

The Citizens' Economic Council on the Cost of Living

Final report
October 2023

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Executive summary

“

Citizens view changes when they are educated. When time is taken to understand real impact of policy, perceptions change as to what can or should be done.

Citizen Participant

I think the Citizens' Economic Council is brilliant because it allows people to become more informed, and then express their views and concerns in a structured way so that others can hear them.

Citizen Participant

The Citizens' Economic Council on the Cost of Living (CEC) gathered 39 UK citizens to take part in a series of online workshops to answer the question: how should UK government respond to the cost-of-living crisis through fiscal policy? The citizens were recruited by sortition, resulting in a diverse cross-section of participants from all four nations of the UK.

The cost-of-living crisis is the latest in a series of substantial economic challenges to face the UK. Confident decision-making and bold thinking are required, but such thinking will only be successful with public support and confidence. Economic policy is often seen as too complex for non-specialists, but the CEC demonstrated that, when given high quality information, realistic scenarios and time to discuss and ask questions, citizens can provide unique insights and advice on difficult economic policy issues.

Greater citizen engagement of the type this project embodied can show that decision-makers are genuinely listening and thereby help to rebuild trust in economic policy.

1.1

Overview

The Citizens' Economic Council was an innovative form of public engagement on economic policy. Levels of economic literacy are low in the UK¹ and the information available in media can be inaccurate or misleading.² Exercises like the CEC enable us to cut through these problems and enlist the public as informed and engaged policy advisors: we can find out what the public think when given good quality information and the time to think about the issues.

The result of this project is a set of cost-of-living crisis policy recommendations which reflect the views of a diverse group of UK citizens who were given the facts, options, and time to deliberate.

Surveys and focus groups are not always useful in understanding public opinion on fiscal policy because most do not confront citizens with the kinds of trade-offs that policymakers face.³ This project sought to find out what citizens think when they are confronted with some of those trade-offs. Participants were required to make difficult decisions about what fiscal policy options they would support in light of the adverse conditions imposed by the cost-of-living crisis. They were asked to think about those who might lose out from different policy decisions as well as those who might benefit, and to consider the risks and uncertainties associated with different choices, as well as the potential benefits and opportunities. To enable this, participants were provided with the results of fiscal policy modelling which showed some of the potential impacts of policy choices on example households facing different kinds of economic challenges. Sessions also included a series of presentations by various specialists on the topics discussed.

The project demonstrates that people's views do shift and develop when given the right resources and the opportunity to discuss the issues with fellow citizens: in the post-event survey nearly all participants indicated that their views had changed to some degree, with most indicating that their views had changed considerably.⁴

But deliberation is about more than engagement and education. Suspicion of 'experts' continues to undermine public trust in both politics and economics, and most citizens feel disconnected from the policy decisions that affect their daily lives. The majority of the population are not confident that 'people like them' have any say in what the UK government does.⁵ The 'political classes' represent a relatively thin strata of society: beyond the continued under-representation of women and ethnic minority groups in parliament,⁶ the elite policy space is most often populated by highly educated, very politically engaged people, earning above, or well above, average wages.⁷

Indeed, as shown in the feedback provided by participants (at the end of this report), one of the dominant themes coming out of the CEC was how much the participants valued the chance to have their say on the important policy issues discussed, and how strongly they felt that the voice of ordinary citizens – with all their unique and varied life experiences – should be further incorporated into the economic policy landscape.⁸ The CEC provided a template for what such incorporation might look like.

This meeting of the Citizens' Economic Council delivered seven key recommendations. They are presented in brief on the next page and in greater detail in chapter 4.

1 Runge, J. & Hudson-Sharp, N. 2020. Public Understanding of Economics and Economic Statistics, Economic Statistics Centre of Excellence (ESCoE) Occasional Papers ESCOE-OP-03

2 Blastland, M. & Dilnot, A. November 2022. Review of the impartiality of BBC coverage of taxation, public spending, government borrowing and debt. <https://www.bbc.co.uk/aboutthebbc/documents/thematic-review-taxation-public-spending-govt-borrowing-debt.pdf>

3 Trade-offs are hard to present effectively in survey format and require much more of the respondent's time to complete. Nevertheless, for an academic survey approach which does incorporate trade-offs into survey research on public opinion about economic policy in the UK see Barnes, L., Blumenau, J., and Lauderdale, B.E. (2021) 'Measuring Attitudes toward Public Spending Using a Multivariate Tax Summary Experiment', *American Journal of Political Science* 66(1) pp.205-221.

4 Of the 24 respondents, 12 indicated that their views had changed 'very much' or 'considerably', 6 indicated that their views had changed 'somewhat', 3 'slightly' and 3 'not at all'. Further details on the survey provided in chapter 10.

5 Office for National Statistics (2022) 'Trust in government, UK: 2022. Available at: [https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2022#:~:text=The%20majority%20\(58%25\)%20of,ability%20to%20participate%20in%20politics](https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2022#:~:text=The%20majority%20(58%25)%20of,ability%20to%20participate%20in%20politics)

6 Women and Equalities Committee (2022) 'Equality in the heart of democracy: A gender sensitive House of Commons', <https://committees.parliament.uk/publications/9008/documents/159011/default/>

7 Allen P. (2018) *The Political Class: Why It Matters Who Our Politicians Are*. Oxford: OUP.

8 For a compelling recent statement on the value of deliberative democracy in general, see Fishkin, J. (2019) 'Democracy When the People Are Thinking: Deliberation and Democratic Renewal', *Proceedings of the American philosophical society* 163(2) pp.108-121.

1.2

Policy recommendations

Economic policy and public engagement

1. Government should explore more ways to allow citizens to advise on national economic policy

Participants felt strongly that the voice of ordinary citizens should be better incorporated into economic policy formation and evaluation. This view is consistent with the Treasury's 2019 Public Value Framework, which argues for improved citizen engagement on spending decisions. The CEC provided a template for what meaningful public engagement on economic policy might look like in practice.

2. Economists and media have a responsibility to improve communication about the nation's finances

Participants did not trust information provided by politicians and in the media regarding the nation's finances and the broader macroeconomic outlook. Media organisations should make efforts to improve coverage by making better use of economics specialists, including a wider range of economic perspectives, and contextualising facts and figures better. Economists within and outside government both have a responsibility to convey their ideas more clearly and accessibly to the public.

Spending and taxation in the cost-of-living crisis

3. Crisis-response spending packages should focus on outcomes for the most vulnerable first

CEC participants consistently emphasised that the needs of the most vulnerable households should be prioritised in crisis-support spending packages. When presented with the choice, they supported a policy package which provided more help through the benefits system at the expense of lower levels of energy bills-support for all households. Those most often cited as vulnerable by participants included people on low incomes, people living with disabilities or chronic illness and families with young children.

4. Windfall taxes are an appropriate response to windfall profits, but protect investment and small businesses

Windfall taxes on companies earning very high profits as a result of energy price rises were supported as a reasonable and legitimate policy choice. In regards to corporation tax more generally, participants were more guarded on the basis of evidence provided to them. They wanted to ensure that corporate taxes did not deter private investment, and that smaller companies faced lower effective tax rates than larger ones, to encourage and protect smaller businesses.

5. Make taxation fairer by rewarding work and focusing the burden more on unearned income and wealth

When discussing fairness in taxation, participants often raised a distinction between earned and un-earned income, where 'earned' referred to payment for work. There was a clear sense – amplified by the cost-of-living crisis – that the super-wealthy are not always paying their fair share and have too many options to avoid tax. When presented with a choice between a tax-raising policy package which shared the burden more evenly amongst all UK citizens, and a second package which focused the burden more on the wealthy – including the introduction of wealth taxation – the latter was ultimately the favoured choice.

National debt and public investment

6. Longer-term thinking is required: 'what about the next crisis?'

There was a strong and widely shared sense amongst participants that UK government should be doing much more than it currently is to think long-term, focusing particularly on investing directly in the economy to build resilience – both at a household and national level – against future crises and shocks, whether in energy markets, financial markets, national security, or elsewhere. Government needs to show that it is capable of thinking far beyond the electoral cycle to achieve these aims.

7. Targets for national debt/deficit reduction should not stifle state investment strategy

After evidence and discussion on the economics of public deficits, participants became more tolerant of debt-financed public investment ideas, and supported house building, green transition, business loans, transport upgrades and re-training, especially where these would benefit regions and communities of the UK with lower existing levels of economic productivity and opportunity. There are various factors to consider when determining levels of public investment, but participants felt that financial constraints specifically (e.g. deficit/debt targets) were less important than they had been led to believe by politicians and in media coverage. After deliberation, what counted for the participants was whether borrowing finances carefully managed investments with the potential to improve the UK's economic situation in the long term.

1.3

Next steps

The above recommendations reflect many hours of careful weighing up of alternatives and evidence by CEC participants, who rose to the task in exemplary fashion. They are a reasonable, achievable set of policy goals which could be committed to or responded to by government or political parties from around the UK, as the country navigates the difficult economic policy questions it now faces.

Longer-term, and speaking especially to the first policy recommendation, the UK is clearly behind the curve in terms of institutionalising deliberative methods into policymaking. A number of municipal authorities around the world have set up citizens assemblies or juries to help solve difficult policy issues, with permanent citizens' councils in place now in Paris, London and Ostbelgien (Belgium). Scottish government recently successfully ran a large-scale citizens assembly on the future of the nation, with growing interest in the possibility of a House of Citizens being established.⁹ Ireland now has a permanent citizens' assembly in place, which is impacting policy and public debate on a variety of important issues.¹⁰ Public support for these kinds of approaches is high¹¹ and the Citizens' Economic Council on the Cost of Living showed that they work in the UK economic policy field.

The CEC was a high-level exercise, taking in a wide range of issues and policy problems to demonstrate the potential of deliberative engagement in the UK national economic policy sphere. To do this, it made use of policy scenarios which were realistic and relevant to current fiscal policy debate. Next steps would include a more targeted programme of deliberations around live policy scenarios, commissioned by a parliamentary body, government department, statutory body or political party. Ideally, this would include a credible commitment by the commissioner to act on the recommendations of the process, for example by committing to produce a formal response, to table ideas for debate, or incorporate them into policy.

Specific topics that this project identified as having particularly high potential include housing costs, wealth tax, council tax, student debt, inflation and interest rate policy, pensions and public sector pay. The participants' desire to focus on long-term outcomes also suggests that deeper, UK-wide citizen consultation on government's long-term investment plans via deliberative methods would be strongly valued by the public. On any of these topics, deliberation with the public can help by establishing priorities, choosing between alternative options and providing legitimacy for decisions made.¹²

9 Citizens' Assembly of Scotland, <https://citizensassembly.theapsgroup.scot/doing-politics-differently/>

10 <https://citizensassembly.ie>

11 Desai, P. (2019) 'The Governance of Britain Green Paper and Citizens' Assemblies', House of Commons Library Briefing Paper No. 04482; Devaney, C., Shafique, A and Grinsted, S. (2017) *Citizens and Inclusive Growth*. The RSA. Available at: www.thersa.org/globalassets/pdfs/reports/rsa_citizens-and-inclusive-growth-report.pdf; Pilet, J.-B., Bol, D., Citteri, D. and Paulis, E. (2023), Public support for deliberative citizens' assemblies selected through sortition: Evidence from 15 countries. *European Journal of Political Research*, 62: 873-902.

12 See chapter 10 for a series of reflections on aspects of the Citizens' Economic Council deliberations and how they might be developed in future projects.

Introduction

“

Even though we disagreed on some things, there were plenty of other areas where we did agree. It's unusual to have the opportunity to get beyond initial disagreement with strangers.

Citizen Participant

Real people and their real experiences reflecting on scenarios and expert opinion. Fascinating.

Citizen Participant

This deliberative public engagement project draws upon the recommendations of the first Citizens Economic Council convened in 2017. As detailed in that project's final report,¹³ genuine citizen engagement, in addition to research on public attitudes such as polling, surveys and focus groups, can improve economic policy and provide greater legitimacy to decision-making. The Bank of England adopted a key policy recommendation from the CEC by building public consultation into its business through the establishment of regular Regional Citizen Reference Panels, to help inform monetary policy.¹⁴

This second iteration of the CEC shifted to fiscal policy, looking at the policy options on taxation, spending and investment in light of the cost-of-living crisis, with a more direct focus on the difficult trade-offs that government face when making decisions. We asked the citizen participants the following question:

How should UK government respond to the cost-of-living crisis through fiscal policy?

13 Patel et al (2018), Building a Public Culture of Economics: Final Report of the RSA Citizens' Economic Council, <https://web.archive.org/web/20190119095954/https://www.thersa.org/globalassets/pdfs/reports/building-a-public-culture-of-economics.pdf>

14 Haldane, A. & McMahon, M. 2018. 'Central Bank Communications and the General Public.' *AEA Papers and Proceedings*, 108: 578-83.

2.1

Project team and contributors

This iteration of the Citizens' Economic Council was run by King's College London and Ipsos with core funding provided by two independent charitable foundations – Friends Provident Foundation and Barrow Cadbury Trust – who share an interest in new economic thinking and strengthening the ability of citizen voice to inform policy.

The core team responsible for designing and delivering the project was:



Christopher Holmes

Senior Lecturer in International Political Economy, King's College London
Project Director



Reema Patel

Research Director and Head of Deliberative Engagement, Ipsos
Project Manager



Morwenna Byford

Research Manager, Ipsos
Assistant Project Manager



Kate Mesher

Senior Research Executive, Ipsos
Assistant Project Manager



Yaron Golan

PhD Candidate, Manchester Metropolitan University
Research Assistant

The Sortition Foundation were responsible for recruiting CEC members from the public, including sending out invitations to randomly selected UK addresses, following up with telephone contact and procuring the final sample selection. The Sortition Foundation team were led by Tom Lord and Hannah Shields.

PolicyEngine provided bespoke support in the use of their open-source microsimulation modelling software, which underpinned policy scenarios 1 and 2. Their input was led by PolicyEngine co-founder Nikhil Woodruff.

The Citizens' Economic Council also benefitted from the input of an advisory board comprised of individuals with significant experience and expertise in one or more aspects of the project, including on democratic innovation, economic policymaking, and deliberative research. The board represented a range of views and perspectives relevant to the topics being discussed and was consulted at key project milestones to ensure that participants in the process had access to high-quality and appropriately balanced information upon which to deliberate. The advisory board proved to be invaluable to the project but of course bear no responsibility for any of the decisions made by the organisers.

