise to remain sceptical of the feasibility of substituting in the public finances *ad infinitum* growth with an *ad infinitum* growth in taxation (or at least an indefinite growth in taxation to meet rising welfare need produced by an ageing society, macroeconomic transformation and environmental degradation). Such a scenario at the current time seems entirely unfeasible politically and economically[[44]](#footnote-44). It may unfortunately not be the case that bountiful pools of easily-obtainable and unproblematic tax revenue are readily available for the purposes of resolving a budgetary gap as large as that which would be presented by a post-growth transition. Political, social and economic limits and drawbacks point to the need to remain sceptical that there are sufficient resources to fund the institutions of the welfare state to the extent which they have traditionally been accustomed within the outlined economic constraints.

This is not to say that a more progressive system of taxation is not a key part of the solution to the post-growth funding gap. It certainly is. Progressive taxation is necessary to empower the state and address rising levels of inequality. Clearly increases in the taxes imposed upon income, corporations, wealth, carbon and financial transactions are capable of making a significant contribution and can be seen as entirely equitable.

The point is that it is important to recognise the limitations of relying entirely on tax rises in the context of a post-growth transition with rising welfare need. At the very least, in light of the potential social drawbacks and fiscal limitations of a renewal of the tax system on these lines, it would be beneficial to think about the post-growth state’s fiscal constraints of the state and the sustainability of the welfare state in different ways and through a different mode of analysis.

## 6.4 - Towards Progressive Retrenchment?

Another way for policy-makers to think about this paradox is to meditate upon the question of why welfare states of this magnitude are required in the first place. In some respects welfare systems offer a series of public services which are both cost-effective and relatively low carbon. Yet in other respects welfare states are concerned with attending to the failings of the economic models in which they are situated, such as subsidising the private sector labour force in lieu of employers paying a living wage. From this standpoint, a smaller welfare state would perhaps be acceptable for progressives as long as it is implanted within a wider economic system which delivers more egalitarian outcomes without such a reliance on the state. Consequently, if the state could adopt a more active regulatory role in mediating market-citizen relations – through such measures as introducing or raising the minimum wage to a living wage[[45]](#footnote-45) – this could potentially facilitate a reduction in welfare spending in a largely progressive way. However peculiar such a notion sounds, this could constitute a progressive form of welfare state retrenchment.

Any progressive forms of austerity should surely start with progressive taxation and cuts to areas of governmental spending which do not directly affect the most vulnerable, such as the Defence budget. However, cuts to the welfare budget are also possible, not through cutting provision, but through greater use of regulation to mediate citizen-market relations.

As has already been touched upon, the failure of the market economy to provide workers with a living wage – in other words a wage which is able to meet a citizen’s basic needs – has driven the enlargement of certain sections of the welfare bill, such as income and housing support, and the rise of tax credits. These categories of the welfare bill have been escalating in recent years particularly due to the suppression of real-terms wages and precarious temporary forms of labour. This is of course related to the stratification of income and growing inequalities in the construction of a ‘flexible labour market’. Reversing this trend feeds into what Jacob Hacker (2011) has termed ‘predistribution’; the need to affect the distribution of income before the state is required to redistribute wealth.[[46]](#footnote-46) With the stratification of wages, there became a greater need for the taxpayer to insure against the costs of a precarious and insecure labour market. Forcing the private sector to make their profits more inclusive of the labour force will shift the cost of the labour force from the public accounts back onto the private sector; thereby significantly reducing the welfare budget.

This is certainly an approach which many greens would be in favour of. Clearly, predistribution constitutes one of the few strong mechanisms left upon which to base a programme of ensuring a more equitable distribution of resources in society. Indeed, Peter Ferguson (2013) believes a higher minimum wage is one of the key ‘post-growth policy instruments’ which will lessen the need for growth.

This would be no small achievement in historical terms. The long-term historical trend would suggest that holders of capital attend to falling profit rates through suppressing returns on labour costs even further (Piketty, 2014; Bengtsson and Ryner, 2014). This presumably would be exacerbated in the context of a post-growth transition by the fact that holders of capital would be disincentivised further from increasing the rate of investment. Piketty (2014) demonstrated recently with a wealth of data that there is a long-held observable tendency for the accumulation of wealth amongst the very affluent to out-strip the rate of growth, and so any call to ‘share the pie’ rather than ‘grow the pie’ would run contra to the historical trend in capitalist societies. The ambition of this mode of addressing welfare state unsustainability within a capitalist society, then, should not be underestimated.

Nonetheless, reconfiguring the wage share of national income through a stronger regulatory state is a worthy pursuit for those wishing to ensure welfare state sustainability. Introducing and setting the minimum wage at the same level as the living wage – and binding this to inflation – will ensure that workers will have to rely far less on credit and cut the cost of the welfare state by shifting the burden of labour costs back onto the private sector[[47]](#footnote-47). In the UK, two think tanks, the Resolution Foundation and IPPR, calculated that on aggregate raising the minimum wage to a living wage would save the UK government over £2 billion per annum (BBC, 2012).

Concerns certainly exist over the effects of such a policy on overall employment. The introduction or raising of the minimum wage when combined with a post-growth transition, the suppression of economic activity and increased taxation imposed on businesses is highly unlikely to help boost already low levels employment. It should also be noted that introducing or raising the minimum wage would also have cost implications for the public sector. Accordingly, this approach has the potential to reduce the welfare bill but its limitations must be recognised.

It is not only the prospect of introducing or raising wages which is capable of easing the burden on the state. Several other policy measures are capable of doing likewise in other areas of the welfare budget which have been growing in recent years.

Another possible avenue of exploration in the pursuit of reducing the costs of the welfare budget in a progressive way would be to extend the usage of rent caps in order to temper the growth of governmental housing support. The duality of a governmental commitment to assisting the poorest through a rent allowance and a deference to free market principles has driven forward the cost of housing support in some areas of the post-industrial world in recent decades, as private landlords have been able to raise rent prices for their tenants secure in the knowledge that it is the government who will foot the bill (JRF, 2012; *Le Monde*, 2014; Fitzpatrick, 2014: 104; Bailey and Kirkland, 2015). Examples of this dualism driving up welfare costs can be identified in numerous urban areas across Europe, and it could feasibly be offset by locally-stipulated rent controls. Rent caps already exist in the Netherlands, Germany and parts of Italy and have previously been utilised much further afield. Certainly, leaving the price of housing up to market forces in a post-growth society could certainly be seen as being contrary to the public good. It is possible, therefore, that the introduction of a living wage and regulating rent controls can potentially curb the housing budget in non-invidious ways.

However, as significant as these measures would be in reducing these categories of the welfare bill, if policy-makers are serious about tackling the size and growth of welfare expenditure, they will need to address the provision of public pensions and public healthcare; which tend to be the largest components of a welfare budget. Let us now turn to the expenditure on public pensions.

The demographic transformation of post-industrial societies has raised the aggregate cost of pension provision, and this has in turn raised questions of inter-generational equitability. With the fiscal constraints that accompany a post-growth transition, the political pressure on pension costs is likely to intensify. The policy reaction to these demographic trends has thus far been fairly uniform throughout Europe, with State Pension ages being postponed. Postponing the retirement age acts as ‘a double dividend’ as not only will the pension bill be reduced but the specific demographic of the citizenry will also continue to contribute further income tax receipts during the additional years of work.

However, policy-makers in the midst of a post-growth transition could be looking to combine this postponement of retirement ages with a reconfiguration of average weekly working time where possible. So the postponement of the retirement age by, for example, two years could be linked to a reduction in working time by, for argument’s sake, five hours a week (fleetingly suggested in NEF, 2010: 21). This would ensure a reduction in the aggregate cost of pensions whilst ensuring that citizens in the labour force worked a similar number of hours over his or her lifespan. The specific details of such a policy direction must remain open-ended, but the principle of postponements of retirement ages being linked to increased leisure time could reduce the welfare bill whilst boasting a multitude of social and environmental benefits.

Such a transformation is contra to the puritanical veneration of work as a virtue, but a reconfiguration of work and leisure time is a staple of the post-growth advocacy and has much to commend it. Indeed, reducing working hours is another of Ferguson’s (2013) ‘post-growth policy instruments’. Primarily, the shift would mark the most politically appealing way of moving towards an economy characterised by lower levels of economic activity without infringing upon the liberties of citizens, but the benefits do not end there. The *New Economics Foundation* published a report outlining the benefits of such an approach called “21 hours: Why a Shorter Working Week can help us all flourish in the 21st century” (NEF, 2010), to remedy the twin problems of over-work and unemployment. A reduction in working hours has been shown to encourage exercise, enhance wellbeing, reduce consumerism and lower unemployment through the distribution of work if it is correctly legislated for[[48]](#footnote-48) (see Bosch, 2002; Hayden, 1999; Golden and Figart, 2002; Skidelsky and Skidelsky, 2012; Wilkinson and Pickett, 2009; Jackson, 2009; Rosnick, 2013). Williams went as far as to suggest that the rise of work-life balance policy ideas up the political agenda might even lead to a re-consideration of the fundamental basis of social policy (Williams, 2001: 472).

Simms (2013: 394) argues that such a shift doesn’t even necessarily reduce production a great deal; claiming that the ‘three day week’ of 1974 reduced production by only 6%. Simms (2013: 393) points to the embracing of a four day week throughout the Netherlands and by State employees of Utah – both of whom experimented with such a transformation in the midst of recessions – and he reports that there have been positive results in terms of productivity, worker happiness, absenteeism and lower carbon emissions.

The reconfiguration of the typical work-life balance is primarily put forward due to its contribution to a ‘greener’ society, but it should be said that there are many advantages to the welfare system contained by such a policy (even without it being a condition of the postponement of the state pension age). Namely, the reduction of mental stress associated with over-work and the facilitation of more time for exercise which may reduce the strain on healthcare services, lower unemployment through the distribution of work and consequently a reduction of the cost of Job Seeker’s Allowance, and an enlargement of the time in which citizens could potentially take up a variety of activities related to child care or elderly care (Jackson, 2009: 134; Simms, 2013: 393). In light of these advantages, policy-makers could well be tempted to encourage such a package to its workers in the public sector and facilitate its expansion in the private sector where possible.

Such a policy package would be inimical to primary macroeconomic goals in an era of growth. Indeed, it would also be nonsensical as a strategy of reducing public expenditure, as any savings made on future pension expenditure would likely be matched by the losses to the public purse today. In a post-growth era though, such a direction seems to dovetail nicely with macroeconomic goals.

However, this policy package would also suffer from an uneven social applicability given pre-existing income inequalities. This is a package which will be taken up by those affluent enough to be able to afford to earn less and those without large debts to pay, and as such, it is only those of a certain affluent social strata which could afford to adopt a reconfigured work-life balance. As Hartley Dean (2008) pointed out in a chapter entitled ‘Flexibility or flexploitation?’, there are inescapable problems with the notion of applying work-life balance ideas to low-income neighbourhoods.

Not only would this mean that as a policy it would remain rather limited in scope, but it would also convert one form of inequality (earned income) into another (inequality of leisure time). Nor would it tackle the deeper structural problems underpinning existing inequalities, choosing instead to manage them in a way which insulates income distributions and the processes of the market from political action.

It is possible to argue, however, that linking the reduction of work time with a reform in the pensions system seems to hold the potential for enabling this postponement of retirement ages to be at least more progressive than it otherwise would be and, moreover, executes it in a manner attuned to the broader environmental shift of the overall economy.

As mentioned earlier in this thesis, greater use of ‘preventative’ healthcare measures could also be effective in reducing the burden on the state’s healthcare services. Engendering a more holistic healthcare service in this way – which focuses on upsteam prevention as well as ‘downstream’ cure – would seem to boast ecological and social benefits, as well as the promise of savings to the public purse. The scholars of the ‘green social policy’ literature point to the merits of encouraging healthy lifestyles, exercise and ‘green lifsetyles’ (NEF 2012a; 2012b; Cahill and Fitzpatrick, 2002; Cahill, 2002; Verrinder, 2011). The work of Gough (2015) is again relevant here as he has developed a conceptual framework of preventative policy in its social, environmental and economic dimensions, and goes on to adjudge various economic paradigms in terms of their ability to foster a ‘sustainable social economy’.

