

Why are supposed “progressives” so unable to foresee economic change?

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If politicians were companies, they'd regularly fall foul of the old Trade Descriptions Act (or whatever the EU directive is called that has presumably superseded it).

Back in 2004, before he was Conservative leader, David Cameron claimed the public wanted “Ronseal politics.” He was referring to the advert from the wood-staining company that declared its product “does exactly what it says on the tin.”

Progress towards that authenticity goal in political labelling has been difficult. The Liberal Democrats regularly appear neither liberal (on economics) nor democratic (on Brexit). Labour party policy for years seemed more interested in those who didn't work than labourers. For better or worse, the Conservative Party are hardly “conservative” on a range of social and economic issues either. Now, the past two weeks have shown defectors from the blues and reds want in on the misleading name game.

After announcing his resignation from the Conservatives, Grantham MP Nick Boles declared he would sit as an “Independent Progressive Conservative.” Progressive, in common parlance, refers to the “holding or implementing of new, liberal ideas.” The 11 artists formerly known as “The Independent Group” – comprising ex-Conservative and ex-Labour Remainers-in-chief – also have a new moniker. Their registered party is called Change UK (CUK).

The irony is that on Brexit both Boles and CUK oppose the new and resist change. In Boles's case, this manifests in pushing “Common Market 2.0”, a plan that would see the UK remain in the single market or customs union upon EU departure. For CUK, leaving the EU in any shape or form is beyond the pale. Neither can envisage Britain succeeding using repatriated powers over tariffs, trade deals, employment laws, environmental regulation or much else. Implicitly, it's as if they consider Britain within the EU as the absolute pinnacle of economic dynamism.

This is yet another example of what I call the “progressive economic paradox”. Politicians who fly under the “progressive” banner are often the groups least able to envisage an economic future dramatically different from the present. On economic policy at least, that makes them often the true conservatives. As a result, the policies they pursue usually amount to a form of dreary managerialism: moving resources or regulating perceived problems as if the economy were in static equilibrium, rather than a dynamic, evolving social system.

Hence, they seek to shoehorn new ventures into existing regulatory structures, obsess about the distribution of income rather than its creation, talk up the “threats” to industries of disruption from abroad or from machines, and worry incessantly about entrenched dominance in markets where successful firms have cannibalised rivals. Even their supposed “novel” ideas, from raising minimum wages further to taxes on wealth, “clamping down” on tech firms through to trying to

provide more security to renters, are predicated on government meddling modestly with the world as it is rather than providing the institutional framework for robust economic growth in future.

As Britain leaves the EU, this economic conservatism manifests itself mostly in regard to trade and regulation. Progressives worry about disruption to established supply chains from potential EU tariffs and rules of origin requirements, particularly in the automotive industry. In fact, they lament the risk of the UK government unilaterally removing protection in the event of no deal for manufacturers and farmers too.

But that means they prize existing large businesses' success above the opportunities for new businesses, consumers or investors that could be obtained through different policy. They desire clinging to the EU through a customs union, in turn ignoring the rapid shifting global centre of economic gravity eastwards and the opportunities for liberalising new trade deals this brings. They say that there is no appetite for deregulation at the point of Brexit, but ignore that streamlining harmonised regulation at an EU level risks sacrificing an independent pro-growth approach in future on financial services, artificial intelligence, robotics, driverless cars and other industries we cannot even perceive of today. Yet in truth Brexit is just the tip of the iceberg. Progressives are often the worst at failing to imagine an economy where "creative destruction" overturns today's leading companies. They lament the disruptive impact of Amazon, Facebook and Google on high street retailers and the viability of the mainstream press, but cannot conceive these firms will one day fall too, just as MySpace, Yahoo, iTunes, Kodak and other apparently dominant companies withered. It's always as if "this time is different," necessitating activist government interventions to "make markets work better".

New forms of work, such as zero hours contracts, are viewed by supposed progressives with suspicion, as is the sharing economy. Rather than consider these contracts or company structures as part of an emergent process that reflects the risks of large fixed costs of employment, or falling platform costs of transacting between buyers and sellers, they instead are seen as vehicles for exploitation or risk. The demands for new regulation of both ensue.

Even the recent revival of price controls (on energy, interest rate caps on payday loans, higher minimum wages and growing support for rent controls) are designed for the here and now. Little thought ever is given to the impact of price ceilings on future incentives for entrepreneurs to develop new energy supply, create jobs or build more profitable rentable accommodation.

No, on economics, self-styled progressives fulfil the role that American commentator Bill Buckley ascribed to conservatives. They are "standing athwart history, yelling Stop." Not only do they reject major shifts in Brexit-related policy. They are often least likely to consider future economic trends in making decisions or the longer-term trade-offs of their ideas.

Thankfully for them, the self-branding as "progressive" is immune from the advertising standards regulation they push on other sectors.

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