The advisory board members were:



Arun Advani

- Associate Professor in Economics, University of Warwick
- Research Fellow at the Institute for Fiscal Studies



Adam Hawksbee

- Onward Deputy Director



Carolina Alves

- Associate Professor at the Institute for Innovation and Public Purpose, University College London
- Co-Founder of Diversifying and Decolonising Economics



Will Jennings

- Professor of Political Science and Public Policy, Southampton University
- Co-Founder of The Centre for Towns



Sir Robert Chote

- Chair of the UK Statistics Authority
- Former Chairman of the Office for Budget Responsibility
- Former Director of the Institute for Fiscal Studies



Julian Jessop

- Independent Economist



Oliver Escobar

- Senior Lecturer in Public Policy, Edinburgh University
- Academic Lead for Democratic Innovation at the Edinburgh Futures Institute



Lindsay Judge

- Research Director at Resolution Foundation



Chris Giles

- Financial Times Economics Editor



James Meadway

- Director of the Progressive Economy Forum
- Former Chief Economist at the New Economics Foundation

**John Narayan**

- Senior Lecturer in European and International Studies, King's College London
- Chair of the Institute of Race Relations

**Mary-Ann Stephenson**

- Director of Women's Budget Group

**Özlem Onaran**

- Professor of Economics, University of Greenwich
- Director of the Greenwich Political Economy Research Centre

**Geoff Tily**

- Senior Economist at the Trades Union Congress

**Ann Phoenix**

- Professor of Psychosocial Studies at the Institute of Education, University College London
- Former Co-Director of the Thomas Coram Research Unit

**Jan Toporowski**

- Professor of Economics and Finance, SOAS University

**Jonathan Portes**

- Professor of Economics and Public Policy, King's College London
- Senior fellow at UK in a Changing Europe
- Former Chief Economist at the Cabinet Office

**Fiona Weir**

- Chief Executive of the Joseph Rowntree Reform Trust

List of specialist speakers

The Council also benefited from the input of a range of experts, who joined throughout the deliberations and gave presentations on key themes.

Arun Advani, University of Warwick

Sir Andrew Dilnot, University of Oxford

Chris Giles, Financial Times

Peter Taylor-Gooby, University of Kent

Christopher Holmes, King's College London

Lindsay Judge, Resolution Foundation

Jo Michell, University of the West of England

Vedanth Nair, Institute for Fiscal Studies

Victoria Waldersee, Reuters

We are extremely grateful to all of the above for giving their time, and also to Friends Provident Foundation, Barrow Cadbury Trust and King's College London for supporting the project.

2.2

The policy context

Since 2021, the UK economy has been in a cost-of-living crisis, driven by inflation in the price of food and energy. The most readily identifiable cause of this inflation is the Russian invasion of Ukraine. The invasion has constrained supply in those markets and consequently in the absence of any fall in global demand, put upwards pressure on prices. But many other factors are important too: ongoing supply chain disruption in the wake of the COVID-19 pandemic, higher costs of trade due to Brexit, a weak pound, and poor harvests in key food-exporting nations have all contributed. Households are directly exposed to these price rises via grocery shopping and domestic heating bills, and because energy and food costs are a factor in almost all goods and services, it has had knock on effects on many other prices faced by citizens.

Beyond these immediate challenges, there are longer term issues on the 'income' side of the equation for UK households. Productivity growth has stalled, from a stable 2% in 1990 to 2008, to an equally – but less happily – stable 0.6% since then.¹⁵ Because productivity growth is an important driver of wage growth, it's therefore unsurprising that real wage growth for average workers had also been sluggish, especially for the growing proportion of self-employed workers in the UK.¹⁶ The UK also has an ever-increasing dependency ratio between the economically active and the economically inactive, which is in turn driven largely by an ageing population in the long term, and by early retirement and increased part time work since the pandemic.¹⁷ This dynamic may have kept headline unemployment rates low and may exert some upwards pressure on wages in the future but, without productivity growth, any such growth could well be inflationary.¹⁸ These long-term issues have damaged the ability of UK households to weather rising costs, and thus make the policy context all the more challenging.

This leaves UK government with difficult choices now and in years to come. High levels of economic growth would certainly help, but relying on the assumption of growth simply materialising is risky, given the underlying weakness of both the UK and the global economy. In any case, genuine growth in productivity, whether incentivised via tax breaks or actively invested in by government, takes time to develop, and the cost-of-living crisis exists now.

Thus, we are left with uncomfortable alternatives and choices, all the more so because policy prescriptions conflict with one another: Inflation can be controlled by raising interest rates, but raising rates inhibits investment and can suck demand out of the economy as the cost of servicing privately held debts increases (this problem is particularly acute for UK households where mortgage debt is high as a proportion of income). Fiscal support for households and businesses has increasingly become necessary to shield citizens from the worst impacts of rising prices, but these prop up demand and may impact inflation. If targets for the national debt to GDP ratio are to be met, spending must be lowered or taxes raised. The former is unpalatable to the electorate given real terms cuts to public services and benefits since 2010 and given the political sensitivity around areas of spending which remain more protected such as the state pension. Tax rises are unpopular and can again suck demand out of the economy, fuelling recession. There are, in short, no pain-free options. In this kind of situation, where there are no 'win-win' options, deliberative processes can help.

15 Harari, D. Productivity in the UK: Briefing Paper Number 06492, 20 September 2017. <https://researchbriefings.files.parliament.uk/documents/SN06492/SN06492.pdf>

16 Teichgraber, A. & Van Reenen, J. 2021. 'Have Productivity and Pay Decoupled in the UK?', *International Productivity Monitor*, Centre for the Study of Living Standards, vol. 41, pages 31-60, Fall.

17 Teneo Insights, October 2022. *UK Economic Forecast A consumption and confidence-led recession, with the potential for a housing crisis*. <https://www.teneo.com/app/uploads/2022/10/UK-Economic-Forecast.pdf>

18 Goodhart & Pradhan. (2020) *The Great Demographic Reversal: Ageing Societies, Waning Inequality, and an Inflation Revival*. London: Palgrave.

2.3

Why public deliberation about the economy is important

Deliberative engagement is about putting people at the heart of policymaking through informed discussions, involving diverse perspectives, and understanding lived experiences. It differs from other forms of engagement in that it allows those involved to spend time considering and discussing an issue at length before coming to a considered view. The current political context is dominated by polarisation, mistrust in government and politicians, misinformation, and a perception of a lack of transparency around how decisions are made. Bringing together citizens from across society to deliberate on complex societal issues has in result become appealing to policy makers.

Deliberation involves dialogue and debate with a range of specialists and perspectives and has four key features:

1. It weighs the consequences of each option for action
2. It requires accurate and relevant information which reflects diverse perspectives
3. There are broadly shared evaluative criteria about reaching decisions which take into account the views of others
4. Participants use these criteria to propose solutions, weigh up trade-offs and find common ground to reach decisions.

Where there are difficult trade-offs to be made, and where government is forced to ask members of the public to bear the costs of policy decisions, the legitimacy of policy becomes even more important than usual. Unfortunately, the level of trust placed in national government by the British public has for many years been low, both compared to OECD averages and compared to a relatively high degree of trust placed in other UK citizens.¹⁹

The PPE scandal, 'Party-gate' and the Truss/Kwarteng mini-budget may not have helped matters recently, but the trend towards political disaffection in the UK and declining trust in the ability of democracy to serve national interest is long term and spread over political divides.²⁰

Deliberative exercises like this one have the potential to help overcome this sense of political disenfranchisement.²¹ They are supported by the public, and particularly by those who are most politically dissatisfied and who hold negative views about political elites.²² Alongside standard representative democratic process, they can help to justify choices taken by taking party political interest out of the picture and instead incentivising participants to think in terms of the public good.²³ It is for these reasons that deliberative approaches to policymaking are now an established part of the governance landscape around the world.²⁴ Important recent examples in the UK include the 2019 Scottish Citizens' Assembly²⁵ commissioned by the Scottish Government, the Scottish Climate Assembly which took place between 2020-2022²⁶ and the Citizens' Assembly on Social Care²⁷ commissioned by the Health and Social Care Committee.

In the field of economic policy, the need to reconnect citizens with decision-making is especially pressing because, while independence from political process has been the basis for legitimacy in economic policymaking for some time, this situation is now changing.

19 Office for National Statistics, 2022. 'Trust in Government, UK: 2022', <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2022#:~:text=Levels%20of%20trust%20in%20political,they%20trust%20the%20Civil%20Service>, see also World Values Survey work on this topic led by the Policy Institute and King's College London: <https://www.uk-values.org>

20 van der Meer, T. (2017,). Political Trust and the 'Crisis of Democracy'. *Oxford Research Encyclopedia of Politics*. <https://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-77>; Hay C. (2007) *Why We Hate Politics*. Cambridge: Polity Press.

21 Fishkin, J. (2009). When the People Speak: Deliberative Democracy and Public Consultation. Oxford University Press; Fung, A. (2006). Varieties of Participation in Complex Governance. *Public Administration Review*, 66, 66–75. <http://www.jstor.org/stable/4096571>

22 Pilet, J. et al (2023). Public support for deliberative citizens' assemblies selected through sortition: Evidence from 15 countries. *European Journal of Political Research*, 62: 873-902.

23 OECD, 2020. Innovative Citizen Participation and New Democratic Institutions: Catching the Deliberative Wave. OECD.

24 Elstub, S., Escobar, O., 2019. *Handbook of Democratic Innovation and Governance*. Edward Elgar Publishing. See also IAP2's Spectrum of Public Engagement highlights the different mechanisms through which this may be achieved: https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum_8.5x11_Print.pdf

25 <https://www.gov.scot/news/commitment-to-future-citizens-assemblies/#:~:text=Scotland's%20first%20Citizens'%20Assembly%20was,to%20overcome%2021st%20century%20challenges>

26 <https://www.gov.scot/publications/scotlands-climate-assembly-research-report-process-impact-assembly-member-experience/>

27 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/citizens-assembly-report.pdf>

On the monetary side, the Bank of England (BoE) was granted operational independence in 1997, ostensibly to signal the credibility of government on inflation targeting; and on fiscal policy, whilst policymaking remains the responsibility of the Chancellor, the Office for Budgetary Responsibility (OBR) was established in 2010, initially to provide an independent assessment of Con/Lib coalition's widely disputed austerity policies,²⁸ and since then has been a central component in the fiscal policy landscape.

Yet the durability of these bases for policy legitimacy are now being challenged. OBR forecasts are now readily criticised by politicians and commentators (or sidestepped altogether as in the September 2022 mini-budget) and tension between monetary and fiscal policy has meant that BoE policy stance has inevitable political implications by impacting the Treasury's ability to pursue fiscal policy. On the other hand, concerns over 'fiscal dominance' – a situation where Treasury fiscal policy leads, and potentially constrains, BoE monetary policy - have been raised.²⁹

The deliberative approach taken by this project addressed these issues head on. Whilst there is, of course, a central role for technocratic governance-by-experts in the complex fields of fiscal and monetary policy, economic policy is more politicised than at any time in recent memory, and this new politics of the economy needs additional sources of legitimacy. Deliberation plays a key role in ensuring that complex economic concepts are opened up for wider exploration and engagement by the public, as well as ensuring that people can consider and balance some of the difficult choices presented within the current context in collaboration with a wide range of policy stakeholders and economic experts.

The point of this project was to create time and space for a demographically diverse cross-section of UK citizens with a variety of perspectives and views to become informed about economic policy, enabling them to successfully deliberate on the basic choices to be made and the principles that should underpin those choices.

28 Herndon, T., Ash, M., Pollin, R., 2014. Does high public debt consistently stifle economic growth? A critique of Reinhart and Rogoff. *Cambridge Journal of Economics* 38, 257–279 <https://doi.org/10.1093/cje/bet075>; Fontana, G., Sawyer, M., 2012. Setting the Wrong Guidelines for Fiscal Policy. *International Journal of Political Economy* 41, 27–41; Christina D. Romer & David H. Romer, 2019. 'Fiscal Space and the Aftermath of Financial Crises: How It Matters and Why,' NBER Working Papers 25768, National Bureau of Economic Research.

29 Portes, J., 2022, 'Who's afraid of fiscal dominance?', UK in a Changing Europe Commentary section. <https://ukandeu.ac.uk/whos-afraid-of-fiscal-dominance/>

Methodology

“

I valued getting the perspectives of other citizens from demographics with whom I don't usually interact.

Citizen Participant

I enjoyed feeling like my voice was being heard and that my opinion was actually the same as other people's.

Citizen Participant



3.1

Recruitment

The 39 participants taking part in the Citizens' Economic Council on the Cost of Living were selected by sortition, a process which is designed to achieve recruitment of a wide range of underrepresented perspectives and voices, as well as to ensure adequate representation from different regions across the UK. It is a form of recruitment that aims to achieve greater fairness, impartiality, and representation by giving all eligible citizens an equal chance of participating.³⁰ The process of sortition involves randomly choosing individuals from a larger pool of potential candidates or the general population. The selection can be done through various methods, such as drawing lots, using random number generators, or employing statistical sampling techniques.

In April 2023, a YouGov and Sortition Foundation poll found that replacing the peerage system with a sortition approach was amongst the most popular options for reforming the House of Lords.³¹ The Sortition Foundation advocates for its benefits on the basis that it ensures a more diverse and representative group of deliberators, as it includes individuals from various backgrounds, social classes, and perspectives. In the case of the CEC, which focuses on national fiscal policy, this was particularly important, as fiscal policy impacts all citizens. Sortition Foundation also cites the impact such processes have in creating increased transparency and accountability by reducing the influence of money and vested interests in the selection process of actors able to shape specific policy issues. Due to the process through which participants are selected, there are higher levels of confidence in the trustworthiness and the legitimacy of the process than others.

For the CEC, fifteen thousand addresses were identified from the Royal Mail's Public Address File (PAF). The advantage of this approach is that it captures a much wider range of potential respondents than, for example, the electoral roll: any person at any UK address has a chance of being invited. Of these addresses, 80% were randomly selected and 20% were randomly selected from household addresses from postcodes with an Index of Multiple Deprivation Decile in the range 1-3 inclusive (i.e. the most deprived areas in the UK).

A purely random selection of addresses typically results in a skewing of respondents towards individuals from less deprived areas, and so if this adjustment were not made, the sample would be skewed against invitations to the most deprived areas.

The recruitment of the final participants taking part in the CEC was controlled for various characteristics – i.e. quotas for the number of participants fitting into each category were set according to the proportion of people fitting each category in the UK population. This was done to ensure that the cohort was – within what is possible with a relatively small sample – broadly representative of the UK population. Table 1 presents the breakdown of the UK population on all of the chosen sample characteristics, then the breakdown of the initial 50 recruits, and finally of the 39 citizens who eventually took part.