These ideas dovetail with the seminal work of Wilkinson and Pickett (2009) who empirically demonstrated that healthcare costs are positively correlated with levels of inequality. They discovered through extensive comparative research that the more unequal societies were, the higher the levels of poor physical and mental health, drug and alcohol addiction, a host of violent tendencies, levels of mistrust, low life expectancy and high infant mortality, obesity, poor educational performance, teenage pregnancy, homicide, reduced social mobility, and imprisonment rates (Wilkinson and Pickett, 2009). Income inequalities linked to social and health problems have also been demonstrated in a range of other studies, such as the work of Göran Therborn (2014), with some of the literature believing that the causal link becomes particularly severe above a certain threshold of inequality (JRF, 2011). According to this research, political attempts to reduce inequality can perhaps be seen as a form of preventative healthcare which supplements the traditional public healthcare services designed to address existing illnesses.

It is not only physical healthcare which is worthy of mention here. There is also ample evidence to suggest that encouraging and facilitating a transformation of lifestyles through counter-acting overwork, excessive consumerism and the omnipresence of materialistic advertising campaigns may be particularly effective for addressing mental health issues – the new frontier of healthcare. The correlations between mental health and various facets of the economy have been well established, and appropriate policies could be devised to tackle these healthcare concerns.

Preventative healthcare offers promising, if largely speculative, routes of reducing healthcare expenditure in the medium term. However, it would be wrong to exaggerate the extent of the savings that can be made, or indeed suggest that these savings will be able to overcome the increased burdens placed on existing healthcare systems by climate change and an increasingly ageing society. There are thus severe limits to the extent aggregate healthcare costs can be retrenched.

Exploring routes of maximising tax receipts and reducing welfare expenditure in broadly progressive ways are the two most obvious modes of sustaining welfare expenditure in a capitalist system for progressive policy-makers within government. Post-growth authors would surely point to these open-ended approaches and they would be right to do so. Some of these approaches would be considered to be fairly radical at the current time, and it is even more disconcerting then to note their fiscal and social limitations in a post-growth context. It seems unlikely that the aforementioned policies, even cumulatively, would constitute a stable fiscal basis for a post-growth welfare state substantial enough to meet projected welfare need.

As was stated at the outset of this chapter, there are no silver bullets in addressing a problematique as intractable as this. Exploring these policy routes are undoubtedly one valid way for policy-makers to think about this problematique, but there is a need to think about welfare provision in a more profound way in any transition to a post-growth economy.

## 6.5 - A Renewal of Welfare State Governance

The above routes to resolving the budgetary tensions are open-ended and a great degree of analytical humility is needed here, but in the face of the challenges of implementing such policies and the limitations of them there is merit in remaining sceptical that these methods alone can sustain welfare states which can meet welfare need. It appears unlikely that these methods will be sufficient throughout the post-industrial world, or perhaps even within one country of the post-industrial world. This is a monumental shift. Throughout the post-war period the governance of public welfarism has been the preserve of the nation-state. Yet maintaining this governance approach when the fiscal capacity of the state is threatened seems a sub-optimal approach. So how does progressive politics operate when the state is a less potent instrument of reform? How could a re-distributory state be complemented by other institutional mechanisms? How could welfare policy be constructed differently? Can progressives develop alternative political and social institutional mechanisms capable of protecting the poorest and most vulnerable but which don’t depend quite as heavily on state financing? In this context, it may be worth questioning the appropriateness of a statist approach to the delivery of public goods. The Realist-inspired analytical centrality of the state has long been used as the optimal or default mode of analysing and constructing welfare policy, however in a post-growth context this mode of analysis may be considered to be antiquated. Thus, the following section will explore the potential for, and benefits of, a profound renewal of the welfare state which spans multiple levels of governance.

A greater emphasis on governance at the international level would certainly be appropriate for analytically interrogating the fiscal constraints placed upon national welfare regimes if not managing and constructing certain welfare policy areas directly. At the time of writing, national competitiveness is a key concept appealed to by nationally-situated policy-makers in order to rationalise lowering taxation or pursuing further deregulation in order to create a ‘business friendly’ environment and attract internationally mobile capital. A plurality of countries subscribing to this understanding of national competitiveness and the policy prognosis it entails has effectively created a ‘race to the bottom’; with countries accordingly becoming collectively complicit in the construction of their own fiscal constraints. Consequently, a greater focus on international levels of governance – perhaps under the jurisdiction of the European Union or the G20 – could potentially foster a sense of cooperation rather than competition. Undoubtedly, in a post-growth transition as with now, international political cooperation rather than competition would help mitigate fiscal constraints and multilaterally widen the scope for policy-making in areas such as the social expenditure, deficit reduction, taxation, investment, regulation and carbon reduction targets. Indeed, one would presume that some degree of international cooperation and coordination would be necessary for implementing the post-growth transition itself.

Lannoo (2013) has explored the long history of attempts to develop a common European corporation tax regime. These attempts have thus far come to nothing, but an optimist would hope that a post-growth transition (which brings about the delineated fiscal constraints) would constitute the point of critical mass necessary to gather the political energy necessary to institute substantive change at the international level.

Global collective action on climate change and the momentous socio-economic transition demanded by it, if it could be achieved, could certainly include measures to protect the poorest and most vulnerable. There would be a far greater confidence in the sustainability of welfare programmes if they were enshrined at the transnational level as part of that global political movement rather than by separate national governments engaged in a competitive ‘race to the bottom’ for capital and resources. In the face of the environmental crisis, generating the international political will to institute a new ‘Bretton Woods’, rules-based framework of managing economic and environmental processes in a socially-minded way would have much to recommend it.

Deacon (2007) has eloquently traced the fragmentary emergence of ‘global social policy’ in recent years. He argues that “since about 1980 we have witnessed the globalisation of social policy and the socialisation of global politics”, by which he means that “the agendas of the G8 are increasingly filled with global poverty or health issues” (Deacon, 2007: 3). The emergence of supranational institutions and policies designed to address questions of redistribution, regulation and social rights[[49]](#footnote-49) – the three categories of global social policy which Deacon (2007) identifies – have fostered social democratic ideas at the global governance level. In more recent years, Deacon (2013) has theorised upon the internationally agreed upon construction of a legal lower limit, or ‘floor’, of social protection globally. Yeates (2008) has also emphasised the role of global political actors in social policy formation, and this area of study would seem to offer a promising development for those hoping to advance progressive social ideals. The literature on cosmopolitan democracy, associated with the likes of David Held (1995), is also relevant here[[50]](#footnote-50).

Of course, internationalising welfare policies entirely would almost certainly lead to a transfer of wealth from what is sometimes referred to as the ‘Global North’ to the ‘Global South’. As such, international redistribution through common welfare policies – even if one were to be normatively inclined to its implementation – would actually compound these fiscal conditions for post-industrial countries possessing the most robust welfare systems. Therefore, if ensuring the fiscal sustainability of robust welfare states in economies moving towards environmental sustainability is the *telos* of policy-making in this crisis, then international redistribution to the ‘Global South’ is not something that will be at all conducive to meeting that goal. However, the potential for common welfare policies amongst selective countries has already been discussed,[[51]](#footnote-51) and would again become salient. This selectivity in internationalisation is ethically questionable and perhaps demonstrates the limitations of ensuring global collective action or the possibility of enshrining public welfare as a ‘global public good’ in a post-growth transition.

It is not only at the international levels of governance where there are potential conduits for advancing political efforts to sustain welfarism though. Some on the left (in European anarchist groups in particular) have advocated meeting welfare need at the sub-national, community level through what can be categorised at ‘co-production’ approaches. This is an emerging field of study which advocates complementing top-down welfare services with a series of small, bottom-up projects which meets welfare need at the community level in certain areas. This approach overlaps with the research conducted on the ‘social economy’ (mentioned earlier), but co-production is still framed in terms of state managerialism rather than the social economy concept which denotes a network capable of responding to local needs without the involvement of the state. Adopting this more pluralistic approach to meeting welfare need potentially places the traditional re-distributory institutions of welfarism within a broader and more diverse set of institutional arrangements. This would effectively establish a duality of a re-distributory state at the macroeconomic level alongside a focus on the minutiae of a series of small, local projects.

The term co-production incorporates a wide range of project and as such it evades a firm definition. However, at the broadest level, it is born of a critique of conventional consumer models of public service provision and advocates a framework of meeting social needs based instead on mutuality, reciprocity, the pooling of abilities and resources within a community to identify and counteract problems and a broadened understanding of what it means to contribute to the welfare system. Accordingly, they are typically projects which encourage lateral sharing of non-monetary resources and skills within a specific community in ways which are supposedly to prove ultimately mutually-beneficial.

The term co-production was coined by Elinor Ostrom – winner of the 2009 Nobel Prize for Economic Sciences – in attempt to explain the significance of communitarian solutions behind the fall in crime rates in Chicago (NEF, 2008: 9). She felt that the police needed the community as much as the community needed the police. It is therefore predicated upon the idea that the “outcomes that we care about, such as good health, high levels of skills and low rates of crime, are the result of government, public services and citizens working effectively together” (IPPR, 2007: 5).

As such, co-production advocates posit a change in relationship between the state and its citizenry. Whereas currently citizens are primarily simply passive recipients or consumers of welfare services, this new approach would attempt to engage communities in achieving successful welfare outcomes by enabling them to become ‘proactive’ agents. It would thus constitute an end to the excessive focus on “top-down performance management” (IPPR, 2007: 5).

One form of a co-produced welfare approach is the concept of ‘Timebanking’ developed by Edgar Cahn. This entails a non-monetary form of bank where citizens can accumulate ‘time credits’ for voluntarily caring for the elderly, the young or the disabled. They are non-monetary forms of currency; exchanges which are not based on price but on the resource of time. According to Cahn himself, this idea “stemmed from an appreciation of the limitations of government efforts to empower people for whom the market had no use” (NEF, 2008: 1). Several Timebanking projects already exist, and they have gained popularity in Amsterdam (Waag Society, 2015) and throughout Germany (Hübner, 2009) particularly. It could be argued that they are ripe for being ‘scaled-up’.

Timebanking is not the only area of potential welfare provision which can be thought of as part of the co-production movement. The *New Economics Foundation* has undertaken extensive research from a range of welfare areas which instantiate the reputation of co-production as an emerging field of welfare provision; with reports published in the areas of mental health (NEF: 2013b) and youth services (NEF: 2012c). Victor Pestoff (2006) outlines the potential benefits of a co-production approach in terms of childcare and offers evidence from eight different nations.

There is no set formula for co-production techniques, but crucially, co-production approaches tend to operate outside of the market economy in that they largely rely on non-monetary contributions (such as time or skills). As such, they are of particular interest for a welfare system facing the indefinite fiscal constraints resulting from the end of growth.

Co-produced welfare services may be more cost-efficient than their contemporary equivalents partly because they utilise a range of untapped resources – in other words, the skills and contributions of the local community as carers or voluntary workers (Horton and Gregory, 2009). But it is also anticipated to be cost-efficient because it retains a focus on preventatively tackling social problems rather than rigidly attempting to counteract symptoms. This is particularly pertinent in the area of mental health (Jenkins et al. 2008; NEF, 2013b). Boyle and Harris (2009: 19) reported that there is “considerable evidence that co-production helps to prevent people getting ill, increases their well-being, and involves those who are seldom heard in society”.

However, just as with the social economy concept, co-production is not supposed to be about developing an alternative model of welfare provision which *supplants* public services. What Barry stated about the social economy remains valid here: that non-statist solutions are “neither a panacea for a post-growth economy, nor so unproblematic that it can simply be left alone, that is, without some degree of state (local or national) support” (Barry, 2012: 185). But, of course, when we take into consideration the effects of a capitalist transition upon the fiscal capacity of the state, it does seem as communitarian solutions would have to increasingly fill the vacuum left by the receding post-growth capitalist state. This would essentially constitute the substitution of state mechanisms of welfare provision with a series of precarious, potentially temporary or provisional, and informal modes of meeting welfare need (which will in all likelihood experience significant teething problems as they develop). This is exactly why such a discourse is controversial; not because of the merits of the local projects *per se* but because of the transforming model of welfare provision being engendered by such a shift.

There are suspicions currently that these community projects are being seen by certain policy-makers as means of justifying the retrenchment of traditional top-down forms of welfare provision, in favour of a model which favours local projects as well as charity organisations and the philanthropic whims of the affluent (with all the insecurities that brings with it).