Demographic characteristics controlled for were gender, age, ethnicity, location, highest achieved qualification and annual household income. Selection also controlled for whether respondents were in receipt of working-age benefits, which was important, because levels of those benefits and thresholds for their receipt are a significant component of fiscal policy, and because policy changes can impact groups of people in that category particularly strongly. Hence a final sample which did not include any benefit recipients would have been problematic.

Finally, the recruitment was controlled for basic attitudes on tax and government spending, using the latest data on this topic in the 39th issue of the British Social Attitudes survey.³² The BSA question asks whether respondents would prefer to increase taxes and spend more on health, education and social benefits, to decrease and spend less, or to keep taxation and spending at the same level. Although the issues discussed in CEC sessions were much more sophisticated and specific, this approach did prevent a situation where the entire cohort held views out of step with the UK public on fiscal expansion/contraction in general.

³⁰ <https://participedia.net/method/5507>

³¹ https://www.sortitionfoundation.org/house_of_citizens_tops_public_poll_to_replace_the_house_of_lords

³² https://www.bsa.natcen.ac.uk/media/39481/bsa39_taxation-welfare-and-inequality.pdf

Table 1

Criteria		UK population %	Original 50 members %	Original 50 members number	Final 39 members %	Final 39 members number
Gender ³³	Female	51	52	26	49	19
	Male	49	48	24	51	20
Age	16-24	12.9	10	5	5	2
	25-34	16.5	20	10	21	8
	35-44	15.9	14	7	13	5
	45-64	31.8	32	16	33	13
	65+	22.9	24	12	28	11
Ethnicity	Asian or Asian British	7.19	8	4	8	3
	Black or African or Caribbean or Black British	3.15	4	2	5	2
	Mixed or Multiple ethnic groups	1.62	4	2	2	1
	White British	79.97	72	36	72	28
	White Other	6.35	8	4	8	3
	Other ethnic group	1.72	4	2	5	2
Education ³⁴	No qualifications, or none yet	15.16	14	7	13	5
	1-4 O Levels/GCSEs	11.94	12	6	10	4
	5+ O Levels/GCSEs (Grades A*-C)	10.66	10	5	10	4
	2+ A Levels or equivalent	17.41	16	8	13	5
	University Degree or equivalent	40.17	42	21	46	18
	Apprenticeship or other Location	4.36	6	3	8	3
Location	North East	4	4	2	2.5	1
	North West	11.1	12	6	13	5
	Yorkshire and the Humber	8.2	8	4	10	4
	East Midlands	7.3	6	3	2.5	1
	West Midlands	8.9	8	4	5	2
	East of England	9.5	8	4	13	5
	London	13.1	12	6	13	5
	South East	13.9	14	7	13	5
	South West	8.5	8	4	10	4
	Wales	4.6	6	3	5	2
	Scotland	8.2	10	5	8	3
	Northern Ireland	2.8	4	2	5	2
Annual Household Income ³⁵	Less than 20k	25	28	14	26	10
	Between 20k and 30k	20	20	10	18	7
	Between 30k and 50k	26	26	13	26	10
	Over 50k	29	26	13	30	12
Working age benefits ³⁶	No	66	66	33	72	28
	Yes	34	34	17	28	11
Attitude to fiscal policy ³⁷	Increase	52	52	26	46	18
	Keep same	40	40	20	46	18
	Reduce	6	8	4	8	3

33 Source for gender, age, ethnicity and location come from ONS mid-year population estimates, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland> also note that due to the small sample size, we did not have a recruitment target for non-binary gender identities, though the use of sortition recruitment methodology meant that such people had the same chance of being selected as anyone else.

34 Sources: ONS Highest level of qualification, <https://www.ons.gov.uk/datasets/TS067/editions/2021/versions/1/filter-outputs/88bcdb41-d22c-43ff-93bb-ad914c2997db#get-data>; Scottish Household Survey Data, <https://scotland.shinyapps.io/sg-scottish-household-survey-data-explorer/>; Northern Ireland Statistics and Research Agency highest qualification level and participation in education and training, <https://www.nisra.gov.uk/publications/highest-qualification-level-2021>

35 UK Department for Work and Pensions Family Resources Survey, <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2020-to-2021>

36 Respondents were asked 'In the past six months have you received any of the following? Universal Credit, Employment Support Allowance (ESA), Housing Benefit, Personal Independence Payment (PIP), Disability Living Allowance (DLA)'

37 British Social Attitudes survey 39, https://www.bsa.natcen.ac.uk/media/39481/bsa39_taxation-welfare-and-inequality.pdf

In common with most deliberative processes and currently recognised best practice,³⁸ participants were financially compensated for their time (£60 per workshop) to ensure that less politically engaged citizens participated.

While fifty participants were initially recruited and had expressed commitment, seven dropped out before having attended any of the sessions and were not contactable by the project team. A further two had to drop out before the process started due to health reasons, then two more dropped out mid-process due to unexpected commitments. Although substantial efforts were made, it was not possible to replace these participants at such short notice given the compressed timetable of the deliberation sessions.

Life, health and work makes some level of drop-outs inevitable in deliberative exercises, but unusually high dropout rates have been noted anecdotally in other online deliberative processes³⁹ suggesting more research may be required on this point. There could also be various socio-political factors at work, including changing levels of trust in institutions; effects of the pandemic; political cycles and events; worsening economic circumstances. It may be the case that the existence or otherwise of a societal consciousness about deliberation has impact too: in Ireland, where there has been a de facto standing national panel discussing weighty issues for several years,⁴⁰ with widespread coverage and tangible well-known outcomes, response rates and engagement levels in deliberative processes are reported as far higher by Sortition Foundation.

Fortunately, even after all those who dropped out are accounted for, the process did not lose representation of any of the quota categories set in recruitment (age, location, receipt of benefits, attitudes to fiscal policy etc.). It is also worth noting that, bar illness or unexpected commitments, all participants who did join for the first session stayed the course through to the last one, despite the challenging and complex nature of the content. This can be read as a reflection on the fact that the citizens that took part found the process interesting and valuable, as noted in further detail in Chapter 10.

The following table illustrates the travel from the initial postal invitation to the final set of participants:

Sent postal invite	15,000
Responded	484
Selected	50
Started process	41
Completed process	39

38 Sciencewise / Department for Business, Energy & Industrial Strategy (2018) 'Quality in Public Dialogue: A Framework for assessing the quality of public dialogue, p.15. Available at: <https://sciencewise.org.uk/wp-content/uploads/2018/09/Sciencewise-Quality-in-Public-Dialogue-August-2018.pdf>

39 Renwick, A. et al. 2022. Report of the Citizens' Assembly on Democracy in the UK: Second Report of the Democracy in the UK after Brexit Project.

40 <https://citizensassembly.ie>

3.2

Deliberations

The CEC took place online over six 3-hour sessions between the 21st of March and the 6th of April 2023, held on consecutive Tuesday and Thursday evenings. In choosing this timetable and overall length, the aim – in line with Sciencewise’s Quality in Public Dialogue Framework⁴¹ – was to ensure that time spent deliberating was proportionate to the project’s purpose and resources. The project sought to strike a balance between ensuring that participants were equipped with adequate information and time to deliberate, but also ensuring that the ask from the participants in terms of time was proportionate and not itself a barrier to participation.⁴² As this report shows, the time spent deliberating enabled participants to engage with considerable depth of public involvement on a relatively complex issue, without compromising the diversity of the overall group. The overall question the participants were tasked with answering was:

How should government respond to the cost-of-living crisis through fiscal policy?

To this end, stimuli provided to the participants included:

- Eight presentations by a range of experts on the topics discussed, all of which were followed by extensive Q and A.
- Policy scenarios on crisis-support spending, taxation, and long-term borrowing and investment, encouraging participants to think in terms of the trade-offs government actually faces when making fiscal policy decisions.
- Micro-simulated modelling of various changes to tax and spending, showing their likely effect on different kinds of people in the UK economy to inform policy scenarios.
- A discussion of what counts as fairness as a basis for structuring the participants’ discussion.
- Regular breakout group sessions (between 4 and 6 participants in each group) guided by expert discussion facilitators, where citizens discussed the various stimuli they had received.
- An online terminology and policies resource, providing key information on issues that participants requested further information about during the process.

In the final two sessions, the citizens engaged in intensive deliberation over everything that they had heard and discussed previously in order to refine their idea, have a chance to change minds, and develop a series of principles that they felt were important for government to consider when making fiscal policy decisions. Each breakout group had this discussion separately, then all were convened together to present their ideas and suggestions.

The workshops took the structure outlined overleaf.

After the sessions concluded, the project team (King’s College London and Ipsos) analysed the data and the individual sets of recommendations from each breakout group to establish which principles and recommendations were felt to be the most important across the group as a whole, which ones were less important, and which ones were rejected. The data from all sessions was then analysed in order to develop the policy recommendations listed at the start of the project, which draw both on the principles endorsed by the group as well as the responses given to the specific trade-offs discussed in each policy scenario.

41 Sciencewise 2018.

42 As Russell Dalton has argued, the benefits of expanding citizen participation need to be balanced with the potential for such expansion to widen the social status participation gap. See Dalton, R.J. (2017) *The Participation Gap: Social Status and Political Inequality* (Oxford: OUP); <https://blogs.lse.ac.uk/europpblog/2017/08/23/the-participation-gap-is-citizen-participation-actually-good-for-democracy/>

Workshop structure

Learning	Deliberating		Synthesis and coproduction	Dissemination
<p>Workshop 1: Introducing the economy and economic policy</p> <ul style="list-style-type: none"> Introducing purpose of the CEC Introducing the economy and economic policy Citizen reactions and experiences of the cost of living crisis Introducing the four avatars used to imagine effects of policy change 	<p>Workshop 2: Immediate response – how should government support households during crisis?</p> <ul style="list-style-type: none"> Info, presentations and deliberation on CoL crisis and existing support policies Discussion of fairness in spending Modelled spending policy scenario 	<p>Workshop 3: Medium-term – how should government approach taxation fairly?</p> <ul style="list-style-type: none"> Info, presentations and deliberation on taxation in the UK Discussion of fairness in tax Modelled tax policy scenario 	<p>Workshop 6: Bringing it all together</p> <ul style="list-style-type: none"> Review fiscal policy levers discussed Develop cross-cutting themes identified in W5. Prioritise key themes and principles ‘Stress test’ principles by thinking about outcomes 	<p>Project outputs</p> <ol style="list-style-type: none"> Interim stakeholder briefing and interim findings of dialogue Full and final report Stakeholder workshop for presentation of final findings Dissemination towards policy impact
	<p>Workshop 4: Long-term – Investing in the future 1</p> <ul style="list-style-type: none"> Exploring citizens’ hopes for the future of the UK economy Information, presentations and deliberation on investment and national debt 		<p>Workshop 5: Long-term – Investing in the future 2</p> <ul style="list-style-type: none"> Investment policy scenario Begin identifying workshop themes: Fairness in tax and spend Investment and the future 	
	<p>Outcome These workshops will enable participants to understand the impact of fiscal policy on themselves and others in society.</p>		<p>Outcome Synthesis of public views and attitudes towards different scenarios and approaches participants to understand the impact of fiscal policy on themselves and others in society.</p>	<p>Outcome A deep understanding of citizen priorities and principles in relation to fiscal policy in the current context.</p>

3.3

Scenarios and modelling

Participants considered the real-world implications of the economic trade-offs they were learning about, by imagining future scenarios which would require the government to make different types of fiscal policy choice. Participants were then asked to consider the different types of policy responses they would want the government to take in each scenario, considering the impact this may have on both themselves and imagined personas (see below).

We asked participants to consider three scenarios relating to fiscal policy in the context of the cost-of-living crisis. The first focused on immediate crisis-support spending packages, the second on medium-term tax raising and the third on long-term debt-financed public investment. As such, the scenarios were designed to relate to the three basic areas of fiscal policy – spending, taxation and borrowing.

The scenarios were as follows:

Scenario 1: Imagine a situation where winter is coming in the UK and it looks set to be very cold, meaning people will need to use their heating more. The war in Ukraine has got worse, which means that energy prices are already going through the roof. And because most things we buy in the supermarket or online depend on energy in one way or another as well, the cost of living is set to rise sharply for everyone. The government has been presented with two packages of policies designed to support UK citizens over the next 12 months. They both cost the same amount. We have been asked to comment.

Scenario 2: Imagine a situation where another bad winter, along with a resurgence of COVID, means that many citizens are struggling more with illness at home and at work, and visits to GPs and hospitals are rising sharply. Combined with an aging population, health and social care services will be stretched beyond capacity. The British public is broadly supportive of raising taxes to increase funding for these services to meet the needs of citizens in poor health. But there is less agreement on how those taxes should be collected. The government has been presented with two packages of policies which would both raise the same amount of money over a five-year period. We have been asked to comment.

Scenario 3: The worst of the cost-of-living crisis has passed. The government wants to enable households to be more able to cope with future crises and shocks. It hopes to do this by improving housing and transport, creating jobs, raising incomes and supporting business. However, the economy is too weak to support big tax rises, so these investments would have to be financed mostly by government borrowing. We've been asked to comment on six policy ideas.

Participants were asked to consider the advantages and disadvantages of different policy packages in relation to each of these scenarios. The policy packages offered for scenarios 1 and 2 were based on modelling provided by the company PolicyEngine,⁴³ a leading provider of open-source fiscal policy modelling. This modelling was conducted by microsimulation, which is the same approach taken in most popular tax/benefits models currently used (e.g. OECD TaxBEN, UKMOD, IFS TAXBEN).⁴⁴ This approach takes current policy information and economic data in order to predict the outcome of policy change on public finances, different economic indicators (e.g. inequality or the poverty rate) and on individual households, where those household characteristics are specified by the user in advance. Results capture all the different kinds of sometimes unpredictable interactions that can occur between different policies in implementation.

The modelling was based on tax and benefit policy information and economic data pertaining at the time of the deliberations, i.e. March 2023. For the first two scenarios, the project team worked with PolicyEngine in order to develop two contrasting policy package options that were equivalent in terms of cost (package 1) or revenue (package 2) to central government. This budget-equivalence meant that participants faced a trade-off in terms of how the costs and benefits of each policy package were distributed amongst UK households, which were in turn illustrated with reference to the four example households discussed (see below).

This modelling approach captured the static effects of policy change on the distribution of income across the economy only, rather than dynamic/behavioural effects. For example, it could not indicate the extent to which a change to working age benefits or to the personal income tax allowance would or would not raise labour market participation.

However, predictions of behavioural responses to policy change are always highly uncertain and open to disagreement, hence excluding them minimised the extent to which scenarios were reliant on contentious assumptions. Also, where relevant, expert presenters were asked to discuss the potential behavioural effects of different policies, and participants did raise such issues themselves in Q and A sessions.

The third scenario focused on debt-financed public investment. Here, the trade-off concerned the degree to which participants were willing to tolerate higher levels of public debt in order to finance a range of state-led investment ideas. The six policy packages for this scenario were selected from recent reports from a range of leading UK think tanks across the political spectrum, with specific policies chosen for their relevance to the cost-of-living crisis. This scenario was not modellable in the same way as scenarios 1 and 2, and inevitably required unpacking assumptions about the possible effects of public borrowing and the uncertainties associated with future-looking investment. Hence in this case much more time was allocated to expert presentations and Q and A in order to give participants the time to understand some of the relevant risks, uncertainties and differences of opinion that exist on the topic.

⁴³ <https://policyengine.org/uk>

⁴⁴ <https://www.oecd.org/els/soc/benefits-and-wages/tax-benefit-web-calculator/#d.en.500997>; <https://www.microsimulation.ac.uk/ukmod/>; <https://ifs.org.uk/publications/taxben-ifs-tax-and-benefit-microsimulation-model>.

3.4 Personas

Participants were asked to consider the implications of the suggested policy packages from the perspective of four different example households. The characteristics of these personas were chosen in consultation with the project advisory board to reflect a range of considerations relevant to the cost-of-living crisis, including employment, socio-economic status, housing tenure and costs, and different kinds of engagement with the benefits system.

Values reflecting these considerations were then entered in to PolicyEngine software, enabling the (static) impacts of different policy choices in scenarios 1 and 2 upon those personas to be modelled and presented to participants. Facilitators engaged participants on specific trade-offs, tensions, and difficult choices both for themselves as well as for the personas and wider society, as well as on the question of how to address and mitigate disproportionate impacts of specific policy choices.

The personas were:



1. Phil and Claire Thompson

- The Thompsons have two young children, aged two and four.
- They live in a four-bed terraced house, which they own and pay a mortgage on.
- Phil is an NHS doctor; Claire is a teacher in a primary school.

Cost of living context:

- Rising inflation means their wages don't go as far as they used to.
- They have had to use savings to pay for rising mortgage costs.
- They are considering moving the family to a more affordable area.



2. John Granger

- John Granger is 50 years-old.
- He lives in social housing with his father, Lewis, who he cares for.
- John is unable to work due to his caring responsibilities and receives universal credit. His father receives a full state pension and some disability allowances, but no private pension.

Cost-of-living context:

- Heating costs have doubled, but Lewis needs the heating on in the winter due to health issues.
- Their income has not increased to meet rising cost-of-living, and they are struggling to make ends meet.



3. Sophie Pratchett

- Sophie is 27 years-old and is a freelance social media manager.
- She rents privately in a house share with two roommates. Over half of her income is spent on rent, and she has high travel costs.
- She does not earn enough to save money but does not qualify for any benefits.

Cost-of-living context:

- Rising costs of food and bills mean she has had to cut back on subscriptions and socialising.
- Train tickets to visit her family are expensive, so she is only able to visit them twice a year.
- She cannot start saving for a deposit on a property.



4. Sandra Bernard

- Sandra is a 40-year-old single mum. She has two children aged 11 and 15.
- She is an NHS nurse, and often has childcare costs.
- Her family lives in a privately rented two-bed house. Her landlord recently increased her rent and she is struggling to afford it.

Cost-of-living context:

- Her energy bills have doubled over the last year, and she is now struggling to afford enough food.
- She is eligible to access her local church's foodbank, but it is only open when she is working and her children are at school.

Policy recommendations in detail

The following provides more detail on the seven key recommendations arising from the Citizens' Economic Council on the Cost of Living. The first two focus on the broader policy-making environment and public engagement on economic policy.

Recommendations three to five concern spending and taxation in light of the cost-of-living crisis. The final two recommendations look to the long-term and the role of public investment in building a more resilient UK economy.

“

I learned that no matter how strong my personal views are, I need to balance these with the views of others which are equally valid.

Citizen Participant



Economic policy and public engagement

Government should explore more ways to allow citizens to advise on economic policy.

This conclusion is consistent with the Treasury's 2019 Public Value Framework,⁴⁵ which argues for improved citizen engagement on spending decisions. The Framework notes that citizen engagement – as distinct from narrower stakeholder consultation – can be challenging, but that it is a 'vital component of any assessment of public value'.⁴⁶ It also notes that standard methods of understanding public perception (e.g. opinion polls) may lack credibility because they do not capture nuances, such as the trade-off between short- and long-term policy benefits.

As discussed in the executive summary of this report, the Citizens' Economic Council on the Cost of Living was an experiment to show what this more nuanced, trade-off aware, form of public engagement on economic policy might look like, and the emphasis placed by participants on long-term policy thinking was particularly notable. Overall, the CEC demonstrated that, when asked, 'ordinary' citizens can understand, advise and feed back on complex economic policy issues effectively.

One-off events and initiatives like the CEC can deliver insight and provide proof of concept, but a meaningful and long-lasting push to incorporate deliberative public engagement into policymaking would require an institutional footing. Aside from more radical proposals such as a House of Citizens to replace the House of Lords, the UK Research and Innovation-funded Sciencewise programme,⁴⁷ which has sought since 2004 to embed deliberation and public dialogue into policy making in the fields of science and technology, provides a template which could be replicated in the national economic policy sphere to underpin robust and regular deliberative input by the public.

Economists and media have a responsibility to improve communication about the nation's finances

Participants in the CEC expressed frustration at the quality of information available to them about the economy and appreciated the chance to hear higher quality information about the issues discussed, particularly on more complex issues like national debt and public investment. Participants were deeply mistrustful of the reliability of information provided by politicians, and the sense was that most media outlets are biased and do not provide an accurate picture of what's going on in the economy. In particular, participants were surprised to see how different professional economic opinion was on national finances (e.g. deficits and national debt) when compared to the media headlines they were familiar with, and found it refreshing to have an informed and balanced debate about the issues. There is of course a limit to what can be achieved by the provision of better information. Misunderstanding about policy is a complex issue and bias has many different causes, some rooted in culture, others in psychology and emotion.⁴⁸ Nevertheless, we can still strive for improvement.

The BBC, underpinned as it is by a public service remit, could be an important part of the answer here. Though the BBC is seen by some as politicised, it is the closest thing that the UK has to an impartial provider of news, and so the way it delivers economic information is important. As the BBC's 2022 report on impartiality in economics reporting outlines,⁴⁹ there are many ways in which coverage could be improved to give a more accurate and balanced perspective, including the greater use of economics specialists, the inclusion of a wider range of economic perspectives, and better contextualisation of facts and figures. The CEC provides strong evidence that the report's suggestions are sound and should be acted on. Participants found that straightforward and accessible historical and nation-to-nation comparisons were particularly important in helping them come to a more informed position on economic policy issues, for example.

45 HM Treasury, 2019. The Public Value Framework. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785553/public_value_framework_and_supplementary_guidance_web.pdf

46 p.33

47 <https://sciencewise.org.uk>

48 See Duffy, B. (2018) *The Perils of Perception: Why We're Wrong About Nearly Everything* (London: Atlantic).

49 Blastland, M. & Dilnot, A. November 2022. Review of the impartiality of BBC coverage of taxation, public spending, government borrowing and debt. <https://www.bbc.co.uk/aboutthebbc/documents/thematic-review-taxation-public-spending-govt-borrowing-debt.pdf>

Spending and taxation in the cost-of-living crisis

Crisis-response spending packages should focus on outcomes for the most vulnerable first.

Two of the most important forms of crisis response provided by government to households in the cost-of-living crisis were help with energy bills, which help all bill-paying households, and a series of more targeted payments to particular groups, including pensioners, universal credit recipients and people with disabilities. Though the advantages of fast-rollout schemes that benefit all citizens quickly were recognised as important to factor in, CEC participants consistently emphasised that the needs of the most vulnerable households should be prioritised, if necessary at the expense of helping those whose struggles are less acute.

When offered the choice, participants preferred a higher amount of crisis-support to be provided through the benefits system (child, working-age, disability, old-age) at the cost of lower levels of energy bills-support for all households, for example, and most participants argued against the energy bills support scheme on the basis that it did not direct help towards those who need it sufficiently well.

Net income was seen as the most important measure of vulnerability, but consistency of income and security of employment were also raised. Particular groups most often cited as vulnerable included those living with disabilities or chronic illness; families with young children on the poverty line; and those on fixed incomes with no means of increasing them, such as pensioners and those in low-skilled work, who may have limited flexibility to absorb increased costs.

Windfall taxes are an appropriate response to windfall profits, but protect investment and small businesses.

Corporation tax in general, and windfall taxes in particular, were repeatedly raised by citizens as an important issue. This partly reflected concerns about the undue influence of large companies over policy (e.g. lobbying) and the excesses of a 'corporate elite', but more often participants expressed the view that situations such as the recent energy price rise are unique, and resultant high profits aren't straightforwardly earned (see next policy recommendation on this point), so unique taxes are justified.

This much is in tune with existing polling data on the popularity of windfall taxes recently. However, in response to hearing detail from experts about how corporation taxation works in practice, participants were also concerned about the effect of raising taxation on private investment levels, on the basis that this might harm long-term productivity and growth within the UK.

The CEC did not go into further detail here, but discussion suggested that government should demonstrate the use of good evidence in deciding where to strike the balance between taxing companies effectively and deterring productivity and investment.

More generally, CEC participants were supportive of the idea of expanding exemptions from corporation tax to encourage private investment. The Annual Investment Allowances and other corporation tax reliefs introduced in the April 2023 budget are welcome in this respect, though CEC participants emphasised that, in terms of public policy, 'encouraging investment' means encouraging the types of investment likely to benefit UK society as a whole and meet the nation's needs. This suggests that allowances and reliefs should be targeted to achieve specific and clearly identified policy goals.

Participants also often sought to distinguish between small and large companies, emphasising that smaller companies should be taxed more lightly than larger ones which may be better able to bear the cost. Again, the April 2023 budget, which re-introduced the small company rate, can be read as a step in the right direction here.

Make taxation fairer by rewarding work and focusing the burden more on unearned income and wealth

In general, CEC participants endorsed progressivity in fiscal policy and supported the 'ability to pay' conception of fairness in taxation. That is to say that the total tax burden faced by households should be imposed in a way that reflects the ability of each individual household to pay it, as opposed to flatter taxation systems. Interestingly, for some participants the support for progressivity in the taxation system extended to VAT. Once they had heard the facts about how VAT works, participants tended to be critical of this form of taxation on the basis that it is insufficiently progressive. Suggested remedies included greater use of exemptions on essential household goods and the introduction of higher VAT rates on luxury consumption items.

More specifically, participants often raised a distinction between earned and un-earned income, where 'earned' referred to payment for work. For the group, a fair fiscal policy system was one which rewarded work as far as possible: On one hand, it was felt that the burden of tax placed on those on low incomes should be lowered further, for example by increasing the personal allowance, to incentivise such people to work and provide them with greater opportunity to make a decent living (and to ultimately contribute more revenue to the Treasury).

On the other hand, participants tended to share a strong sentiment that those receiving inherited wealth, or those benefitting from what participants saw as unearned profits from large corporations, should shoulder a larger proportion of the tax burden than they currently do.

Possible negative incentive effects associated with raising taxes on the wealthy were recognised and discussed extensively, with some participants arguing that direct taxation of wealth might discourage those people from living and earning in the UK. Again, the sense that the tax system should reward work and entrepreneurialism was important to most participants. But when required to make a choice between budget-equivalent tax raising policy packages, one which raised the burden more evenly amongst all UK citizens (via income tax and VAT), and a second package which focused the burden on the wealthy (via increases in higher rates of income tax and introducing wealth taxation), the latter was ultimately the favoured choice, despite the concerns voiced.

The few who did support the first package initially changed their minds after seeing the effects on a selection of example households. It should also be noted that, though the scenario was about tax-raising, the same views would likely apply to a tax reducing scenario, or an adjustment which keeps the existing overall tax take at the existing level, as the scenario effectively tested views on the distribution of the burden of tax between UK households, rather than the overall level of taxation across all households.

This was, for most participants, a matter of fairness, particularly in regards to the very wealthy: 'non-dom' status for individuals and the use of tax havens or other forms of avoidance by highly remunerated corporate executives were both regarded as deeply unfair, suggesting strong support for policies aimed at mitigating those issues. Participants thought that government had a responsibility to introduce more punitive measures to impose corporate taxes effectively at whatever level they are set at.

Another consistent theme was fairness in the way taxes and benefits are phased in and out in relation to earnings levels, and the interaction between taxation and different types of benefit provision. This is a good example of an issue spontaneously raised by the participants, and one which likely reflects the emphasis on tax/benefits modelling utilised in the first two policy scenarios provided to them. The attractiveness of this way of thinking for participants suggests that marginal effective tax rates should be incorporated into fiscal policy announcements more clearly.

The consensus was that overly sharp withdrawal and tapering of different kinds of taxes and benefits is unfair. Most obviously, this concern suggests that decisions on universal credit eligibility should be strongly co-ordinated with decisions on the national insurance primary threshold and the income tax personal allowance. However, participants, whatever their personal background, felt that this applied to thresholds at any level, including those that only affect high earners (e.g. tax-free childcare withdrawal and high income child benefit charge). Participants also expressed frustration at how broad income tax bands were and, where possible, argued for more fine-grained banding to be in place, again in relation to the higher thresholds just as much as lower ones.

National debt and public investment

Longer-term thinking is required: what about the next crisis?

Beyond immediate crisis support packages, CEC participants were keen to stress the long-term challenges for the UK economy. The question: 'what about the next crisis?' was raised many times un-prompted, and at various points participants sought to carefully weigh up the extent to which current issues and priorities have to be balanced against long-term economic strategy. Overall, there was a strong and widely shared sense that UK government should be doing more than it currently is to think long-term, focusing particularly on investing to build resilience against future shocks, whether in energy markets, financial markets or national security.

Resilience here partly referred to fostering the ability of individual households – especially the poorest – to cope with future crises and become more self-sufficient by improving incomes and creating opportunity (e.g. by up-skilling and creating green jobs). But 'resilience' also referred to the UK as a whole: when asked about their hopes for the future, participants broadly envisioned a more self-sustaining UK economy, again better able to weather future shocks. The relative economic benefits of either a more or less open economy were not included in the programme of discussion, so this can not be read as an endorsement of a closed national economy. It does, however, suggest that governments should be able to show how they are thinking long-term to create a more stable economic environment for UK citizens to inhabit in what is an uncertain global future. If that can be fulfilled through increased trade and international integration rather than domestic investment, then that case needs to be made to citizens clearly.