This issue has most notably created a schism in the left-of-centre Dutch party, D66 (2014), the leadership of whom have openly praised the approach for seeking individualistic, non-statist solutions to contemporary problems. These ideas are themselves are not too dissimilar from the ‘Blue Labour’ bundle of ideas associated with Maurice Glasman in the UK, in that they both feed off the increasing scepticism towards the benefits system (pensions exempted) (Ipsos Mori, 2011) in order to preach ‘decentralised’ and ‘communitarian’ voluntaristic solutions rather than ‘bureaucratic state solutions’ wherever possible (Davis, 2011).

More conspicuously in the UK, the rise of ‘co-production’ discourses has coincided with the ‘Big Society’ conception promulgated by the Conservative Party. This was a very opaque concept but was largely seen as encapsulating the view that local communities should look to themselves rather than to the state to resolve welfare issues (Jacobs and Manzi, 2013). These ideas are perhaps best reflected by the attitudes espoused by Ian Duncan Smith’s *Centre for Social Justice* (2007; 2013).

This is a comparison which co-production advocates (and authors associated with the ‘social economy’) would be keen to refute. There is nothing within the co-production ideas themselves which inevitably correspond to political efforts to further state retrenchment, but it is clear that these are discourses of localism and self-help which could be co-opted in order to justify such a direction (Jacobs and Manzi, 2013; Catney *et al,*. 2014). Certainly, the advocates of co-production who are already participating in such schemes, in think tanks such as the *New Economics Foundation*, would not want the discourse to politically facilitate state retrenchment.

Is this a problem when a post-growth transition might already mean welfare retrenchment? Wouldn’t the scaling up of co-production approaches simply cushion the blow? The fear here for progressives is that, if embraced more broadly in the context of a post-growth transition, it would stymie the political resistance to cuts and in all likelihood lead to more severe levels of retrenchment than would otherwise have been the case. This would in essence make the co-production approach complicit in facilitating state retrenchment.

All this is before we take into account the great inequalities of these schemes. Firstly, it seems to be a fair assumption that it will be the poorest that will remain the most ‘time poor’ as well as ‘cash poor’, and thus least likely to ‘pay in’ to such schemes. It would in fact be in the more affluent community zones where citizens would be more capable of enjoying a greater ‘work-life balance’ (Warren, 2015) and thus ‘paying in’ to the system and consequently receiving support when required. Such an observation raises pertinent questions about the optimal geographical scales of the welfare projects. If the projects are too local there is a danger of blunting the tools of redistribution from richer areas to poorer areas, whilst also asking ‘cash poor’ and ‘time poor’ citizens to simply meet each other’s welfare needs as much as is feasible within their communities. These schemes if they are to be progressive surely rely on operating on a scale which encompasses both the richer and poorer elements of society. Yet what scale is (or what scales are) most appropriate to achieve this? Even if this were to be resolved in some way, there is a danger that the effect of this new model of welfare provision would be to entrench social inequalities by institutionalising a system which penalises those unable to ‘pay in’ a great deal either monetarily or otherwise.

The second set of egalitarian concerns which should concern us here relate to the effects of nurturing these forms of welfare provision on gender roles. There is a risk that attempting to meet welfare need in these ways may entrench gender inequalities in the sense that it may be women who pick up the slack of any state retrenchment which does occur through participating in this supposedly ‘new’ and ‘radical’ mode of welfare provision; and there is evidence to suggest that this is exactly what has happened in recent years in the wake of austerity measures (Karamessini and Rubery, 2013).

It is important not to generalise here and state that some of these projects may in specific cases be seen as beneficial. There is a great deal of heterogeneity in these approaches, and it may well be prudent to examine closely the successful examples of co-production and begin to construct the infrastructure for successful schemes to be scaled up where possible. How then, is it possible to prevent these micro-level schemes being used as part of a broader discourse to rationalise a ‘Big Society’ style cultivation of a new model of welfarism? Extreme caution is required here but if this is to be achieved then these micro-level initiatives must form part of a broader package of de-commodification and economic democratisation.

On their own, these approaches are, at best, extremely partial and small-scale responses to the problem of welfare need. If they are ‘scaled up’ without a broader programme of reform based on a critique of pre-existing power structures, there is a risk that these projects could actually entrench existing inequalities and reify a new model of welfarism based upon ‘entrepreneurial’ community projects, charities, non-governmental organisations and the benevolence of philanthropists.

Within the current political settlement, therefore, it is important to recognise the severe limitations of voluntaristic community-level approaches to meeting welfare need. This is not to criticise any grassroots initiatives which are taking place, only that it is important that social scientists are concerned instead with instituting more systematic and comprehensive solutions and instruments to this problematique.

As Gough and Therborn (2010: 757) concluded on the basis of their research in this area, “the 20th century formula of economic growth and social security/justice will no longer be adequate” in the 21st century. And indeed, it would appear that any introduction of a post-growth economic system does mean those in academia and elsewhere must begin to discuss alternative methods of promoting welfare and a renewal of welfare governance on these pluralistic lines. A multi-level governance mode of analysis does seem to hold a certain degree of potential for meeting welfare need in certain areas. The limitations and inequalities of these technical fixes and institutional appendages to the capitalist system, however, do feel inadequate for dealing with the problematique of welfare state sustainability outlined. Indeed, the limitations of all the governance techniques and modes of analysis explored in this chapter should be extremely disconcerting to those affiliated with the post-growth movement. It points to a critical issue which I shall now explore in the concluding section of this chapter. That critical issue, brought about by the ostensible failings of such a macroeconomic framework for upholding a robust welfare state (or priming alternative mechanisms of decommodification and redistribution), concerns the social and political legitimation of this form of capitalism.

## 6.6 - Are these measures sufficient to ensure the social and political legitimation of democratic capitalism?

Chancel *et al*. (2013) in their theorising of ‘sustainable welfare policy’ analytically privilege agency over the delineated post-growth structures, when they state that “it is not so much society’s economic growth that matters, but rather the individual and collective choices we make” (Chancel *et al*. 2013: 5). In contrast, my analysis breeds a pessimism which brings forth a further risk for policy-makers; that of social and political legitimacy. For if policy-makers cannot effectively uphold a robust post-growth welfare regime through pursuing the aforementioned governance techniques within the capitalist framework then they risk losing the popular support of capitalism and the consent conferred upon it by the population.

A robust public welfare system has often been described as the price which capitalist societies must pay for democratic legitimacy (Gamble, 2009: 83; 2014: 155; Streeck, 2014a). Following Andrew Gamble (2014: 155), “welfare states are one of the pillars on which the legitimacy of post-war western democracies has been built”. Throughout the post-war period, the welfare state has been a vital set of institutional mechanisms for aiding inclusivity, decommodification and social protection; and has thus helped to quell popular uprisings and legitimated the capitalist system. John Barry and Brian Doherty (2001: 602) are more opaque in supporting the means through which this is to be achieved, but they do concur that “in societies such as the welfare states of the west, state legitimacy is, in part, dependent upon a commitment to lessen inequalities via redistributive measures”. Wolfgang Streeck (2014a: 41) is another who believes that the “legitimacy of post-war democracy was based on the premise that states had a capacity to intervene in markets and correct their outcomes in the interest of citizens”. The recent cuts to welfare provision in the post-industrial world has already contributed to a long-term build-up of discontent from those socially and economically excluded from the benefits of prosperity, such as the unemployed or those without property.

Claus Offe (1984) famously made the observation that the welfare state is necessary for capitalism to survive as it constitutes a potential means of securing a degree of social justice from within capitalism, even whilst embodying values which simultaneously threaten it.

Legitimacy is understood here in the Weberian sense. Lipset, in the Weberian tradition, defines the legitimacy of a political system in terms of its capacity to “engender and maintain the belief that the existing political institutions are the most appropriate ones for society” (Lipset, 1958: 86). In essence, then, processes of legitimation or de-legitimation are defined in terms of the intersubjective normative assessments of a given population, guided by the performative ideas, discourses, legal structures and power relations which influence the generation of such assessments. If Gamble and Streeck are right that the welfare state has historically been a central pillar of capitalist legitimacy since 1945, we should take seriously the idea that a post-growth economic system would be unable to achieve its legitimation if it is unable to sustain public welfarism.

Therefore, one of the questions raised by this analysis concerns whether a post-growth system is able to re-produce a welfare state capable of maintaining legitimacy, or does the incremental weakening of public welfarism in a capitalist post-growth transition ultimately endanger its development whilst it is still in its infancy? The idea that the relatively recent marriage of democracy and capitalism, into the hybrid concept of ‘democratic capitalism’, is threatened by the end of growth is one which must be taken seriously. As Posner (2010) and Coggan (2013) ponder, there is a question mark in the present crisis over whether or not western democracies still possess the capacity to renew themselves and respond adequately to the contemporary challenges they face. The concerns of Posner and Coggan about the future of capitalist democracy – which primarily centre upon debt, anaemic levels of growth, financialised capitalism and inequality – would be exacerbated by any post-growth transition.

David Runciman (2013) argues in *The Confidence Trap* that liberal democracies have traditionally been able to ‘muddle through’ crises, from the World Wars to the collapse of Lehman Brothers in 2008. He points out that historically, politicians have always been able to find some form of acceptable sub-optimality in the midst of the uncertainty of key and potentially transformative moments. The lesson liberal democracies have learnt from these events is that they can, no matter how dire a situation may seem, typically pass leaving the existing frameworks of governance largely intact. However, Runciman argues that these historical patterns have bred a political culture of complacency and recklessness; a sense that they are able to “muddle through” anything. This ‘confidence trap’ refers to a relaxed complacency, which holds the potential to set the conditions for a misplaced confidence in the face of crises which may ultimately be too intractable and large to effectively manage through the traditional methods of liberal democracy. A set of challenges and tensions on the scale of those outlined in this thesis by a transition to post-growth could constitute the most momentous challenges liberal democracies have ever faced and we should retain a degree of scepticism that they are able to navigate these conditions without sacrificing a range of political ‘sacred cows’ and undergoing profound political and socio-economic transformation.

The confidence that democratic capitalism could muddle through a transition to post-growth – exhibited by the likes of Tim Jackson (2009: 198-202) when he talks of this as a new phase of capitalism – and the associated pressures on welfarism which this transition entails needs to be questioned. The end of growth presents an enormous challenge to capitalist societies – surpassing in scale the cyclical shocks upon which Runciman’s complacency theory has been based – and more momentous still if post-growth is married off to welfare retrenchment. The emaciation of public services and public welfarism, if that is what occurs, in addition to the stagnation of living standards and the other social issues brought about by post-growth would surely pose a severe threat to the democratic legitimacy of this form of capitalism.

How then can a post-growth economic system ensure its legitimation with so much fiscal pressure exerted on the welfare state? As Gamble (2014: 153) notes, in recent decades “capitalism’s popular appeal has rested upon its ability to deliver growth, and the civilisation associated with it has been erected on that basis. This is why no one can believe that the tap is about to be turned off, since a different civilisation is so very hard to imagine. But at least in the western world, politicians and the public now have to face the possibility that growth may not return in the old way, or that at best there may be a prolonged period of hardship and restructuring before economies can expand again”. The public consent afforded to a form of capitalism which places a constant inexorable pressure on living standards and public welfarism is far less certain.

States are attuned to achieving growth as their default *modus operandi* because they have come to rely on the growth dynamic for their stability, as the disruptions to growth in recent years pays testament to. What will it take then to ensure the social and political legitimation of a post-growth economic system? What are alternative political or social mechanisms of ensuring social stability and inclusivity in a consciously post-growth framework? How are the poorest and most vulnerable to be insulated from market forces and what kind of socio-economic transformation is required (in addition to a weaning off of GDP growth) to ensure this?

It has been mentioned previously that there is no consensus in the post-growth literature on the specific socio-economic transformation which would accompany the end of GDP growth. It is a literature which is far more coherent in its critique of what it opposes than what measures it supports to stabilise a non-growing economy and what mechanisms of decommodification are necessary to protect society’s poorest and most vulnerable. This analysis however exposes the radicalness of the socio-economic transformation which would be required in a post-growth transition to legitimise it. The welfare solutions outlined above patently go against the grain of the current political settlement but it is to solutions such as this, which are unlikely to even be sufficient by themselves to meet projected levels of welfare need, which are demanded by a post-growth transition. In order for progressives to meet their social proclivities, and for capitalism to retain its legitimacy, the post-growth literature needs to engage with a socio-economic transformation of this profundity and radicalness.