Theoretical models of voter behaviour often assume that citizens are short-termist, and that politicians, seeking re-election, tend to cater to those preferences, therefore underweighting long-term policy priorities and needs. One variety of this logic suggests that democracy exhibits a 'deficit bias',⁵⁰ where governments will tend to run up debt to finance short-term spending commitments. The CEC showed that, given an appropriate forum, citizens are able to express their views on the importance of long-term policy issues in fiscal policy in a way that is not provided for in other forms of public opinion gathering.

Targets for national debt/deficit reduction should not stifle state investment strategy

This is another area where access to good information, diverse perspectives and the chance to discuss, changed minds. Most participants were very concerned about national debt levels to start with, often citing the repayment burden on future generations. But after hearing a variety of expert presentations, being presented with a variety of spending, investment and tax policy options contingent on borrowing, and having the chance to ask questions and deliberation, opinion shifted: The participants who did hold concerns became more tolerant to the idea of higher levels of national debt, on the condition that borrowing was financing things likely to increase the nation's resilience to future crises and meet key areas of need.

Participants' opinions differed on specific priorities and how success would be measured: some took a more traditional view, focusing on the potential benefits of infrastructure investment in generating growth, while others focused more on the need for education and training, especially for those on low incomes and in deprived areas and regions, evincing a broader understanding of public investment. They also thought that there should be much more direct citizen input into decision-making about which types of investment to prioritise. But within CEC deliberations themselves, the list of priorities came close to USA Secretary to the Treasury Janet Yellen's recent invocation of a 'modern supply side economics', prioritising 'labor supply, human capital, public infrastructure, R&D, and investments in a sustainable environment ... all aimed at increasing economic growth and addressing longer-term structural problems, particularly inequality.'⁵¹

Participants thought that the risks associated with higher borrowing (particularly exchange rate risk and inflation) were important to factor in, and they considered it a complex topic which would benefit from further information and deliberation. But overall, they were supportive of almost all of the debt-financed, state-led investment ideas presented to them, including house building, green transition policies, business loans, transport upgrades and re-training, especially where these would benefit economically disadvantaged regions of the UK. Participants accepted that there were inevitable risks associated with any future-looking investment – success is never guaranteed – but the basic economic case that investment could improve the nation's fiscal position in the long run was generally persuasive to participants.

The approach taken here shifted discussion away from a starting point rooted in financial constraints (i.e. deficit reduction and fiscal rules), and towards a starting point rooted in the question of what counts as a productive use of government's capacity to borrow. What counted for the participants was less the effect of policy on the headline debt/deficit figures, and more whether borrowing finances appropriate and carefully managed investments (see 'long-term' point above) which might improve the UK's economic situation and create hope and opportunity for its citizens to lead productive lives.

50 Debrun, X., 2011. Democratic Accountability, Deficit Bias, and Independent Fiscal Agencies. International Monetary Fund Working Paper Series WP//11/173.

51 <https://home.treasury.gov/news/press-releases/jy0565>

Initial thoughts and perspectives

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I had never talked about economy before so I was a bit nervous at the beginning, but the supportive and friendly atmosphere helped me to contribute my thoughts.

Citizen Participant

5.1 Participants' initial thoughts about the economy

Workshop 1 asked participants to consider their existing views on the economy and how it worked. Break out groups began with facilitators suggesting they describe the economy in a single word or picture.

Visualisations included a seesaw, at risk of becoming unbalanced, whilst others suggested a 'complex system' of some kind. Single-word answers were often judgements on the current state of the economy, rather than conceptual definitions. Words given included 'trashed', 'chaotic', 'out of control', 'stressed' and 'frightening'.

'It would be something that related to a slippery slope. A downward spiral.'

Participant, workshop 1

Participants related the economy to the ways in which they directly experience it. Some suggested it was connected to taxes, or the cost of goods, whilst others viewed it as something that we are 'in'. Some participants simply said they did not know what the economy was, whilst others felt that it was too complicated for them, or anyone, to understand. Broadly, there was agreement that 'the economy' as a concept was complicated:

'The economy, like the other chaps said, it's complex, isn't it. I don't really know too much about it to be honest.'

Participant, workshop 1

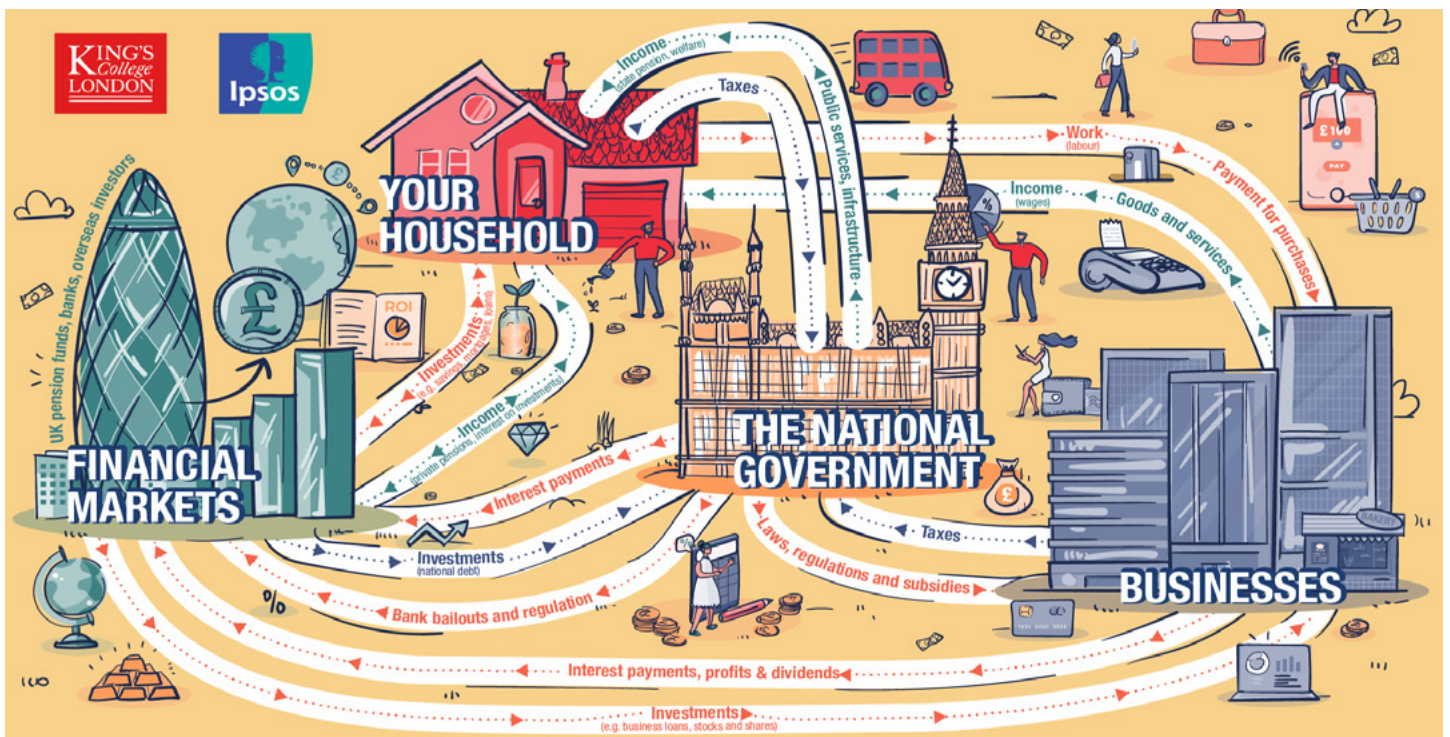
'I would describe it as a really complicated network. You can no longer explain or understand it without studying it for years and people who study it probably don't understand it because it's grown so complex at this stage of history.'

Participant, workshop 1

Many discussed themes of unfairness without being prompted, particularly in relation to greed or selfishness. These themes were viewed as governing forces of the economy, or related to those who hold high influence within it, such as members of parliament. In this sense, participants were broadly negative about the economy, with some expressing pessimistic or fatalistic assessments of the UK's economic prospects.

At this point participants were introduced to the circular flow diagram (below). Facilitators guided them through the image highlighting the continual flow of money, goods, and services around the various connections between government, homes, financial markets and businesses. Initial responses to the circular flow diagram typically focused on the interdependent nature of the economy. Participants who had previously viewed the economy as a system were glad to see it confirmed, whilst those who had suggested they did not understand the economy said that this depiction 'made sense' whilst also highlighting its complexity.

Circular flow diagram produced for deliberation stimuli



5.2

Ideas about fairness

'For me, it's quite useful for me to see a visual representation of why things aren't so simple, as a greater understanding of the overall process.'

Participant, workshop 1

When encouraged to consider where they felt they were situated within the diagram, participants focused on households and government. Tax was discussed as a site through which they experienced the reality of the connection between economic actors.

The influence of global politics and crises was highlighted by participants as something that diagram did not adequately capture or reflect, with many citing COVID-19 or the war in Ukraine as examples of why this was relevant. That global forces could impact the domestic economy was a point that participants widely understood. Participants suggested that the cost-of-living crisis had highlighted the global and unpredictable nature of the forces governing the economy:

'I suppose it's only recently, the last 12 months that people have actually realised how much influence other things happening in the other world can affect our economy so that's been a bit of an eye-opener.'

Participant, workshop 1

Having been introduced to the circular flow diagram, citizens then heard an expert speaker present evidence on the inadequacies of media reporting when it comes to the economy. Citizens discussed the challenge in finding objective, understandable information about the economy, with a broad sense that there were no or few options for the public to learn about the economy.

'The importance of this isn't understood as we are not educated about it.'

Participant, workshop 1

Some participants were relieved to hear that evidence suggested economic information is not reported clearly, as they had previously felt their lack of understanding was a reflection on themselves. Similarly, participants expressed gratitude for the clarity of information provided by the specialist speakers from the first workshop to its conclusion.

'I found them [Victoria Waldersee] really helpful, I felt reassured and a bit better about not understanding what is going on and I feel like I understand a bit more. It's more complex than I first anticipated. I'm soaking up a lot of information.'

Participant, workshop 1

When asked to consider what would count as a fair economy, participants often commented first on what would not be fair. This perhaps was another reflection of participants' generally pessimistic view of the economy and the UK's economic prospects. Some suggested that fairness was not an achievable economic goal, largely due to the greed of individuals:

'I don't know if there would be a way of having a fair economy. There are always people who aren't honest.'

Participant, workshop 1

Where fairness was considered achievable, contribution according to means came up across break out groups. Broadly, there was a sense that a fair economy relied upon people contributing according to their means, coupled with no-one 'taking advantage' of the system. Companies making excessive profits whilst citizens live in poverty was highlighted as an example of unfairness within this context;

'I would say that everyone's basic needs are met, irrespective of who they are. Like food and health, and there is equal opportunity for everyone irrespective of their background. And there are no particular sections taking advantage of the system.'

Participant, workshop 1

'Those who can't contribute, if they are disabled, out of work, health issues, they need to be supported. But those that are able to contribute do contribute their fair share, and we should have an economy that people don't have to rely on food banks etcetera to survive.'

Participant, workshop 1

5.3

What challenges loomed large?

The first workshop gave participants the chance to express the challenges they associated with the economy from the outset, unrelated to the information they were exposed to through the process. The introduction of the personas towards the end of the workshop highlighted some of the concerns of participants. Whilst there was no consensus about these challenges, key themes did emerge.

The dominant theme was participants' concern about what they perceived to be high levels of corporate excess and its current influence within the economy. Examples used to illustrate this centred on energy companies, whose 'excessive' profits were laid next to the suffering of those in poverty, particularly those with disabilities, such as John's father (persona). Participants raised the prospect of a windfall tax as a corrective in these circumstances.

'The huge thing that's hanging in my head is corporate profits. The government via subsidies is putting money straight into the pockets of energy companies that are making money, and then the shareholders are getting nice dividends on the back of those profits, meanwhile, John's father is freezing.'

Participant, workshop 1

Housing, the cost of renting and the challenges faced by first time buyers, was a second recurrent theme across groups. Landlords making large profits at the expense of young people was another area in which the ideas of greed and injustice arose. Regulation was proposed as a plausible antidote to prevent spiralling rents.

The housing crisis was often used to highlight concerns around low wages and insecure pay. Participants used Sandra Bernard (a nurse persona) to highlight how occupations that would have previously offered a 'good' wage no longer did so. The cost of housing was often used to illustrate this, raised alongside a perception of intergenerational unfairness, with young people including Sophie, facing challenges previous generations did not.

Notable also was the absence of environmental concerns when asked what they viewed as important factors when considering the economy. A single citizen raised concerns about the environment in relation to the planning of the future economy, but other participants questioned the relationship.

Crisis response spending packages

This chapter explores participants' views from workshops 1 and 2 on the short term actions the government could take regarding spending during a cost-of-living crisis. Firstly, it outlines the key themes identified by participants when considering spending.

Participants' discussions on the cost-of-living crisis, in relation to their own experiences and the experiences of the personas are then presented. Participant's views on the role and responsibility of government are then considered before their views on the modelled policy responses to policy scenario 1.

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Surprisingly, all the groups had similar views that we should look after less fortunate citizens and try to help them in times of need.

Citizen Participant

6.1

Key themes identified in Workshops 1 and 2: Spending

Government support should be targeted at those who need it most

Participants strongly believed this approach was the fairest way to provide support in the context of immediate crises. Often, participants compared this concept of fairness to one based on equality, pointing to what they tended to see as a too-broad energy bills support scheme that was rolled out in 2022.

'If you put a blanket across it, then you're going to end up with people that need less support getting more, and people needing more getting less, as it's relevant to their circumstances.'

Participant, workshop 2

A few participants did disagree with this, arguing that in the context of an emergency or crisis situation, a blanket approach that can be taken swiftly may be the best way to go about helping people through avoiding delays to support, with practicality and speed overtaking fairness.

'For acute situations, the description that we just had about blanket cover for everybody is the way to go about it, otherwise there are big delays.'

Participant, workshop 2

This was, however, the minority view, and it is worth noting that following the introduction of the modelled policy scenario and its impact on the personas, most of the participants expressing this view ended up preferring the more targeted policy choice.