## 6.7 The Limits of Capitalist Relations

In the pursuit of environmental sustainability and a robust social system capable of meeting welfare need, it is perhaps less a case of what should be on the political agenda, as what should be left off it. The demonstrated inadequacies of the institutional status quo for reconciling the progressive sensibilities towards both social protection and environmental protection presents fertile terrain for a plethora of radical political ideas to grow; all of which could contribute to the debate on where progressive politics should go from here. The ideas sprouting from this fertile terrain often challenge the foundational assumptions of capitalism and, thus, constitute the constraints characteristic of the prior analysis.

Should, for example, the continuation of debtor-creditor power relations (Graeber, 2011) be left unchallenged in such a context? Would it not be appropriate to take more seriously the movements towards conducting widespread ‘debt audits’ and programmes of debt cancellations (Montgomerie, 2015)?

More drastically, would it not be prudent to go further and re-examine the continued feasibility of the ‘fictitious commodities’ – in Polanyian language – of labour, money or land (which as Polanyi himself puts it is “only another name for nature” (1944: 72)). This may entail interrogating ‘theories of money’ (Jackson and Dyson, 2013; IMF, 2015) or the existing of the long de-politicised issue of property relations (Marx and Engels, 1848), in ways which profoundly de-stabilise the fundamentals of the capitalist political and economic settlement.

Alternatively, should the notion of a ‘Basic Income’ or ‘Citizen’s Income’ be ignored in such a context? There should certainly still be question marks over how this programme is financed in a post-growth context, but certainly it is an idea with a great deal of support in green circles (Fitzpatrick, 2002b; Hirvilammi and Helne, 2014; Marston, 2016; UK Green Party, 2015). The introduction of a Basic Income would de-commodify the labour market in a way which is strikingly anti-capitalist (and certainly is according to the definition of capitalism given earlier) but neither its budding popularity (Harris, 2016) nor its suitability for such a radical context can be denied. Harry Shutt (2010: 124) proposed a Basic Income as part of a new social settlement for a post-capitalist era and such a proposal is relevant to this conversation.

Likewise, the work of eco-socialism (Gorz, 1994; O’Connor, 1998) and eco-anarchism (Bookchin, 1980; 1982) with their ideas about economic democratisation and common ownership may also become far more germane in such a context. This would dovetail with Fitzpatrick’s (2002a: 79) assertion that “ecologism requires socialism if its promises of mutuality and discursive democracy are not to founder in an economic system distinguished by imbalances of economic power”.

This is not to say that an anti-capitalist revolution is to be expected in the midst of a post-growth transition. The history of capitalism is peppered with examples of radical measures which have served to legitimise the capitalist order (Offe, 1984; Habermas, 1973: 49); including the introduction of the welfare state itself. It is only to say that there are a series of de-politicised areas of political and economic life ripe for contestation in such a context. A series of discourses have the potential to be amplified and it is difficult to anticipate which ideas would remain excluded from the political agenda in the midst of such a period of transformation.

Indeed, these fiscal constraints presented by a capitalist post-growth transition compromise the role Rawl’s (1972) believed the state should play in managing the fair and just distribution of social goods and benefits which the free market alone cannot be entrusted with (Rawls, 1972). Under these conditions, the *totality* of the *ceteris paribus* which characterise the prior analysis can and should be contested as we ponder how to maintain legitimacy under a scenario of post-growth capitalism. This analysis effectively demonstrates the *inadequacies* of the current institutional set-up for reconciling the progressive sensibilities towards both social protection and environmental protection. Under such conditions, there is a need to establish the unsustainability of the status quo and begin to analytically de-stabilise many of the foundational assumptions which have been largely de-politicised and what constitute the constraints of the prior analysis.

The troubling inadequacies and limitations of the (admittedly open-ended) approaches explored in this chapter in meeting projected welfare need in the years to come perhaps demonstrate the limits of capitalist relations in responding to the progressive sensibilities towards both environmental and social imperatives. It is an arresting conclusion to reach, but it appears that the conventional mechanisms of meeting welfare need – through taxation and the financing of state programmes – would no longer be adequate on their own in the context of a post-growth transition.

Pointing out the limits of capitalist relations in meeting welfare need and the need for supplementary mechanisms outside of the market economy is sobering and analytically de-stabilising not least because any non-capitalist form of meeting welfare need or any alternative economic system is clearly bound to carry their own uncertainties and unforeseeable implications. And yet the conventional modes of progressive politics through taxation and re-distributory state spending no longer seem socially sufficient in a context where state capacity is circumscribed by post-growth economic conditions. In this context, more radical welfare solutions from outside the confines of the market economy would be needed to supplement the hamstrung institutions of public welfarism if it is to be seen as a form of political economy that can be deemed legitimate by the populace.

Attempts to reconcile the dual logics of ‘sustainability’ seem to bring us to this radical terrain. Without technological innovation which is capable of ensuring economic growth is ‘green’, then the post-industrial world is surely reliant on profound socio-economic innovations to stave off at least one of either environmental or social disaster. The proposed post-growth transition seems to require a dramatic level of economic re-structuring in order to ensure that ‘no growth’ does not equate to permanent recession and austerity. It will require a new and renewed set of societal, economic and governmental institutions to ensure legitimation. The existing institutions of the welfare state may play some role but they are likely to be situated in a broader and more diverse set of institutional arrangements.

Currently, it seems as if the social sciences are hoping innovation from the natural sciences is able to bail them out of such palpable tensions. Yet in order to ensure both the fiscal sustainability of the welfare state and environmental sustainability, actions need to be taken that are more profound than policy elites are currently willing to countenance; and even then these actions may not produce a form of capitalism able to gain popular support.

What makes this problem so tough is that the left cannot simply decide that a post-growth approach with its associated pressures for welfarism to be simply unfeasible and proceed with a growth-based business-as-usual political approaches. The current political settlement, with its corresponding set of economic discourses, is similarly ill-equipped to handle the inter-sections between environmental and social imperatives. Indeed, the current political settlement fails to generate support either for the sustainability of public welfarism or a concerted effort to address the challenge of environmental sustainability! As such, the *status quo* varieties of capitalism can also be seen as sub-optimal and unsustainable forms of economic organisation, and equally seem to risk their democratic legitimacy in the medium term. Thus far, there seems little rigorous theorising amongst progressive on how a political economy can be constructed which handles these tensions and circumvents catastrophic environmental and social outcomes in line with traditional progressive sensibilities. Unless a green growth era is enabled by technological innovation, therefore, it is difficult then to be confident that either the current political settlement or the prospective post-growth transition will be able to maintain popular support in future years. Nor do these policy frameworks constitute stable terrains upon which scholars can map a theory of welfare state sustainability.

With the welfare state playing such a central role in ensuring the consent afforded by a citizenry to capitalism (or, the social sustainability of capitalism, to put it another way) in the post-war period, the mooted post-growth transition seems to be endangered from its very inception if the aforementioned methods of addressing the post-growth welfare gap prove to be insufficient. How a post-growth economy could ensure its social and political legitimation is an open question. The foundational post-growth proposition that *ad infinitum* economic growth is irreconcilable with environmental sustainability currently seems to be more convincing than the post-growth economic system is compelling. Many authors in the post-growth movement, such as Tim Jackson, may have been lulled into what Runciman (2013) has conceptualised as ‘the confidence trap’, but the specific mechanisms of ‘muddling through’ this period remain unclear. The conclusion drawn here is that no politically amenable meta-solutions are obvious for policy-makers in a post-growth economic climate to ameliorate the budgetary gap or sustain a robust enough welfare state to meet projected levels of need. Neither is there a consensus on the institutions which need to be put in place to enact the legitimating functions of decommodification and redistribution which public welfarism has fulfilled until now. This constitutes a significant problem for the post-growth literature. Yet, in spite of this critique and ostensibly the demonstration of the limits of capitalist relations in addressing the outlined problematic, the efforts of the post-growth authors still retains a great deal of salience and importance when considering the parallel unsustainability of the current political settlement.

## 6.8 - Conclusion

The fiscal ramifications of a post-growth transition have stark, deleterious consequences for the funding base of the welfare state, and these constraints are compounded by the accompanying confluence of socio-economic, demographic and environmental issues which would exacerbate welfare need. Yet that should not disguise the fact that political agency in such a context still matters. Policy-makers will still play a key role in determining the form of economic transition and in shaping the size and shape of the welfare state. The fiscal constraints of a post-growth transition on the state places certain pressures on the institutions of the welfare state but nothing is predetermined and the policy space remains for policy-makers to shape and navigate this new terrain. The need for progressives to maintain a welfare state is underlined by its benefits to attempts to address environmental unsustainability and the theory that political expressions of decommodification and redistribution are even more significant in a post-growth context if this form of economics is to attain democratic legitimacy.

Several governance techniques, or at least potentially fruitful if open-ended ways of thinking about the problem, have been outlined in this chapter. These techniques certainly do not constitute a blue-print of welfare state reform in a post-growth transition. It is important to maintain a great degree of analytical humility at this point and emphasise that these are not silver bullets capable of resolving the intractable problematique spelled out in previous chapters. It would not be prudent to ignore these governmental techniques and approaches which do offer insights into how these fiscal issues or welfare state reform can be deliberated, however it is unlikely that these approaches, even cumulatively, would be able to lead to levels of welfare expenditure as high as post-industrial societies have become accustomed to or high enough to meet projected welfare need. Indeed, the analysis leads to the conclusion that if progressive politics is to meet both its environmental and social sensibilities, radical and politically innovative measures including fundamental welfare reform are required.

What is revealed by this analysis of a capitalist post-growth transition and the limitations of welfare state sustainability in this context is the profundity with which political economists must question fundamental tenets of the prevailing political settlement if a post-growth transition (which retains the delineated capitalist conventions) is to retain democratic legitimacy. Meeting both social and environmental imperatives, as long as the pessimism of ‘green growth’ remains empirically valid, seems to demand a radical re-thinking of the contemporary political economy far outside the parameters of mainstream economic governance debates.

Yet, as long as the empirical evidence validates the opinion that green growth is a chimera, social scientists and those interested in progressive politics should not be deterred from deliberating these issues. What I hope has been demonstrated in this thesis, and what perhaps represents the primary contribution of it, is that the prevailing economic narratives and logics of the current era (and those adopted by the two literatures I have been engaging with) possess severe limitations in meeting both the environmental and social imperatives of the 21st century. If progressive politics is to respond to these imperatives, and the more nuanced understanding of welfare state sustainability outlined in this thesis, it needs to re-politicise numerous areas of political and social life and countenance measures which lie far outside the parameters of the current political debates. This is the time for radical socio-economic re-invention when deliberating reform and renewal, and it is from here which progressive politics must begin if it is to respond to the unsustainability of the welfare system.

**Chapter 7**

# Conclusion

## 7.1 - Introduction

At stated at the outset, the welfare state is currently withstanding a sustained attack from those who believe it to be an unaffordable relic of a bygone age of social munificence. From the starting point that the current period of crisis is best understood as a crisis of public debt, questions surrounding the fiscal sustainability of the welfare state have intensified. Progressives have sought to defend welfare expenditure from the fiscal audits placed upon it by those predisposed to a ‘neoliberal’ mentality; manifested in a series of narratives rationalising the necessity of welfare retrenchment in order to placate internationally-mobile finance capital. The most recent and perhaps also most potent of these narratives has centred upon the deficit reduction agenda which has rationalised austerity in order to appease the financial markets who apparently must be persuaded to continue lending to governments at the lowest possible rates. Yet despite the resistance to welfare cuts, various reforms to welfare systems have been enacted across the traditional heartlands of welfare capitalism in the post-industrial world. As such, the institutional welfare mechanisms of decommodification have been withdrawn just at a moment in economic history when its services were required to counteract the social hardship brought about by recession, unemployment and real-terms wage suppression. This, then, is a period of considerable strain on the institutions of public welfarism, even before other factors are taken into consideration.