When thinking who should be targeted, most participants suggested help being distributed support based on income, but also placed emphasis on protecting the most vulnerable to economic shocks: those who had limited choices to stretch or increase their income. Participants identified the most vulnerable in society as people living with disabilities, and families with young children. A few participants noted they would be willing to pay higher taxes on the condition that help was being given to those who needed it most. These participants seemed to view this as an inherent aspect of their duty as citizens.

'You are still part of society, and you need to look after the poorest. If I pay a bit more tax, then I don't mind that.'

Participant, workshop 2

Companies profiteering during a cost-of-living crisis should not be tolerated

Participants often focused on two sectors when thinking about the immediate term and what was fair.

Firstly, participants frequently expressed frustration at large energy companies making windfall profits, suggesting there was an imperative for either the government to tax these profits, or for the companies themselves to redistribute them in some way.

Secondly, a number of participants conveyed deep concerns at the state of housing in the UK, in particular the private rental market, the lack of social housing, and the property market making it very difficult for many young people to buy a house. Some suggested the need for government intervention to cap the amount private landlords could charge in rent. This was particularly strongly expressed when considering younger people, and the persona, Sophie. One breakout room emphasised that they thought it would be important to include measures to support those renting in any package of government help.

It is important to recognise trade-offs of implementing more progressive tax on large businesses and wealthy individuals

While most participants agreed that it was the government's responsibility to intervene in the face of immediate challenges, there was a minority of participants who expressed less interventionist views relating to tax and spending.

A few participants thought a windfall or wealth tax would not resolve immediate economic challenges, and highlighted that believing it would was a potentially unrealistic expectation. They often cited the trade-off that this could potentially de-motivate large businesses and wealthy individuals from investing in the UK economy if it began being seen as hostile to them.

'There's the idea that if we just got the top 10% and got them to pay their due then everything would be sorted, but I suspect that's not true and the 95% need to do the heavy lifting.'

Participant, workshop 2

Similarly, a few participants also challenged what they saw as an assumption that rich individuals and large businesses were inherently bad. These participants stated instead that these groups were necessary for the country to grow economically – although, it should be noted that these participants tended to be thinking of the longer term, rather than short-term immediate response to a crisis.

'We have a belief that everyone should be down on an equal level, and that's an unhealthy attitude for a country that needs to grow.'

Participant, workshop 2

6.2

The impact of the cost-of-living crisis

Impact on participants

Every participant had noticed, in some capacity, increased prices overall, often citing energy bills and bills in general, food shops, rent, mortgages, and petrol as expenditure they had seen growing. While a few participants said that they had not been too negatively impacted by the crisis, others highlighted a range of impacts they had experienced in their everyday lives, and on their financial futures.

'I have less coming in and more going out.'

Participant, workshop 1

Impacts included:

- spending less on leisure or optional items and activities;
- shopping at cheaper supermarkets;
- dipping into savings at the end of the month, or borrowing more and potentially going into debt;
- the cost of essential maintenance on their home was now double the price it would have been two years prior;
- being unable to afford to visit their parents; and
- putting their heating on less frequently.

'I find myself getting into debt again which I haven't been in for a while.'

Participant, workshop 1

Often, these experiences were expressed alongside a sense of frustration, fuelled both by distrust in the current government, and by news surrounding increased profits of certain businesses, in particular energy companies.

'We're paying all this tax but look at all the PPE scandals and things. It's not going to the right people.'

Participant, workshop 1

In the weeks before the workshops, BP and Shell had announced record-breaking profits, and this news loomed large in participants' consciousness when it came to the crisis and the impacts it had had on them and others.

Alongside the direct, current impacts, some participants also highlighted concerns for the future. For some, this was more abstract – for example, noticing cuts in public services that concerned them – but others' concerns for the future were deeply personal. One participant said they were planning less for the future. A few younger participants in particular highlighted that they did not think they would ever be able to afford their own property or even to rent without a partner or shared housing, due to stagnating income and increasing house prices.

Impact on the public

When talking about the impacts of the cost-of-living crisis on themselves, some participants articulated deep concerns for others less fortunate than themselves, often focusing upon public sector workers, even when they were also struggling.

'Working people can't afford the basics of life. That's a bit of a shocker really.'

Participant, workshop 1

One group were particularly concerned with the mental health impacts on those struggling to make ends meet, emphasising how isolating and stressful the experience could be, and the added strain this could present to families and households.

Some participants also highlighted the generational impact of the crisis, particularly when thinking about the future; one older participant, for example, said that they felt they were part of a luckier generation, and expressed strong concerns for younger participants and people in general, focusing on challenges around housing and saving money in the current economic context.

'I'm in my 60s, I've just been born in a lucky generation where education came free, there were a lot of job opportunities. For this generation and maybe older than Sophie [one of the personas] it's just not doable, it's just the way the economics have moved, the cost of education, housing ladder.'

Participant, workshop 1

Impact on the personas

Generally, participants tended to highlight the mental strain and stress the personas' different situations would have on them, and often reacted particularly strongly to the experiences of Sandra and John. Participants' views tended to focus on the mental health impacts of financial strain, and on how far households were able to control, or make choices about, their finances.

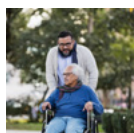


Phil and Claire: there were mixed reactions to the severity of the impacts that this family may have felt as a result of the cost-of-living crisis, although more participants than not expressed sympathy and concern for the household. Some participants were surprised by the listed impacts on them, feeling that a doctor and teacher should have not been too negatively impacted. Others felt they were fortunate because of the careers they had, which, in theory, enabled them to live anywhere.

As noted above, the ability to make that choice was key, particularly in comparison to the situation of John and his father. However, others highlighted the stress that the family would experience, either through struggling to get by or by moving to a cheaper area with potentially worse schools and away from their friends. In particular, participants raised concerns about the impact on the children's education and their social lives, as well as about how the household dipping into savings will impact them in the future.

'If people take their savings out, what happens in five, or ten years? It's very unlikely that people would be able to rebuild to the same level. It's very scary if you think about it in the long term.'

Participant, workshop 1



John and father: Some participants felt that this household had been hit the hardest, and most expressed a great deal of sympathy, feeling that both John and his father's mental and physical health was likely to suffer as a result of their situation. Some participants highlighted that the personas seemed 'trapped' as they were wholly dependant on the state and had no other choice than to accept what benefits they were offered.

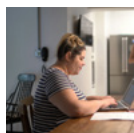
'Because they live on benefits, they are so reliant on the government that they are probably hit the hardest.'

Participant, workshop 1

One participant called on an emotive image to underline what had been previously said about energy companies' profits:

'The huge thing that's hanging in my head is corporate profits [...], then the shareholders are getting nice dividends on the back of those profits, meanwhile, John's father is freezing.'

Participant, workshop 1

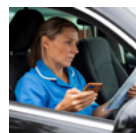


Sophie: Participants were once again concerned about the potential impact on Sophie's mental health, and were worried about the potential for her to become more isolated, in particular due to her not being able to see family and needing to cut back on leisure activities. An aspect of Sophie's situation that participants focused on was the uncertainty of her future, in particular the unlikelihood of her being able to buy a property of her own. A few participants expressed shock at the percentage of income she paid on rent; others expressed upset at the fact that she was unable to plan financially for the future.

'If you can't save for a deposit then she may feel trapped in the life she is in, it will feel like work, work, work.'

Participant, workshop 1

However, overall, participants did not tend to see this persona as experiencing the most extreme impacts of the cost-of-living crisis.



Sandra: Participants tended to react to Sandra and her family's situation with strong emotions. There was a prevalent sense amongst participants that, as a single mother and an NHS worker, she did not deserve to be struggling as extensively as she was. It was evident that participants largely viewed Sandra as a sympathetic figure deserving of more and tended to articulate this sentiment through reference to her status as a single mother and her work as a nurse.⁵²

'The food bank thing, something inside me says a 40-year-old NHS nurse should not be relying on food banks. Even at crisis point you would hope it wouldn't come to that for this person.'

Participant, workshop 1

Participants also highlighted that she had no cushion for any emergency costs, for example a boiler breaking.

'Grim. What happens when the boiler breaks or something happens? [...]. Depending on what sort of landlord we're talking about she might end up without a home.'

Participant, workshop 1

Participants were also worried about how she would be juggling childcare, and expressed concern for the level of responsibility the older child may need to have to care for their younger sibling. However, it should be noted that a small proportion of participants were sceptical about the amount she was struggling, citing the income they thought she may be on.

⁵² The apparent sentiment of value placed on nurses is supported by recent polling from Ipsos UK. In [Ipsos' 2022 Veracity Index](#), nurses were amongst the top most trusted professions (89% in Great Britain trusted them), alongside doctors (notably, participants also pointed to Phil and Claire's positions as a doctor and teacher as individuals who should not be struggling). Additionally, in polling around the [recent wave of strike action](#) by various groups of workers, two-thirds of Brits said they supported nurses taking strike action, the joint-highest level of support (alongside ambulance workers); and 62% said they thought nurses were underpaid.

6.3

What responsibility does government have?

The majority of participants thought that it was the government's responsibility to react to the immediate-term crisis. Participants were emphatic that it was the government's role, and there was a sense that the scale and international nature of the crisis precluded individuals from being able to respond to it in a meaningful way.

'The government should take control in addressing the crisis. They are essential in everything really, interest rates, budgeting, things like that. Deciding who gets what, where. The engine so to speak. They are the responsibility.'

Participant, workshop 2

'People can't be held responsible for global events [...]. It's in the government's interest to provide minimum standards so people can operate in society [...]. People on the poverty line aren't responsible.'

Participant, workshop 2

The strongest sentiment from participants came in terms of who government was most responsible for helping. Most participants argued against the government offering equal support to all, often referencing the energy support scheme. Some participants highlighted themselves that they did not need that support, and would have preferred the option to not receive it.

'The energy guarantee, I thought my family didn't need it so I think it should not be similar, I could easily have given it up, it should be given to those who need it.'

Participant, workshop 2

Participants often spontaneously expressed the belief that, in immediate crises, the government's imperative should be to support those most in need of help. Included in this list were the poorest or most vulnerable; those living with disabilities or chronic illnesses; families with young children on the poverty line; and those on fixed incomes with no means of increasing them, such as pensioners and people in low-skilled work who are unable to be retrained, who have limited flexibility to absorb increased costs. For many participants, this was informed by a belief that government had a responsibility to support individuals with sensitivity to individual circumstances; for example, through means-testing support.

'I don't think it's a one-size fits all. I think it should be looked at essentially on an individual basis. Meaning if you put a blanket across it, then you're going to end up with people that need less support getting more, and people needing more getting less, as it's relevant to their circumstances.'

Participant, workshop 2

While participants were aligned on the level of responsibility placed on government, there was also a strong sense amongst several participants that the current government was not adequately living up to this responsibility, and low expectations that they would. Participants often expressed clear frustration at this. Possibly the most frequently highlighted frustration was related to energy companies, in particular the news stories that had been published close to the time of the workshops reporting that certain companies had made record-breaking profits. Some participants drew connections between these stories, and others about large corporations paying little tax in the UK, and the people struggling to make ends meet across the country, emphasising the sense that this was something they saw the government as having some level of responsibility in fixing.

'I'm very disappointed in government that they won't take more from the very large energy companies reporting record profits in order to help those at the bottom.'

Participant, workshop 2

The other issues participants tended to raise surrounding this were based on information that had been reported recently, including the mismanagement of funds during the pandemic (for example, one participant mentioned the personal protective equipment (PPE) scandal); lockdown measures not being followed by key government officials; and relatedly, a sense that Westminster was filled with cronyism, with politicians being seen as protecting wealthy friends rather than properly funding public services such as the NHS. A few participants also mentioned that they felt too much public money was spent on foreign aid, when people within the country should be prioritised.

What responsibility did participants think other stakeholders had?

Participants' views on the responsibility of stakeholders outside of government to respond to crises was focused on with less depth than government's responsibility.

Individuals and households: Generally, most participants did believe that individuals and households held some level of responsibility (with a few participants envisioning greater responsibility, and a larger proportion envisioning lesser).

'As individuals, we're responsible for our choices.'

Participant, workshop 2

However, their thoughts on this were frequently tempered by two considerations. Firstly, that the crisis was too broad and its implications too far-reaching for it to be reasonable to expect all individuals to be able to absorb increased costs and resolve the challenge for themselves. Secondly, that while there was some level of individual and household responsibility, different people have different capabilities – as outlined above, participants generally adhered to an idea of fairness and responsibility that prioritised helping those who needed it most.

'In a way it's everyone's responsibility, but people have different capacities.'

Participant, workshop 2

The responsibility participants often envisioned for individuals was more often longer-term, too: for example, teaching children about the value of money in education settings, or 'raising kids right.' A few participants also discussed challenges around supporting those who need it, versus not providing support to those who simply want it or do not want to work. Following expert presentations where participants were informed about the small number of 'benefits cheats', some participants who had previously mentioned the challenge remained staunch in their view that this was an issue that needed to be resolved and was an important aspect of individual responsibility.

Private businesses and financial institutions: While the diagram participants were shown and expert witnesses emphasised the difference between these stakeholders, participants tended to speak about these interchangeably. There were two broad views expressed. Firstly, and more generally, some participants felt that businesses and financial institutions held a responsibility to be better prepared for crises – for example, one participant referenced the 2008 financial crisis – and, should crises occur, to not profiteer off consumers. The second point relates to this and is referenced above when discussing government responsibility: participants were emphatic that they felt it was unfair that energy companies in particular were able to make record profits in the cost-of-living crisis context, and more broadly spoke with frustration at large corporations paying little to no tax in the UK due to legal loopholes.

Communities and voluntary organisations: Participants did not often discuss these stakeholders, except for one group who emphasised the responsibility of communities and neighbours in helping one another out. The group emphasised that this was particularly important in cases where an individual or household has 'fallen through the cracks' in some sense. However, participants also noted various challenges: One participant mentioned a sense that 'communities' are becoming less common; another suggested that where one person is living in poverty, the community overall may not be well-resourced and so would not be able to help, concluding that government is required to prevent people from falling through these kinds of gaps in the first place.

6.4

Reactions to modelled policy scenario 1

Participants were then presented with policy scenario 1 and two modelled policy packages.

Policy scenario 1: Imagine a situation where winter is coming in the UK and it looks set to be very cold, meaning people will need to use their heating more. The war in Ukraine has got worse, which means that energy prices are already going through the roof. And because most things we buy in the supermarket or online depend on energy in one way or another as well, the cost of living is set to rise sharply for everyone.

The government has been presented with two packages of policies designed to support UK citizens over the next 12 months. They both cost the same amount. We have been asked to comment...