It can be considered unfortunate then that our scope of assessing the prominent challenges facing the welfare state does not end there. The fiscal pressure being placed on the welfare system has coincided with questions, particularly in the richer nations, of environmental sustainability and whether the intense political focus GDP growth should be maintained in light of the empirical evidence demonstrating its relationship with ecological degradation. Compounding this crisis *for* growth, is a crisis *of* growth; which reflects the long-term trend towards economic decline in the post-industrial world. This trend was briefly and unevenly offset by specific growth models which unsustainably pumped excess liquidity into the market; however the shortcomings of these models have been demonstrated spectacularly since 2007. The disconcertingly familiar dynamics upon which the ‘economic recovery’ has been based should alert us to the simple question: how is future growth going to be sustained and be deemed sustainable? This is the series of political economic crises upon which the issue of welfare state sustainability is placed in this thesis.

Before outlining the central insights of the analysis, however, let us re-state the central research questions of this thesis. The research questions were as follows:

* How should the environmental critique of conventional economic discourses which presuppose GDP growth, presented by the post-growth scholarship, influence the way the concept of welfare state sustainability is deliberated?
* How fiscally sustainable is the welfare state in the transition to environmental sustainability if this necessitates weaning ourselves off economic growth?
* How manageable are the effects of demographic changes and climate change in a welfare system situated within a fiscally-constrained post-growth economy?
* What are the effects of the welfare state (and welfare state retrenchment) upon efforts to tackle ecological degradation, and what implications does this have for welfare state sustainability?

The analysis provided here provides insights into all of these issues. Firstly, it allowed me to argue that the way the concept of welfare state sustainability is typically thought about in the welfare state scholarship is dangerously myopic. A more nuanced understanding of sustainabilities (or perhaps unsustainabilities) would be far more appropriate in what is a far more uncertain age of progressive political economy. Secondly, weaning ourselves off economic growth – as is passionately advocated by those in the post-growth movement – would place an enormous strain on both the funding base of the welfare state, through circumscribing the amount of tax revenue that could be garnered by the state, and the demand for welfare services which would be exacerbated by a post-growth transition. Several governmental techniques could be deployed to mitigate these strains – and indeed many post-growth authors would argue that such techniques dovetail the transition anyway – but this analysis demonstrates that it would be wildly optimistic to posit that a welfare state as robust as the ones post-industrial societies have become accustomed to would be able to entirely resist the fiscal pressures brought about by post-growth state contraction (or even de-growth state contraction). This point is compounded by an analysis of how pre-existing concerns over demographic changes and the welfare need generated by climate change would be far less manageable within a post-growth state. It can be argued that these strains upon public services demand increasing public expenditure, but that these mechanisms of de-commodification embodied by the welfare state appear to be reliant upon an environmentally-unsustainable growth dynamic. This point leads onto the final conclusion derived from the analysis, which forms a paradox for welfare state sustainability. This is that, in spite of the outlined fiscal constraints of a post-growth transition, the welfare state appears to be essential for efforts to decarbonise the economy and can still claim that its method of collectivising resources in certain areas of public life still constitutes the most cost-effective method of providing essential services (and thus is more crucial in an age of finite resources than ever before). The centrality of the welfare state in operationalising an economic transition which promotes green values, reduces carbon output and reduces aggregate costs in crucial areas ostensibly means that a post-growth transition cannot live with or without the welfare state. This paradox means that even analysing the *environmental sustainability* of the welfare state involves adopting a nuanced and multifaceted approach, given the direct and indirect forces upon the welfare state and the economy in which it is embedded.

These questions drove an analysis which brought into contact two bodies of literature which until now had been discursively segregated, in spite of the mutual tendency for their logics to be promulgated by actors on the left, and in doing so contributed to them both.

The first literature is the academic research concerning the fiscal sustainability of the welfare state, which boasts compelling arguments related to boosting economic performance through a larger role for the state, particularly in periods of recession where Keynesian strategies become germane. The logic of welfare capitalism has historically been embraced by social democrats in the post-war period. The literature has been shaped largely by a resistance to, and desire to deconstruct, neoliberal discourses which rationalise welfare state retrenchment; the latest and most potent of which has been the ‘debt crisis’ narrative of recent years which framed the 2008 financial crash as primarily a crisis of high public spending. The second literature is the ecologically-conscious post-growth body of work, which criticises the environmental ramifications of *ad infinitum* economic growth and the unequal societal distributions of contemporary economic growth in Western societies. Broadly speaking, post-growth authors promote moving away from the political fixation with GDP and instead focusing on a more holistic series of governmental metrics which generate less socially and environmentally deleterious outcomes.

Both of these literatures have spawned their own internal logics and represent attempts to meet progressive sensibilities. The literature on the fiscal sustainability of welfare spending is designed primarily to meet the left´s proclivities towards protecting the poorest and most vulnerable in society, whilst the post-growth literature has enjoyed a renaissance primarily because of the left´s proclivities towards environmental protection.

Yet bringing these literatures together demonstrates the mutual blind-spots and limitations of these progressive logics of governance. The post-growth literature cannot continue to refuse to acknowledge the implications of its advocated path on the fiscal capacity of the state and the ability of the state to mitigate the excesses of a capitalist society (that is, of course, if the post-growth economy continues to be a capitalist one). Certain governance techniques and policy approaches can be used to mitigate this budgetary gulf, but this analysis leads us to believe these are unlikely to be sufficient in sustaining current levels of welfare expenditure and ensuring the social and political legitimation of this post-growth capitalist system. Meanwhile the authors associated with the welfare state scholarship cannot continue to be ignorant of the fact that the fiscal sustainability of the welfare system is currently predicated upon an environmentally unsustainable growth dynamic. To make matters worse, the welfare state has been justified in the literature by its ability to contribute to competitiveness and aggregate demand; concepts which are central to the language of growth and the value of which would be undermined in public discourse if the radical uncertainty around growth were to be more widely accepted. The environmental crisis (amongst other factors) potentially threatens the future of growth whether policy-makers consciously adopt a post-growth path or not, and so the ecological dimensions to welfare state sustainability – as part of a broader capitalist system – cannot be overlooked any further. These literatures thus contain valuable insights for the other if they aspire to be logics of governance in the 21st century, but the current conventional logics of both discourses are problematised by the analysis of this thesis.

Choosing to persist with a concept of welfare state sustainability which is concerned purely with fiscal matters relating to a narrow set of economic considerations can no longer be satisfactory in light of this research. It is surely problematic to deem the welfare sustainable when it is contingent upon the success of an economy which is itself environmentally unsustainable. It is thus imperative that this literature adopts a more sophisticated understanding of sustainability which incorporates the fiscal and the environmental, even if its adoption disconcertingly reveals friction between these two dimensions of sustainability.

For whilst enhancing the fiscal sustainability of the welfare system seems to be ultimately dependent on buoyant levels of economic growth which is currently correlated with ecological degradation, a post-growth transition poses a different kind of headache for those advocating public welfarism. That the welfare state can only be justified economically on the basis of a model of capitalism that is still only embryonic would be bad enough, but the most disconcerting element of moving beyond growth is that moving towards environmental sustainability seems to demand a constriction of economic activity which will impact upon the public purse. This constriction will subsequently put pressure on policy-makers to make substantive cuts to which the welfare system, as a large component of state expenditure, will be vulnerable. As already stated, it is not that the welfare state is unaffordable as such, but in a context of diminishing tax returns and increased pressures on the welfare budget due to demography and climate change, it is difficult to see how this funding gap can be reconciled through the orthodox means of the current political settlement.

This is the fundamental point of tension to which the welfare state is exposed. Yet it is important to note that it would be a false choice for policy-makers to pursue either social protection at the expense of the environment, or environmental protection at the expense of a welfare system. To pursue social protection through further economic growth would be to generate further welfare need, created by environmental degradation and a scarcity or toxification of natural resources, which would hurt the global poor harder than any other segment of the global population. Likewise, it is not less credible to suggest that pursuing environmental protection at all costs through suppressing economic growth can secure environmental sustainability by itself, particularly if the wider economic ramifications of the end of growth acts as a catalyst for state and welfare retrenchment which, as chapter five outlined, can be seen as crucial to operationalising projects designed to instigate decarbonisation.

This final point is crucial, because it demonstrates how it would be misleading to suggest that the future of the welfare state can be reduced to a dyadic choice between two political imperatives. Whilst a post-growth macroeconomic transition might place fiscal pressures upon the welfare state, welfare state retrenchment can also be seen as environmentally unsustainable, due to the effects of public welfarism on fostering decarbonisation projects and the continued financial value of organising resources collectively in an era of constrained resources. Consequently, this evidence seems to suggest that any welfare state retrenchment in the name of an environmentally-conscious post-growth transition would be ultimately self-defeating. This seems to complicate matters further, particularly for post-growth authors, creating a fundamental paradox in the relationship between the welfare state and the move towards environmental sustainability. As persuasive as the arguments are that *ad infinitum* economic growth is ecologically unsustainable, the welfare state in the context of a post-growth transition seems to become simultaneously environmentally vital as well as fiscally unviable[[52]](#footnote-52).

Several governmental techniques are capable of mitigating such tensions; tax rises most obviously. However, the fiscal and social limitations of offsetting these tensions within conventional capitalist frameworks in the midst of a post-growth transition have been spelled out in the previous chapter. This analysis leads us to believe that they would not be sufficient for maintaining a welfare state on the scale which post-industrial societies have become accustomed to or on the scale to meet projected levels of welfare need. This is not to say that political agency is unimportant, but that it seems unlikely that a post-growth capitalist system is capable of sustaining contemporary welfare systems and that more radical measures may need to be deliberated at the present juncture to stave off both social and environmental turmoil. This is the extent of the impact of ending exponential economic growth on the state’s finances.

The welfare state appears to be socially and environmentally vital, and even more so in a transitional period to a post-growth society where social protection measures will be required to an even greater extent in the midst of ever more tumultuous market forces. But what are the broader economic logics which will ensure the sustainability of the welfare state? This analysis problematises both the Keynesian social democratic logics characteristic of the welfare state scholarship and the unevenly developed post-growth logic propounded by the likes of Tim Jackson, Joan Martínez-Alier and Serge Latouche. Neither of these logics seems to be apposite templates of progressive governance in the 21st century capable of meeting both the left´s social and environmental proclivities; and raises question marks over exactly how ‘the left’ should even be defined at the current time. Indeed, both of the logics entrenched in these literatures seem to systematically cultivate their own idiosyncratic but deep-seated forms of social and environmental turmoil. Furthermore, it cannot be said with any confidence that either of these governing approaches will be capable of retaining democratic legitimacy in the face of the growing environmental or social disharmony resulting from the blindspots of these logics. All of which seems to demand a radical re-engagement with fundamental political questions of who gets what, why and how; a more radical questioning than the current political settlement will allow for[[53]](#footnote-53).

## 7.2 - Original Contributions

The contributions this thesis made to the two literatures I am speaking to have been five-fold.

Firstly, I have mapped the concept of welfare state sustainability onto a very different and more holistic conceptualisation of the present crisis in political economy, which acknowledges the complexities and tensions brought about by the environmental crisis. The systemic analysis of what welfare state sustainability would look like on the basis of this understanding is entirely novel.

Secondly, I have promoted a more nuanced understanding of the concept of welfare state sustainability which seems to be far more germane for the current era of political economy scholarship. Utilising this concept conventionally revealed the limitations of its application in the welfare state scholarship and the shortcomings of the discourses appealing to it.

Thirdly, I have brought together two literatures which have thus far remained segregated from each other, despite both literatures being embraced by progressives, to formulate critiques of the logics employed within them. On the one hand, I have developed a critique of the welfare capitalist discourse within the welfare state scholarship which forms the basis of the heterodox economic alternative today, as a framework which leaves the fiscal sustainability of the welfare state contingent upon an environmentally unsustainable growth dynamic. On the other hand, I have developed a critique of the post-growth literature as promoting policies which would place extreme fiscal constraints on the state and threaten the future of welfare expenditure without specifying the institutions or measures which could replace those of the welfare state in decommodifying market forces and protecting society’s most vulnerable.

Fourthly, I demonstrated the paradox of the relationship between post-growth economics and the welfare state. Whilst any transition to a post-growth form of capitalism would seem to place severe question marks over the funding base of the welfare state, there seems to be a raft of evidence that suggests that welfare state retrenchment is itself environmentally unsustainable.

Fifthly, I explored the limitations of agential action by policy-makers in mitigating the fiscal constraints posed by a post-growth transition, and deliberated upon whether a post-growth form of capitalism could ever truly retain democratic legitimacy if it were unable to sustain a substantial welfare regime.