The impacts of the modelled policy scenarios are presented below.

Immediate response: Policy Package 1

This package would provide similar amounts of help to all citizens. It reduces the risk of poverty a bit, but less than Policy Package 2.

Immediate response: Policy Package 2

This package costs the same as Policy Package 1, but targets help towards people likely to struggle, reducing the risk of poverty for more households.

£500 off every household's energy bills this winter

A one-off payment by government towards energy bills for all households, rich or poor. For households without much money, this cash would have more of an impact. It's less crucial for wealthier households but still helps.

£300 off every household's energy bills this winter

This would be a lower contribution by government towards everyone's energy bills, so everyone would benefit, but less so than in Policy Package 1. Lowering this contribution would enable us to provide targeted support to households most in need.

5p off petrol and diesel per litre for 12 months

Would make it cheaper to fill up cars at the pumps. Most households have access to a car or van, so it benefits a lot of UK citizens. Richer households are more likely to own a car and to use it more though, so on average this tends to benefit richer households a bit more.

Double child benefit from £22 to £44 per week for eldest child

People with children, especially mothers, have to juggle childcare with work, and often end up earning less. Also, around 13 million children live in poverty, affecting their life chances. This policy could help protect children from the rising cost of living.

VAT cut from 20% to 18%

VAT is a tax paid on most things we buy, so cutting it for a year would benefit all households, e.g. by making food and clothes cheaper in the shops. Wealthy households tend to buy more, so it would benefit them more, but less wealthy households spend more of their money on buying essentials, so cutting it could have more of an impact on them day-to-day.

£1000 extra paid to households receiving state pension, disability benefits, or universal credit

Households on benefits tend to be the poorest, so rises in the cost of living hit them harder. People receiving disability benefits or state pension are more likely to have to spend extra money to cope with health issues, so they are particularly vulnerable. All these groups of people are more likely to slip into poverty when the cost of living rises.

Overall participants saw Policy Package 2 as the fairer and, in some cases, more moral option than Policy Package 1. This was in line with participants' overall views throughout the first two workshops on how support and spending should be prioritised in the context of immediate and acute crises: that the fairest means of doing so is by supporting those who most need help.

'Is that fairer, or just the moral choice? Morally, that's the right choice, isn't it?'

Participant, workshop 2

Participants were generally less positive about policy package 1, a continuation of the view held by many participants through the first and second workshops that government spending in immediate crises should prioritise targeting support at citizens who need it most.

Some participants did say they were conflicted, however. Positives for policy package 1 included younger individuals (for example, the persona Sophie) benefitting more from, as would anyone who did not meet the threshold of support offered in policy package 2, but was struggling nonetheless. Some participants also said that the VAT cut was a positive policy that they could see having an impact – although most did also question the level of benefit from a 2p cut and how beneficial it would be in the context of other costs rising drastically, such as rent.

'I think cutting VAT is a really good idea. Whether it's enough, 20% to 18%, but it would benefit an awful lot of people. But if you haven't got a lot of money to spend after you've paid your rent, that would minimise that saving.'

Participant, workshop 2

Nonetheless, support for policy package 2 over policy package 1 was near universal amongst participants.

There were, however, some criticisms over the support offered. Broadly, this was to do with either making the support more targeted, to increase the effectiveness of money being spent, or to do with who had access to the support, and who did not.

As with the very real policy of energy bills support rolled out in the UK, participants felt conflicted over the blanket approach to this in both policy packages and suggested that a more appropriate and fair measure may be to allow households to opt-out of receiving this support. A few participants suggested that these households may have an imperative to give the money back in some way, but others were more cynical about the tendency of the public to willingly sacrifice freely offered support.

Some participants were also cautious around the concept of simply 'giving' households money and stipulated that the benefit should be received in a way that meant that it could only be spent on its intended recipient – for example, ensuring child benefits are spent on children.

'In my job I sometimes see parents who aren't responsible. Would it be better to give child benefit in vouchers or a more targeted thing to help the welfare of the children?'

Participant, workshop 2

Some participants then identified a trade-off, citing that different households in scenarios that were on the surface in similar situations, may have different outgoings. For instance, one household may be paying significantly more on rent while another is paying significantly more on childcare, so if a benefit was paid in such a way it could only be spent on rent only, one of these households that needs help would not be able to functionally utilise the support offered.

Participants also debated the provision of £1,000 to households receiving state pension, disability benefits or universal credit. Much of this was along the lines of who the support was and was not targeted towards.

Some participants were critical of £1,000 being offered to households receiving the state pension; these participants suggested that some pensioners may be in receipt of private pensions that enable them to live very comfortably, and they simply did not need this additional support. As with the above, some suggested there should be an opt-out policy, or for the receipt of the benefit to be established at a threshold level of pension income.

In terms of who was not being targeted by that policy, participants largely suggested that there was nothing inherently in the policy that supported young people and, relatedly, those living in privately rented accommodation.

'There is a lack of social housing available, so therefore vulnerable families or low-income families are forced into privately renting, and if there is a cap on the universal credit and housing benefit but there is no cap on what a private landlord can charge.'

Participant, workshop 2

Some participants identified a trade-off inherent within the policy: that those who were younger were broadly not benefitting at the expense of funding going towards older individuals (i.e. those on pensions). More broadly, participants were also concerned at the fact that neither policy package provided any support specifically to those who were renting, when for people such as Sophie, the proportion of their income being spent on rent was their primary challenge in the immediate term. As highlighted previously, participants were generally critical at the lack of regulation around how much private landlords were allowed to charge for rent.

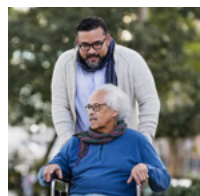
'If half of their [Sandra and Sophie's] income is going to private landlords, then there should be something written into those policies whereby there is a cap on how much private landlords can charge, because that's going to help as well.'

Participant, workshop 2

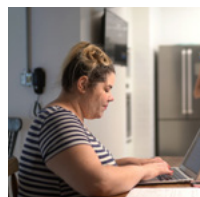
Did views change after seeing the impact on the personas?



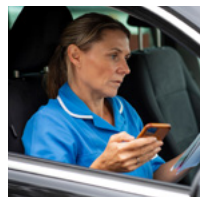
1. Phil and Claire's family would gain about **£1,000** per year
2. Phil and Claire's family would gain about **£1,300** per year



1. John and his father would gain about **£1,000** per year
2. John and his father would gain about **£2,300** per year



1. Sophie would gain about **£1,100** per year
2. Sophie would gain about **£300** per year



1. Sandra's family would gain about **£1,100** per year
2. Sandra's family would gain about **£2,300** per year

Support for policy package 2 strengthened upon seeing the impact on personas. All participants expressed the feeling that policy package 2, while not perfect, targeted those who needed the support most. The personas that participants felt were most hard done by, most worthy of support, or those who most needed the support due to reliance on government assistance (namely, John and his father, and Sandra's household) were being provided with the most support.

'The government can't catch everyone. There will be winners and losers, surely.'

Participant, workshop 2

Participants who were previously more sceptical about policy package 2, or were more on the fence, tended to shift more towards thinking policy package 2 was the fairest as opposed to policy package 1 due to the personas who benefitted the most.

'At the moment, I'm thinking the right people are getting the increases. I would move to [policy package 2] now having seen this [...]. I feel sorry for Sophie, but she does not have a car, an independent single person, and she is getting benefit. I would feel pleased to see John and Sandra would get the most benefit.'

Participant, workshop 2

Most participants did express a level of sympathy for Sophie – this was particularly strong amongst participants who thought that some support or policy assistance should be offered to those currently privately renting – in policy package 2, but generally seemed happy with the trade-off.

'Poor Sophie gets whacked a bit, but she's at the beginning of her life. It's a bit tougher, but you're not going to take the money away from the nurse, the disabled man, or those trying to raise a family, so, sorry Sophie.'

Participant, workshop 2

Participants pointed out the fact that she was young and was not struggling to survive, as John and Sandra's households were. One participant who identified with Sophie (as someone who is young, renting, and anxious about their financial future) said that they thought policy package 2 was fair and helped the right people.

'Policy package 2 is the best option for people who are suffering most.'

Participant, workshop 2

Taxation and public services

This chapter explores views expressed by participants in workshop 3, when they considered medium term economic policy in relation to taxation. It firstly outlines the key themes identified by participants when discussing tax. Then, participant's views on how the government ought to approach different forms of tax are discussed.

The chapter ends by discussing views toward a medium-term scenario that asked participants to comment on how the government might share the burden of tax increases to fund hypothetical public service spending requirements arising from the cost-of-living crisis.

“

Before the Council, I had quite negative view of taxes and public investment, but now I have a more nuanced one.

Citizen Participant

You can't use the windfall tax too often or they'll suss that one out. You've got to protect the jobs and investment or there's no point.

Citizen Participant

7.1

Key themes identified in workshop 3: Tax

Levels of tax should be guided by an individual's ability to pay

Participants were generally supportive of a model of tax that was based on individuals' income and circumstance, rather than one based on their previous contributions or a blanket rule for all (i.e. 'flat' taxation). Even when discussing VAT – a form of tax that is applied to everyone equally – some participants highlighted they would like for this form of tax to become, at least in the medium term, more targeted, for example by decreasing VAT rates or expanding exemptions for essential household items and increasing them on luxury items. Participants argued that a lower burden of tax should be placed on those on low incomes, incentivising them to work and providing them with the opportunity to earn and make a living.

The tax system should be redistributive and future-oriented.

Most participants preferred a more redistributive model of tax and spending. They tended to share a strong sentiment that the wealthiest – those with inherited wealth, or those benefitting from what participants saw as 'unearned' profits from large corporations – should shoulder a larger tax burden than the poorest, and that spending should prioritise enabling the poorest to earn and make a living in a way that many participants felt they currently could not. As mentioned in Chapter 4, there was a pervasive distrust of government throughout the workshops, and a strong feeling that the current way in which tax money was spent did not live up to the responsibility participants felt the government had towards them.

Tax evasion and tax avoidance should not be tolerated

Participants voiced concern about tax avoidance and tax evasion⁵³ in relation to both individuals and businesses, suggesting a perception that this was currently tolerated within the British economy. Participants were strong in their view that not paying tax was unfair, with a clear assumption that wealthier individuals were more likely to engage in tax evasion than people on lower incomes. This perception was sometimes linked to people being registered abroad in an apparent nod to non-domiciled individual ('non-dom') status. Similarly, corporations and businesses not paying tax, or paying less tax proportionate to their size in the UK despite operating here and shifting some operations into tax havens was raised as a matter of unfairness that should not be tolerated.

Government should increase corporation tax, but in a way that does not threaten small businesses

Participants felt that corporation tax ought to be increased in a way that capitalised on the profits of large companies – which were perceived to be high – but did not threaten small businesses. Often the comparisons drawn when making this suggestion were between large international companies and small businesses such as shops or cafes. It was suggested that these businesses be taxed in different ways to reflect the nature of their businesses and their contribution to the UK economy, which were felt to be fundamentally different.

⁵³ For discussion about the distinction between tax evasion and avoidance from a UK perspective, see: <https://commonslibrary.parliament.uk/research-briefings/cbp-7948/>

7.2

How should the government approach tax?

Participants were emphatic that the fairest approach to tax is one that prioritises an individuals' income and circumstances and places a greater emphasis for contribution on the wealthier than on the poorest. Participants were also generally supportive of a redistributive approach to tax and spending, with a focus on easing short-term challenges, particularly for the poorest, but also looking to the future.

However, participants were more reticent to discuss the trade-offs inherent with this priority – for example, rarely discussing sustainability and what future challenges may look like, or highlighting when and where it would be beneficial for spending to go towards future investment. See Chapter 6 for a more in-depth look into how participants approached long term challenges.

For most participants, fairness in tax was seen as a two-fold challenge: firstly, how to introduce what they saw as a fairer tax system in terms of how much money would be extracted from individuals and companies based on wealth. Secondly, understanding where tax money goes, and preferably seeing spending and investment in sectors participants identified as most important – namely, reducing poverty and inequality.

'Reduce poverty. There are a lot of people suffering at the lowest end of the scale. 4 out of 10 people don't even earn enough to pay taxes.'

Participant, workshop 3

In line with this thinking, some participants suggested establishing a more progressive inheritance tax. As the inheritance tax was not part of the 'based on contribution' scenario, participants tended to favour it less.

Participants' views on the different kinds of tax they were specifically asked to discuss tended to follow the previously identified principles.

Income tax

Participants generally saw the conceptual structure of progressive income tax as a fair way of structuring the tax regime – although, participants did not think it was fair in how it was currently executed.

Despite income tax being structured in bands relative to income, participants tended to feel that lower-income individuals did not benefit from paying a lower tax. Some participants expressed frustration at how broad tax bands were. They cited, for example, that those earning £50,000 to £100,000 were in the same tax bracket. Some participants argued that the government should introduce more salary brackets into the existing bands to allow for a more targeted tax regime.

Value Added Tax (VAT)

As with income tax, participants tended to be more supportive of progressive tax based on the ability to pay, and were therefore more critical or wary of VAT. Some argued that lowering VAT rates and increasing income tax may be fairer towards lower-income individuals, as income tax is structured in bands.

'I seem to remember a long time ago, income tax was much higher, and VAT was much lower. So, for example, income tax was around 30%, and VAT was around 6%. I always felt that was probably fairer.'

Participant, workshop 3

Some participants suggested other ways of making VAT seem fairer: suggesting, for example, that essential items should be capped at a lower or zero-rate and that luxury items, which were more likely to be purchased by wealthier individuals, could be given a higher VAT.

Wealth tax

There was a strong sense throughout the groups that the current system of tax was unfair, and that those who were wealthy paid less of their fair share than those with less – a sentiment that was prominently expressed when participants were asked for their thoughts on a prospective wealth tax.

'I do think people should be taxed on their unearned income in a similar way to their earned income.'

Participant, workshop 3

This view was evident even amongst those who expressed concern about wealth tax potentially disincentivising people to work.

'The rich stay rich, and the poor stay poor.'

Participant, workshop 3

'They [corporations] are not paying anywhere near what they should be paying.'

Participant, workshop 3

Generally, participants blended discussion of the wealthy paying more taxes in with corporation but there were some more nuanced perspectives.

Some participants specifically distinguished between 'earned' wealth – for individuals who they saw as working hard and 'making it' – versus 'unearned' wealth. The latter tended to refer to those who had inherited their wealth, or who in the case of leaders of large corporations, had benefitted from windfall profits or other business ventures that participants saw as negative. Participants who raised this distinction tended to argue that it was potentially unfair to additionally tax people who were wealthy because they had worked hard. Some participants also raised as part of this that a wealth tax may lead to a potentially hostile environment in which the super wealthy were discouraged from living and earning in the UK.