## 7.3 - Objections and Responses

A series of potential counter-arguments and objections can, and have, been made about this research or some of the assumptions underpinning it. I shall now categorise these counter-arguments and objections thematically and attempt to address them head on.

Firstly, the typical counter-argument to this line of research is that my pessimism over the prospects of establishing green growth is contestable or exaggerated. Many believe technology will come to our aid, which will enable the de-coupling of economic growth from its ecologically deleterious externalities. It is fair to say that the empirical trends linking economic growth and ecological degradation cannot necessarily be extrapolated into the future. Such technological innovations may enable a heterodox economic alternative based on stimulating low-carbon engines of growth which could be deemed carbon-neutral or even ‘green’. If such a set of circumstances were to come to pass, the tensions within the concept of welfare state sustainability would be greatly reduced and the value of this analysis would be greatly undermined.

The possibility of de-coupling economic growth and ecological degradation was assumed away in the introduction (although more empirically substantiated in chapter two) in order to allow for a prolonged analysis on the consequences of this for welfare state sustainability. Such an assumption is far from an unrealistic hypothetical. At the time of writing there is little to suggest that this state of affairs will come to fruition, as discussed in chapter two. Technological advancements of recent years do provide us with hope that technology again holds the key, but no de-coupling of economic growth from its current ecological ramifications is currently foreseeable on the scale required for us to deem growth to be environmentally sustainable. Indeed, even if a ‘green growth’ economy could be established in one country it would still be prudent to be sceptical that such an economy is universalisable. Whilst this remains the case, I contend that it is important for scholars in the social sciences to ponder the social, political and economic implications of these trends continuing along the same trajectory. Furthermore, there is also something extremely unsatisfying about social scientists remaining silent on these issues in the hope that the problem will be taken out of their hands by technological innovations. The desire for such a ‘bail out’ from the natural sciences and engineering is seductive, but whilst there is little to suggest that technology will resolve the tensions between the growth and the environment it is important that social scientists ruminate upon political and socio-economic innovation just as much as technological innovation. As such, it is vital that scholars from across the disciplines engage with these issues and deliberate the consequences of welfare state sustainability when seen through this more holistic lens.

Secondly, it has been pointed out that to some extent there is an uneasy consistency in this analysis in attempting to engage both in *ceteris paribus* reasoning and holistic analysis. I claim in this thesis to attack the topic of welfare state sustainability from a more holistic standpoint than is conventional, and clearly, narrow *ceteris paribus* reasoning can be seen as problematic in the context of such a claim. As was noted in chapter four, the ‘political economy of post-growth’ is very unevenly-developed and, thus, attempting to rigorously study the totality of economic relations would be inherently problematic. Indeed, it is difficult to know what ‘holistic’ analyses would look like in such a context. This is undoubtedly a great danger when approaching this research topic and something I have wrestled with extensively.

In terms of the deployment of ‘*ceteris paribus* reasoning’ engaged with in this analysis, I would contend that the crux of the issue is that it is difficult to know which facets of political economy to insulate from speculation in such a transformative period and which to open up to analytical scrutiny. I neither wish to depict a post-growth world as almost identical to the current economic system (with the exception of the GDP measurement) nor as an entirely lucid world where all aspects of political economy are open to be re-shaped in line with some progressive idea of utopia. In all likelihood, neither of these dyadic positions would satisfactorily reflect a post-growth world. This essentially demanded that I make certain analytical choices as to which areas of political economy to analytically de-stabilise and which to (temporarily) assume will continue much as before. This was a particularly difficult analytical position when I (necessarily but problematically) discussed how these budgetary tensions could be remedied by the tax system.

After careful reflection upon this issue, I ultimately attempted to derive my thoughts from a more holistic understanding of the political economy landscape and the challenges upon which welfare state sustainability is to be mapped. However, whilst the analysis is derived from this more holistic starting point, I do not seek to claim that the analysis which follows is holistic to the same degree. Therefore, I move from a holistic understanding of crises to a more pragmatic understanding of crisis management rooted in contemporary political logics and institutions. The latter cannot be considered to be an entirely accurate vision of what a post-growth state would look like but it constitutes an analytically useful starting point of pre-existing institutions and circumstances. It is from here – this set of erroneous *ceteris paribus* assumptions of the world continuing in what is at least a recognisable fashion – that we must begin to organise our thoughts on how these tensions can be approached.

The number and types of *ceteris paribus* assumptions I make throughout the analysis can still be challenged – and rightly so. Indeed, that is entirely the point of this thesis. This framework of analysis is set up primarily for illustrative purposes to demonstrate the difficulties of meeting both environmental and social imperatives from within these frameworks of economic governance. The analytical implications for moving back to a more holistic standpoint are clear; are these assumptions themselves unsustainable in such a context?

Chapter six does question many of the *ceteris paribus* assumptions that were made in the preceding analysis, particularly those related to taxation, international competition rather than coordination, and the existing welfare system – evolutions which may be demanded by some forms of post-growth economies anyway. I still do not claim the assumptions I interrogate to be holistic – in that there are many more assumptions I could have questioned – but have at least established the need to ‘problematise the problem’.

Therefore, I separate the holistic and the *ceteris paribus* in this manner – by differentiating between the understanding of crises and the analysis of crisis management. But I do go on in chapter six and interrogate the framework of *ceteris paribus* assumptions I uphold in the preceding chapters of analysis.

This approach echoes the attitude adopted by Barry to the imperative of conceiving a post-growth transition within the context of the actually existing institutional configurations and political economies of the time. Following Barry (2012: 150), “we cannot build or seek to create a sustainable, resilient economy *ex nihilo*, out of nothing, but must begin from where we are now, with the structures, institutions, mods of production, laws, regulations, and so on that we have. We must dig where we stand. This does not mean simply accepting these as immutable or set in stone. After all, some of the current institutions, principles, and structures underpinning the dominant economic model are among the very causes of actually existing unsustainability. But we do need to recognize that we must work with (and ‘through’ – in the terms of the original German Green Party’s slogan of ‘marching through the institutions’) these existing structures, changing and reforming as needed, and in some cases abandoning them as necessary, where they are judged to be systematically harmful and prolonging unsustainability”. Taking its cue from Barry, this thesis takes seriously the need for a transformative post-growth transition but still grounds the analysis in the political, economic and institutional milieu of the time whilst acknowledging the necessity of questioning and transforming it.

The third objection that has been made about this research topic concerns the question of whether or not a post-growth economic system can be defined as capitalist. For those scholars who claim that post-growth is essentially post-capitalist by definition the analysis here is situated within an erroneous framework – or at least a far too rigid and apolitical framework – of capitalist concepts such as state expenditure, public debt and balanced budgets. Indeed, as the welfare state is itself a set of mechanisms produced by a capitalist system, perhaps the whole premise of the research agenda should be questioned.

My response to this objection partly relates to the above response: that the *ceteris paribus* reasoning is deployed partly to display the limitations of the current logics which characterise the current political settlement. Consequently, it demonstrates the degree to which the capitalist scholars of the post-growth literature must begin to advocate what they currently refuse to acknowledge; that weaning ourselves off economic growth needs to be married with a radical transformation in existing political and economic institutional architectures because the current structures will simply not do in such a context.

Yet more substantively, adopting the assumption that a post-growth transition not only can be, but explicitly *is*, a capitalist one speaks to (and contributes to) a large swathe of the post-growth literature. Several prominent post-growth authors have explicitly defined a post-growth economy or steady state economy as capitalist or have implicitly treated it as being so (Daly, 1990; Jackson, 2009; Victor, 2008; Lawn, 2011; Buch-Hansen, 2014). Tim Jackson (2009: 186) has stated that post-growth economics would be a familiar form of economics “with a bit shaved off”. Herman Daly’s (1990) steady state economy had a prominent role for a profit-driven private sector and was defined by Daly himself as a capitalist system. Peter Victor (2008) meanwhile modelled a variety of post-growth scenarios on the basis of fluctuating capitalist variables such as trade balances and state expenditure as a percentage of GDP. Lawn (2011) is another who argues that the current growth imperative is the result of capitalist systems being institutionally designed to be contingent upon economic expansion, but they need not be designed this way to survive and thrive. Consequently, the set of *ceteris paribus* assumptions of a post-growth capitalism upheld in this thesis allows the research to speak to this set of authors within the post-growth literature and demonstrates just some of the social and environmental ramifications of making the transition whilst maintaining deference to capitalist concepts.

Dovetailing with this point, several colleagues have brought to my attention that a post-growth transition itself implies some form of political economic transformation beyond the mere suppression of economic growth. This is absolutely true, although difficult to define in absolute terms as there are a myriad of (largely opaque) perceptions across the literature on what such a transformation involves.

In response to this counter-argument, I would suggest that this thesis is well positioned to contribute to the theorising upon what types of reform such a transition implies or demands. Secondly, I contend that such an observation does not undermine the analysis presented here as any post-growth capitalist transition would produce a constriction of economic activity and circumscribe the fiscal capacity of the post-growth state, leading to unacknowledged ramifications for welfare state sustainability.

The fifth objection that has commonly been made was dealt with in the introduction, but is worth reiterating here. It relates to the relationship between the theoretical approach of constructivist institutionalism – which analytically privileges ideas, discourse and institutions – and a study of environmental sustainability. Some have argued that a study of the environment is decidedly material and, thus, the adopted theoretical approach is not well-equipped to study the topic**.**

Two points have been made in response to this. Firstly, whilst undoubtedly the notion of environmental sustainability does correspond to a set of material processes of ecological degradation, very few could claim – whether of a similar theoretical disposition or not – that the term ‘environmental sustainability’ is an exhaustive description of ontological reality. The term ‘environmental sustainability’ is itself a constructed, ideationally-constituted concept which takes into account perceptions of processes which are still not well understood or measured. It is fundamentally a conceptual abstraction which helps policy-makers and academics gain analytical purchase on the topic. It is these ideational debates about what constitutes environmental sustainability which ultimately impact upon policy-making. This is to say that there is a significant ideational dimension to the concept of ‘environmental sustainability’ – particularly in terms of its deployment in the political sphere – and this is made apparent through observing the range of diverging discourses that exist on climate change (whether they be centred upon green growth, steady state, de-growth, or climate change denialism). Whilst the concept of environmental sustainability does correspond to the irrevocably complex and constantly evolving material ecological world, it is not entirely synonymous with it. Moreover, the way in which the material processes of, for example, climate change are perceived and cognitively mapped are matched by the more strategic cognitive constructions of ‘our interests’ in the context of these trends. Consequently, the ideational dimensions to the environment and environmental sustainability cannot be underestimated when analysing the political sphere. The ideational processes of constructing the concepts of environmental sustainability and our ‘interests’ in the context of sustainability challenges are more politically potent than the material processes themselves; an insight which demonstrates the value of analysing environmental sustainability as a concept in this study and the appropriateness of adopting the theoretical approach of constructivist institutionalism.

The second point in response to this critique addresses the objection from the standpoint of the theoretical approach. Constructivist institutionalism, as with constructivist approaches more generally, has an established conceptualised role for material processes in the construction of ideas. Constructivist scholars are undoubtedly traditionally sceptical of notions such as ‘material *reality*’, which are derived from a seemingly dubious position of epistemological confidence, and material *interests*, which are deduced through some utilitarian calculi on the basis of this material reality; with constructivists in contrast choosing to emphasise the ideational and intersubjective formulations of perceived ‘reality’ and ‘interests’. However, Vivien Schmidt (2008: 318) posits that ‘material *conditions*’ can and do (to differing extents) influence the ideational construction of perceived reality and perceived interest. This established role for material conditions (if not material reality or material interests) allows constructivist institutionalism to recognise the material processes of ecological degradation whilst allowing for a recognition of the intersubjective contestation surrounding the environmental sustainability. Therefore, I posit that it is entirely possible that the theoretical framework of constructivist institutionalism is capable of addressing the topic of environmental sustainability and how these ideas interact with the predominant macroeconomic logics of the two bodies of scholarship under examination.

The sixth potential objection to this research is that I have adopted a very top-down approach to the post-growth tradition; focusing as it does on macroeconomic trends, the future of the state, and governmental techniques for mitigating the delineated paradoxes. As such, it doesn’t take fully into account bottom-up social movements or acts of resistance and subversion. Naomi Klein (2014) particularly places her faith in the building of international social movements as the strategically crucial agents of change, through forcing policy-makers to adopt measures which would help put in place a green and ‘carefully planned’ economy. The top-down lens I have adopted also fails to take into account a range of factors in the private sphere such as household debt or the effect of these macroeconomic developments and any potential welfare reforms upon women particularly.

This is certainly a limitation of the approach I have adopted in this study. It is a fair criticism that the way I have approached this research project analytically scrutinises certain phenomena but marginalises others or places them outside of the scope of the project. Whilst I do question in chapter six the Realist-inspired analytical centrality of the state and its analytical appropriateness under these specific circumstances, there is nonetheless a great need for further studies to analyse the myriad of further implications that a post-growth transition would hold for a wide range of areas concerning the economy and society, in the private sphere particularly.

This brings me neatly to a further potential objection about the scope of this research project; concerning the question of agency and power. Who will be the agents of any macroeconomic change? And how will these situated agents confront the powerful vested interests within sites of governance? If progressives are to cultivate a model of political economy which responds to its normative commitments, these are clearly politically expedient questions concerning how exactly radical transformations will come to fruition. The latter of the radical economic strategies discussed here, welfare capitalism, has thus far decreasingly found political traction in the last three years despite the material economic conditions which ostensibly ought to have enabled it to potentially thrive. Meanwhile, it must be admitted that conventional social democratic parties in their current forms are unlikely to do much more than pay ‘lip service’ to post-growth ideas, and are even unlikelier to enforce a post-growth transition; even if the radical uncertainty surrounding economic growth in the face of economic and environmental challenges does come to increasingly influence the coordinative discourses of these parties.

Yet these are questions which fall outside of the scope of this thesis; which instead chooses to focus upon the logics of progressive governance rather than the chain of events which will lead to certain ideas being implemented. I contend that alternative discourses outside of the mainstream political parties are worthy of deliberation in academic work and that is the premise upon which my theoretical engagement with these literatures is based. As such, the analysis presented here is, largely, divorced from practical, day-to-day policy-making in contemporary halls of power – remaining upon a fairly theoretical and abstract plane. Even so, the absence of power and the questions over the agents of such a radical political change is a limitation of this study and these are questions which demand further analytical attention.

The final set of counter-arguments I have encountered, perhaps related to the argument made by those of a ‘green growth’ disposition, is that political attempts to mitigate and adapt to changing environmental circumstances may actually help boost GDP growth. This is because GDP metrics are designed to measure capital *flows*, and environmental clean-up programs will likely involve a range of economic transactions, as well as developing a long-term economic sphere capable of offering bountiful levels of demand, productivity growth and investment.

This is an argument made primarily by those who wish to argue that the environmental crisis needn’t interfere too strongly with existing macroeconomic models or strategies. It can be seen as a pragmatic line of argument which shares common political territory with the green growth discourses. Yet there are two key points to be made in response to this critique. Firstly, that public sector environmental protection expenditure is not a major driver of GDP growth – it remained just short of 1.25% of GDP across the 28 countries of the European Union between 2002 and 2012, rising only slightly when the European economy contracted (Eurostat, 2014) – and that it is highly unlikely to be a major driver of economic performance in the future under almost any circumstances that are conceivable. It certainly pales in significance to other economic sectors such as finance, energy, manufacturing, agriculture or retail. The second point is that even if environmental protection were a significant driver of future economic growth, it would not render the analysis here on the sustainability of the welfare state moot because it is not the type of economic activity which would profit the public finances in the vast majority of cases. As most environmental clean-up programmes would not be taxable private sector activity, but instead either heavily subsidised or entirely state-funded projects, the impact upon the fiscal capacity of the state would still be negative as it would entail a greater expenditure than could be expected to return in the form of tax income.

## 7.4 - Future Directions / Implications for future research

I contend here that the concept of welfare state sustainability as it has traditionally been applied in the welfare state scholarship is no longer appropriate. When mapping the concept onto the conceptualisation of crisis presented at the outset of this thesis which acknowledges the severity of ecological degradation, it becomes apparent that welfare state sustainability needs to be thought about in a more nuanced way. Comprehending the sustainability of welfarism in purely fiscal terms is clearly inadequate if the fiscal sustainability of the welfare state rests upon an environmentally unsustainable growth dynamic. It is imperative that the complexities of sustainability are acknowledged when discussing the welfare state in future political economy research.

Overall, on the basis of this more sophisticated understanding of welfare state sustainability, I hope I have demonstrated in this thesis that there is a need for progressives to deliberate upon, and ultimately move some way towards formulating, an alternative political program which aims to meet the environmental imperatives of the 21st century and caters for the growing need of the most vulnerable in society.

If this is accepted, there are two clear paths of future research which could be pursued on the basis of the insights and critiques presented in this thesis. The first relates to developing our understanding of the problematique itself, and the second relates to the implications of the problematique both upon the research within the two bodies of literatures analysed and the theorising of the future direction of progressive politics.

Firstly, the identified problematique would benefit from being studied through the lens of different institutionalist theoretical approaches. Studying this problematique through a Historical Institutionalist perspective, for example, which would generate its own insights and perspectives, may help us understand the issue far better than we currently do. It might, for instance, help us to understand how the different institutional configurations in the post-industrial world have variously shaped political attempts to engender environmentally-minded behavior in their citizenry. Certainly, reflecting upon the analytical implications of ‘dropping down’ an institutional level of abstraction could result in a series of interesting research directions in the future and an enrichment of the theoretical work in this field.

Secondly, it is important that the insights generated in this research impact upon the work being conducted in both of the literatures spoken to and the debates about the future of progressive politics. In the literatures thus far the discussions on the implications of environmental degradation upon the political economy have been caught in a dualism of naiveté; a dualism which has profound implications for welfare state sustainability. On the one hand, there have been those who have advocated a transition towards ‘green growth’ in spite of all the empirical evidence demonstrating how improbably such a scenario remains to realise. On the other hand, there have been those who have argued for a post-growth transition without ever comprehensively acknowledging the magnitude of the task or contemplating the fundamental economic and governmental re-structuring which would be necessary to ensure social stability under such circumstances. For ‘green growth’ advocates, the central question would be how can a regime of accumulation be based upon decarbonisation (and indeed other forms of economic greening)? What would such an economy look like? What role would the welfare state play in achieving this? For post-growth authors, the central question would be what are the conditions and institutional mechanisms which will ensure economic, social and political stability in the transition to a post-growth economy? In other words, how can post-growth economics be differentiated from becoming ‘permanent recession’? Does the welfare state – an explicitly capitalist set of institutions – have a role to play in this broader institutional constellation and, if so, how is it to be financed? It is certainly not clear on the basis of the current literature how the capitalist state will evolve in the context of such a momentous transition nor what institutions can be put in place to prevent social and environmental calamity. This is an open question – for which I am unable to provide any answers beyond arguing that it is difficult to envisage a socially or environmentally sustainable political economy emerging from the current political settlement – but it is imperative that scholars associated with the post-growth literature begin recognising and engaging with these issues. Economic growth within a developed capitalist economy is not simply an addiction, and once this is acknowledged it is vital that scholars begin to theorise more intensely upon the limitations and implications of their unevenly-developed political economy framework. The sustainability of the welfare state rests on these unstable theoretical terrains. This recognition of the problem, however, is only the starting point for future research.

## 7.5 - Closing Remarks

The first step though is to achieve a greater level of coherence in the problems presented by the proposed transition strategies. This is where this thesis should be situated. This thesis contributes to the body of critiques which center upon the tensions between the environmental and the economic; specifically in the realm of welfare state sustainability.

This thesis does not prescriptively offer a theory or forecast of welfarism in the future. It is designed to put forward one way in which we may fruitfully analyse contemporary sustainability issues concerning the welfare state. It draws together empirical trends and the orthodox logics in the literatures under review and suggests that there is a discernible and troublesome set of incoherencies for progressive politics in the 21st century. This thesis, therefore, offers a useful starting point for analysing welfare state sustainability at the current time.

This thesis demonstrates the limitations and myopias of mainstream macroeconomic strategies for supporting the more nuanced understanding of welfare state sustainability I put forward. Certainly, the policy implications of this re-conceptualisation of welfare state sustainability does not conform to any prevailing macroeconomic strategies. It is hoped that the critiques advanced here will further the political deliberation of these issues and will breed a re-politicisation of those areas of governance which have been rendered technocratic in recent years. It is here from which further theorising should begin; both on the modes of sustaining public welfarism in a truly sustainable way, and whether this can be achieved from within the confines of the current political settlement.

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1. The thesis will deliberate the sustainability of the welfare state broadly and conceptually but focusing on the welfare states particularly in Northern Europe, Scandinavia and Northern America (henceforth referred to as ‘post-industrial’ societies for purposes of brevity). These are countries which possess substantial welfare regimes, have ageing populations, have suffered from the recent financial crash, and where both discourses of post-growth economics and a resistance to welfare retrenchment in line with a logic of welfare capitalism are prominent. These factors, and particularly this juxtaposition of discourses, makes several countries in the identified regions applicable for insights which emerge from this thesis. It is important to note, however, that this thesis does not claim to be a case study of any particular national welfare regime, even if empirical evidence from specific countries is occasionally deployed in order to substantiate particular arguments and fiscal trajectories. [↑](#footnote-ref-1)
2. This thesis will attempt to adopt a more holistic understanding of the contemporary economic challenges faced today (i.e. the environmental as well as the economic and fiscal) before delving into a practical plane of analysis (involving a series of imperfect but analytically useful *ceteris paribus* assumptions) which demonstrates how problematic these challenges and economic constraints are to negotiate within the framework of the current political and economic settlements of the post-industrial world. [↑](#footnote-ref-2)
3. Progressive in this thesis is defined as those broadly on the left of the political spectrum in the post-industrial world with normative impulses towards environmental protection and preserving the means of social protection. [↑](#footnote-ref-3)
4. These authors in turn often cite quotations from the likes of John Stuart Mill (1848), who certainly did not speak about ecological preservation or the environment possessing innate value but did instrumentally refer to ecological trends which fed into industrial processes. However, Mill (1848) particularly did write deterministically about the tendency of profit rates to fall and furthermore stated his hope that growth would stop before “the utmost limit of production had been reached, so that the enjoyment of solitude and the beauties of nature, and the cultivation of mental culture and moral feeling should not be unduly delayed” (Skidelsky, 2010: 135). John Maynard Keynes (1930) is also commonly name-checked for, although the type of macroeconomics which bears his name is centred upon growth, he did foresee a time when “the economic problem” would be solved and Western societies would “prefer to devote our further energies to non-economic purposes”. [↑](#footnote-ref-4)
5. Gross Domestic Product is defined here as an approximate measurement of all economic activity within a given geographic territory. It accounts for all economic output (gross value added), the sum of all incomes (wages and dividends/profits) and the sum of all expenditures (consumption and investment). [↑](#footnote-ref-5)
6. To his credit, Serge Latouche (2009: 16) does fleetingly acknowledge that “jobs, retirement pensions and increased public spending (education, law and order, justice, culture, transport, health, etc.) all presuppose a constant rise in Gross Domestic Product”. However, he does so fleetingly and without engaging rigorously with the implications of such an observation. On the other hand, Latouche is explicitly in favour of a post-growth economic system which is also post-capitalist – unlike many of his fellow authors associated with the post-growth literature – and as such the analysis of post-growth reform within a capitalist state would not fit comfortably into his analysis. [↑](#footnote-ref-6)
7. In the introductory article of the Ecological Economics special issue in which Victor’s article was published, Kallis *et al.* (2012) also deserve recognition for posing many pertinent questions about the economic consequences of post-growth and de-growth. However, in an introductory article for a special issue they could do little than introduce these questions and call for “fresh economic thinking”. This thesis will pose similar research questions – questions which are more centred on the welfare state and welfare state sustainability – and then subject them to a more rigorous analysis than has been undertaken thus far. [↑](#footnote-ref-7)
8. Or, as Adam Smith has it, a “progressive” society - one aiming at growth of its productivity and prosperity that is in principle boundless, as measured by the size of its money economy. [↑](#footnote-ref-8)
9. One example of this is the Office of Budget Responsibility in the UK which was established by the Coalition Government in order to address the need for greater ‘fiscal prudence’ after years of supposed New Labour profligacy. [↑](#footnote-ref-9)
10. Although ideas and discourse are strongly related, they are not entirely synonymous. Discourse, can be understood as the mechanisms through which ideas are represented or manifested (through issue definition, framing, narratives, framing, collective memories, etc.) and become “actionable” (Hay, 2006). [↑](#footnote-ref-10)
11. Scholars of historical institutionalism meanwhile tend to explain change incrementally and largely through exogenous forces. See Thelen (2004) and Streeck and Thelen (2005) for their theorisation of processes of institutional change through ‘drift’, ‘layering’ and ‘conversion’. [↑](#footnote-ref-11)
12. This speaks to the long-standing interest in crises by those associated with the institutionalist literature, who have seen crises being borne from institutional path-dependencies and as being the moments in which seismic shifts in institutional configurations occur in the face of challenges to which they are ill-equipped. [↑](#footnote-ref-12)
13. Where there has been some recognition that the state is reliant upon capital accumulation or that post-growth has implications for the capitalist state – such as in Eckersley (2004: 83) – neither the sustainability of the welfare state or the exact ramifications for the public finances have been subject to rigorous academic attention. Allowing the advocates of a post-growth form of capitalism, such as Jackson (2009: 138), to continue propagating the notion of increasing public expenditure to stabilise the economy and ensure economic security. [↑](#footnote-ref-13)
14. I could have perhaps undertaken a case study of one particular country in the analysis, but this would have been a very different (if complementary) thesis. This thesis is instead designed to offer insights for specific literatures rather than specific countries. [↑](#footnote-ref-14)
15. A crisis is understood here as a fundamentally narrated politicised processes of pathologising that is reared through debates on problem definition, an interpretive battle which selectively deploys empirical data in order to engender consensus on the root causes and a set of solutions to that problem; to the extent that these narratives are legitimated by the population of a given geographical territory, they are then followed by some form of political intervention which seeks a resolution to the delineated crisis. Of these, there have been many in recent years. A crisis is not, however, defined here as a moment which instigates an immediate or impending “decisive intervention” (Hay, 1996: 254) or “turning point” (Gamble, 2009: 38-39), although it could certainly prompt such transformative change given the continuation of certain conditions. [↑](#footnote-ref-15)
16. These are not posited to be material crises which stand in contrast to the ‘abstracted narratives’ described by others. These crises are also the result of pathologising and themselves are inherently contingent and reductive as depictions of ‘reality’. Yet they have been selected for analysis here because they are able to offer a more comprehensive and empirically verifiable (as well as analytically interesting) understanding of the present sustainability challenges in political economy. Thus, it is not claimed that these three crises are objectively identifiable on the basis of ‘material reality’ or that this means scholars ought to retreat to a relativist position where we believe that all crisis narratives are of equal merit. A fuller description of the constructivist position on the concept of crisis is outlined in section 2.2. [↑](#footnote-ref-16)
17. A ‘crisis construal’ is defined here as the accumulation of a series of temporally-limited, intersubjective crisis narratives (which may deploy the ingredients of certain material conditions in the construction of these narratives but can certainly not be reducible to them); some of which gain enough prominence in the political discourse in sites of power that they are impactful upon the policy-making processes. [↑](#footnote-ref-17)
18. It is worth reiterating at the juncture that whilst the crises identified below will foreground certain sustainability challenges for the welfare state, the analysis of the implications of these crises for the welfare state will take place in subsequent chapters. This particular chapter will limit itself to delineating the nature of the crisis which welfare state sustainability will be mapped onto. [↑](#footnote-ref-18)
19. Low interest rates were also partly enabled by the influx of capital from Asia after the 1998 East Asian financial crisis (Caballero, *et al.* 2008), which at the time seemed to form part of the ‘virtuous circle’ of this growth model. [↑](#footnote-ref-19)
20. Simultaneously, citizens were being encouraged to think of houses as safe financial investments; and if possible to continue to obtain credit for purchasing such assets in order to fund their own welfare needs in later years (Langley, 2004; Seabrooke, 2007). Such a belief helped house prices to continue rising in what seemed like a self-reinforcing virtuous circle. [↑](#footnote-ref-20)
21. A set of assumptions which I shall return to later. [↑](#footnote-ref-21)
22. The growth in welfare need, generated not least by an ageing society, has meant that the overall cost of welfare states have tended to rise in absolute terms. The rising costs of pensions and healthcare in particular have disguised the declining generosity of unemployment insurance in many countries. [↑](#footnote-ref-22)
23. Of course, there are significant and important international variations in these trends, but this is widely seen to be the direction of travel in the welfare state scholarship. [↑](#footnote-ref-23)
24. Denmark, the Netherlands, Ireland, Australia, Iceland, and Canada are the notable exceptions in that they all spend more on benefits for working-age citizens than retirees, largely because of the popularity of private pension systems. [↑](#footnote-ref-24)
25. This encouragement of population growth alone would of course have consequences for environmental security, even before accounting for the commitment to *ad infinitum* economic growth and rises in living standards. [↑](#footnote-ref-25)
26. This does not mean that the current attempts by austerity-fixated governments to retrench welfare spending can be considered ‘green’ – welfare cuts are being enacted today through a sense of ‘good economic governance’ and in order to maximise carbon-intensive growth in accordance with a broadly neoliberal philosophy of economic governance – only that progressives who perhaps implicitly think of themselves as ‘green’ and advocates of a quasi-Keynesian growth-project hold a troubled and seemingly contradictory position. [↑](#footnote-ref-26)
27. Understood here as simply a reduction in carbon output. [↑](#footnote-ref-27)
28. Gross National Product (GNP) differs from Gross Domestic Product primarily in that it refrains from including in its calculation earnings from overseas assets. [↑](#footnote-ref-28)
29. The Laffer Curve supposedly represents he relationship between levels of taxation and levels of government revenue, in order to demonstrate the moderate level of taxation in which tax revenue will be maximised. [↑](#footnote-ref-29)
30. Kallis (2011: 875) declines to theorise on the topic of post-growth re-structuring through restricting himself to the assertion that “it might be better to remain agnostic and pluralistic at this stage about what a post-capitalist alternative could look like and let it emerge organically from the ground, rather than dictate it from any intellectual or political height”. [↑](#footnote-ref-30)
31. There is an irony here in that some of these problems may resolve themselves, but in a very unpalatable way! That is to say that if climate change and environmental degradation has a significant impact on reducing the size of the population, this would alleviate the fiscal burdens upon the state. However, needless to say, this is a scenario that needs to be avoided! [↑](#footnote-ref-31)
32. Such a scenario of instantaneous post-growth is admittedly highly improbable if not impossible. Any transition to a post-growth economy would in all likelihood be an iterative and non-linear process. But it remains a key point as it demonstrates the troublesome state of the public finances heading into such a period of profound transformation. [↑](#footnote-ref-32)
33. One way of offsetting the impact of regressive taxes and de-sensitising poorer communities from green policies such as this would simply be to engender a less unequal society. However, the institutions of the welfare state are one set of redistributory mechanisms capable of realising this and – as has been implied in this chapter – their powers may be greatly restricted in such a scenario. [↑](#footnote-ref-33)
34. Victor (2012) himself undertakes a range of scenario modelling exercises to forecast a range of feasible possibilities on the severity of post-growth or de-growth on private sector unemployment and investment. [↑](#footnote-ref-34)
35. The assumption has been made here that at least the countries in the Global South would not be part of the post-growth transition (as well as perhaps some countries in the Global North depending on the extent of international coordination). If this assumption is true, certain investment opportunities would presumably still exist for Western capital; albeit a more limited range than currently exists. [↑](#footnote-ref-35)
36. This is particularly the case when the International Labour Organisation (2004: 1) understands ‘economic security’ as being composed of “basic social security, defined by access to basic needs, infrastructure pertaining to health, education, dwelling, information and social protection, as well as work-related security”. [↑](#footnote-ref-36)
37. Williams (2002: 161) states that LETs are “created where a group of people form an association and create a local unit of exchange. Members then list their offers of, and requests for, goods and services in a directory and exchange them priced in a local unit of currency. Individuals decide what they want to trade, who they want to trade with and how much trade they wish to engage in. The association keeps a record of the transactions by means of a system of cheques written in the local LETS units”. [↑](#footnote-ref-37)
38. See Korpi, 2003 and Pierson 1994, 1996, 2001, 2004. [↑](#footnote-ref-38)
39. Those who remain uninsured after the atrophy of public healthcare services, moreover, would no longer be eligible for cheaper preventative medicine and would eventually require more major forms of treatments. Major medical treatments, of course, are likely to consume greater monetary and ecological resources. [↑](#footnote-ref-39)
40. Indeed, this is an argument which the vast majority of the post-growth movement would be inclined to agree with such are the left-wing values upon which their movement is based. [↑](#footnote-ref-40)
41. Chancel et al. (2013: 5) go far further than most in privileging the importance of political agency over the existence of structural constraints. They argue that “it is not so much society’s economic growth that matters, but rather the individual and collective choices we make”. [↑](#footnote-ref-41)
42. A Pigovian tax – named after the economist Arthur Pigou – is a form of taxation exerted upon forms of private sector economic activity which create negative externalities for others or society at large. Such a tax is designed to force private sector organisations to account for the costs it creates for the state, such as the costs of cleaning up waste or dealing with the consequences of pollution. This form of taxation attempts to control social problems by monetising the costs and attempting to incentivise or disincentivise the private sector in certain directions. [↑](#footnote-ref-42)
43. This is patently not the case with all green taxes. Some forms of carbon taxes may prove to be progressive. However, green taxation does seem to be regressive overall due to their disproportionate effects on the lifestyles of the poorest. [↑](#footnote-ref-43)
44. Although admittedly, perhaps this scenario is only as unfeasible as a post-growth transition itself seems at the current time. [↑](#footnote-ref-44)
45. The Living Wage is defined here as a wage which allows an employee to afford the basic cost of living. [↑](#footnote-ref-45)
46. As was noted in the previous chapter, a reduction of income inequality would not only be progressive in itself but would synergise with the transition to environmental sustainability. [↑](#footnote-ref-46)
47. Additionally, a living wage would certainly help ‘make work pay’, in response to those who believe that many are incentivised to continue claiming unemployment insurance rather than find employment as the latter could see them actually lose income. If this accusation is true, which is dubious, a living wage will also help push down the cost of unemployment insurance. [↑](#footnote-ref-47)
48. An important caveat here is that it has been shown to reduce unemployment through distributing work within economic systems which were geared towards growth. However, even then, the specific details of legislation were significant in its effect of employment. In France, for example, unemployment was largely unaffected when a maximum working week of 35 hours was regulated on a yearly basis; largely because this led to many people working similar hours per week and taking longer holidays. The German experiment with such legislation between 2008 and 2010 is a far more promising example of how work can be redistributed to lower unemployment. [↑](#footnote-ref-48)
49. One such policy being pushed in the area of social rights is the 2012 International Labour Organisation Recommendation to implement ‘National Social Protection Floors’. These measures could establish minimum social security entitlements including measurements of basic income and health protection (Deacon, 2013). [↑](#footnote-ref-49)
50. Such a transnational transformation as is advocated by Held would likely be sufficient to engender new state modalities and forms of global governance which require scholars to develop new conceptual tools with which to analyse public welfarism. This chapter, however, is concerned with analysing the limitations of the current political settlement in order to demonstrate its inadequacy for the delineated problematique. [↑](#footnote-ref-50)
51. See Leibfried (1992), ‘*Towards a European Welfare State?* *On Integrating Poverty Regimes into the European Community’*, for an overview. [↑](#footnote-ref-51)
52. Moreover, the fiscal constraints will become even more severe should policy-makers adopt a path of de-growth rather than a move towards steady state economics. [↑](#footnote-ref-52)
53. As stated at the very end of the introductory chapter, this is a necessarily open-ended conclusion. This is because the thesis is designed to speak to two broad, abstract and internationally-applicable literatures, and has consequently produced fairly broad, open-ended conclusions. No universalisable meta-solutions can be derived from an investigation on this particular plane of analysis, and so no homogenous policy-prescriptions for any particular governments will be offered here. Instead, this thesis limits itself to outlining the identified problematique and defending the particular set of original contributions outlined both in this chapter and in the introductory chapter. [↑](#footnote-ref-53)