There were also challenges to the prospective wealth tax that participants identified. Firstly, some participants questioned how the wealth tax would account for houses and the potential for a house increasing in value beyond what the individual who originally bought it would be able to afford (for example, someone buying an affordable house in a cheaper area, and the area then becoming a highly desirable one, resulting in the prospective price of the home increasing sharply). Participants who raised this concern tended to be thinking of retired or elderly people, and frequently framed this potential as being unfair.

'The thing that concerns me is that people sometimes have things that increase in wealth through no fault of their own, retired people are a group who fit in that bracket, and I think that would penalise them.'

Participant, workshop 3

Secondly, some participants also raised questions about how a system of wealth tax would account for individuals with different levels of expenditure. For example, individuals living in the South and around London in the UK are likely to have a higher expenditure than those living in areas with cheaper housing and other bills.

Corporation tax

Views on imposing a corporation tax on businesses were divided, although, as noted previously, there was a strong view in earlier workshops that certain very large businesses were not paying their fair share of taxes.

The first, and generally more prominent perspective in Workshop 3, was the participants who thought it was essential to tax large corporations for the benefit of the wider national economy. On the premise that significant portion of money going into the economy comes from large businesses, participants did generally agree that the government should allow businesses to grow for the positive knock-on effect it may have on the employment rate, and tax extracted from profits which could then go to public sector employees.

'Essentially, business gives you an environment to make money. The government should encourage it...They are increasing the corporation tax, they can increase the tax and distribute it to others.'

Participant, workshop 3

Nevertheless, most participants argued that there should be a difference in tax levels for large businesses versus smaller ones. Participants expressed frustration at the capability of larger businesses to pay minimum wage and get away with not paying tax, whereas small businesses struggled because they could not do the same. Several participants argued it would be unfair for start-ups and small businesses to pay the same tax as multinational companies. A few participants suggested that smaller business could be allowed a period to kick-off and stabilise, after which tax may be stepped up in line with businesses' growth rate.

'I think you've got to be really careful with corporation tax because it affects smaller businesses as well...I believe corporation tax should be stepped.'

Participant, workshop 3

The second perspective that was less widely shared but still prominent, was the need to potentially temper corporation tax to ensure that businesses still saw the UK as an attractive market in which to operate and invest. There was a sense that corporation tax, if it was too stringent, would result in waning incentive for large corporations to invest private money in potential public goods. Some participants suggested that making corporation tax more competitive – through cutting it, for example – could make the British market more attractive to multinational companies, using the example of this occurring in some areas in the North.

'I think the UK needs to make the corporation tax very competitive, and I think the reward would be a lot more companies investing in the UK.'

Participant, workshop 3

7.3

Government responsibility: Businesses and tax

A few participants also suggested that corporation tax may potentially discourage businesses from behaving in charitable or generous ways of their own accord, as they might if they have access to untaxed excess profits. One participant also raised that corporation tax could make businesses less likely or less open to supporting their employees in various ways – for example, by offering a bonus during the cost-of-living crisis. Others suggested that the cost of a corporation tax may simply be passed down to the consumer – with goods and services becoming more expensive, or through reducing the amount businesses pay their employees, to protect the bottom line.

Some participants argued against this, however, stating that imposing a higher tax on multinational corporations would not disincentivise them from operating in the country, as the UK has a very large and prominent consumer market.

'Google or Amazon are using British resources. I think there should be a nuanced way where we can tax corporation tax fairly. They need the British market, we're the seventh largest economy with big consumer spending.'

Participant, workshop 3

Participants often expressed deep concerns about what they saw as large corporations not paying corporation tax and emphasised that the government had a responsibility to introduce fairer – and often more punitive – measures to impose corporate taxes.

To do so, participants thought government should primarily focus on eliminating loopholes in the corporate tax systems, but in such a way that smaller companies remained protected. Some participants suggested this could be achieved through moving away from a flat tax rate across all companies, and towards bands within corporation tax (like income tax) – following the general trend across participants and workshops that more targeted methods of raising tax are preferable and seen as fairer.

'As someone in the chat said why are there not bands of corporation tax? The chap down the road running a coffee shop with a small profit and they're being squeezed?'

Participant, workshop 3

Some participants suggested introducing international corporation tax or corporation tax framework to prevent large companies from shifting their profits to avoid tax. Thus, in addition to ensuring that taxes are paid, smaller companies operating domestically within the UK remain unaffected by such tax.

The possibility of a windfall tax was also explored by participants. They tended to recognise the complexity of tax for the government and the varied implications of tax on wages and investments, and appeared to apply this understanding to the possibility of a windfall tax. In previous sessions, participants had appeared very supportive of this windfall tax (see Chapters 3 and 4 for discussion of participants' widely-held views relating to corporate profits); however, in Workshop 3, some expressed a more nuanced view, although the majority were still at least somewhat in favour of a windfall tax.

'At a time when the cost of fuel is at an all-time high for the consumer, it seems very unfair that all of those companies have record profits and this government won't do a windfall tax.'

Participant, workshop 3

They recognised that while a windfall tax may benefit individuals facing financial challenges through how the tax money was spent, they also believed that such a tax should not be regularly invoked, and that they should not be relied upon. Instead, participants were keen to, firstly, see a fairer and more authoritative system of corporation tax be established and, secondly, for businesses to be able to create job opportunities.

7.4 Reactions to modelled policy scenario 2

During workshop 3, participants discussed policy scenario 2.

Policy scenario 2: Imagine a situation where another bad winter, along with a resurgence of covid, means that many citizens are struggling more with illness at home and at work, and visits to GPs and hospitals are rising sharply. Combined with an aging population, health and social care services will be stretched beyond capacity. The British public is broadly supportive of raising taxes to increase funding for these services, to meet the needs of citizens in poor health. But there is less agreement on how those taxes should be collected.

Participants were then shown two modelled policy packages offering different options to raise the required funds.

Overall, participants preferred Policy Option 2, but did highlight potential issues. For example: if the wealthier were taxed more, they may decide to start their business outside of the UK, precipitating a potential knock-on effect on the country's economy.

Medium-term response: Policy Package 1 – spreads tax rise more evenly

Raise VAT from 20% to 21%

VAT is a tax paid on most things we buy, so raising it a bit raises a lot of money for government.

This tax rise would cost all households money, e.g. by making food and clothes more expensive in the shops.

Wealthy households tend to buy more stuff, so they would pay more tax than poorer households in terms of the amount of money

Less wealthy households tend to spend more of their money on buying essentials (rather than saving money, for example), so raising VAT might have more of an impact on them day-to-day.

Raise all income tax rates by 2%

- Per year, UK citizens currently pay:
- No tax on earnings up to £12,570
- 20% tax on earnings over £12,570
- 40% on earnings over £50,000
- 45% on earnings over £150,000.

This policy would raise all three tax bands equally, so everyone earning more than £12,570, which is over half of all citizens, would pay more tax.

Wealthy citizens earn more, so they would end up paying more money in tax overall.

The tax rise will probably feel more challenging for people earning less because they have less money to start with.

Medium-term response: Policy Package 2 – taxes wealthier people more

Lower the £150,000 top tax threshold to £70,000

Reducing this threshold would mean that you pay the highest rate of income tax on earnings over £70,000, rather than over £150,000. The top 0.1% of UK earners earn over £150,000 per year, and about 10% earn over £70,000 per year.

1% wealth tax on wealth over £1m, excluding primary residence

Details about what wealth taxation is, how it works, and some of the potential effects, will be discussed by our expert witness today.

Raise higher rates of income tax only

- Raise tax from 40 to 45% on earnings over £50,000
- Raise tax from 45 to 55% on earnings over £70,000

Raising only the two higher tax rates would hit higher earners and would not affect citizens earning less than £50,000. About half of earners in the UK earn over £50,000.

Raise personal allowance by £1,000

The personal allowance is the amount of money you can earn in a year before being taxed 20% on further earnings. So this policy would benefit anyone earning over £12,570, but it would be cancelled out by the other changes for higher earners.

'If wealthier people are getting taxed more, they may not want to start businesses here in this economy and they may go to other places. The economy might not be as strong. There is a clash.'

Participant, workshop 3

Nevertheless, participants identified policy option two as the fairer of the options, favouring the lower-income individuals and targeting wealthier individuals – this was the majority view, despite below discussions of potential challenges. Generally, participants felt that it would be unfair for individuals earning a low five-figure salary to be paying the same as someone having a seven-figure income. Participants also tended to feel this policy option was potentially fairer for vulnerable citizens, too, and said that the fact it impacted fewer people (4% of the population rather than a larger proportion) was important.

'I think we're in agreement, policy package 2 is the most tempting one... I think the 1% wealth tax should be raised higher.'

Participant, workshop 3

'It's ridiculous when you've got people that can't afford to buy a loaf of bread.'

Participant, workshop 3

When discussing the first option, there was some division. For some participants, it was felt that introducing this policy may benefit public systems such as the NHS by making them more efficient; for others, however, there was a sense that everyone would lose out, but particularly poorer individuals.

'As you demonstrated, option 1, everybody is losing out and they'll make that correlation.'

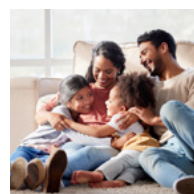
Participant, workshop 3

However, opposition to policy option one for this modelled policy scenario was less stark than in Workshop 2. Participants identified several positive aspects of policy option one over policy option two, even if it was more widely felt that policy option two was preferable. These included a concern that policy option two held the potential to create a less attractive environment for private investment in the UK market, whereas policy option one did not. A few participants also raised concerns around what they saw as the drastic rate of change in policy option two, and one participant noted that policy option one may be less likely to cause political issues, and that it overall seemed to be the easier and fairer package to deploy.

Some participants also drew from tax systems in other countries when thinking of policy option 1, where taxes were higher, but more social benefits were available, and therefore there was a sense that citizens were compensated for higher taxes. Additionally, some participants thought that policy option 1 may be a preferable option for middle and high-income individuals who would pay more than half their earnings in tax. Unlike the majority who felt comfortable with the wealthier paying more, one participant drew attention to the likelihood of such higher-income individuals also being the ones with higher mortgages, bigger families, and higher education spending. Likewise, there was concern for the idea that policy package 2 may restrict the working population.

Did this change following seeing the impact on the personas?

Participants were shown the modelled impact of policy packages 1 and 2 on each of the personas.



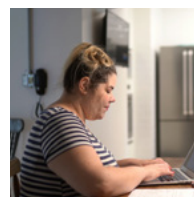
1. Phil and Claire's family would lose about **£1,700** per year

2. Phil and Claire's family would gain about **£1,300** per year



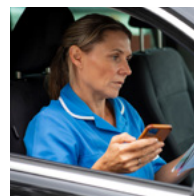
1. John and his father would gain about **£250** per year

2. John and his father's situation would remain **unchanged**



1. Sophie would lose about **£650** per year

2. Sophie would gain about **£160** per year



1. Sandra's family would gain about **£580** per year

2. Sandra's family would gain about **£70** per year

Once the impact of policy options on personas were explored, participants' views remained relatively unchanged. For most participants, seeing the impact on personas reinforced their belief that policy option 2 was preferable. Specifically, in contrast to policy option 1, Phil and Claire would gain with policy option 2, and Sophie is still better off with package 2 despite being financially marginal. Finally, given that John and his father were already on benefits, they would not be negatively impacted.

'Phil's a doctor and he's the well-educated high earner, his wife is also in a high end profession and I was surprised they gain the most.'

Participant, workshop 3

Despite some scepticism, none of the participants' opinions changed. One participant expressed a concern about both packages lacking in some ways and proposed to merge them for a higher benefit to all.

'Definitely still prefer package 2.'

Participant, workshop 3

Policy package 1 remained seen as unfair, with it not benefitting any of the personas significantly, particularly those struggling most as identified in previous workshops (Sandra, and John and his father). The latter was partly attributed to the idea that individuals would need to spend more money on essential items if VAT were to increase.

'If they have less income and more for tax, this seems pretty hard on people who are already struggling and how it would affect families. It feels worse.'

Participant, workshop 3

One of the participants who initially favoured the first policy option because the overall increase appeared smaller, changed their minds after seeing the impact on the personas.

'The impact is huge if you think about it. Now, the second option feels more fair.'

Participant, workshop 3

Only one participant initially in favour of policy option 2 have changed their opinion, noting that policy option 1 would be fairer given that it treats everyone the same.

National debt, public investment and ‘the next crisis’

This chapter explores participants' views from workshops 4 and 5, which considered some of the options available to government when thinking long-term about the cost-of-living crisis. It focused specifically on investment in the future of the UK economy and the potential implications for public borrowing. The chapter first outlines the key themes identified by participants when discussing long-term investment and their own hopes for the future UK economy.

Then, participant's perceptions around national debt, and the media coverage of national debt, are discussed. The chapter ends by discussing the citizens' views on a long-term public debt-financed investment scenario that asked participants to comment on a variety of possible investment initiatives.

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As debt is used as a ‘bad’ term, it was interesting to see all the information and comparisons from other countries. And that government debt doesn’t always mean a bad thing but can include good investments for the future.

Citizen Participant

8.1

Key themes identified in workshops 4 and 5

Future investment needs to strike a balance between tackling immediate and long-term issues

Participants extensively discussed the two separate options showed to them which stated the government needed 'a focus on longer-term, more future-thinking investments' and 'investment should focus on the here and now'. They developed these principles further by stressing that investment should strike a balance between addressing immediate and long-term economic issues. They drew on the current cost-of-living crisis to emphasise that investment needs to equally focus on addressing economic hardship in the present day to facilitate financial stability. In participants' view, investment to tackle immediate crises was important to protect against future crises.

While supporting investment in the immediate term, participants also called for longer-term, future-thinking investments in order to grow a more self-sufficient and independent economy. They felt that long-term investments (discussed in more depth later in this chapter) would make the UK more economically resilient.

'If we don't think longer term and at the same time deal with the issues we are having now, it feels like we are dealing with crisis after crisis. There seems to be always something and I don't think the government do think long-term.'

Participant, workshop 5

Citizens should be educated on the economy so that they can have a say in public investment decisions

There was also extensive discussion around the principles that 'there should be more opportunities for citizens to have a say in how the government runs the economy' and 'citizens should have access to better quality information and education about the economy'. Cases were made for both principles needing to be linked, as investment in education to inform the public about the economy was believed to work hand in hand with a more informed public having a say in shaping future investment. To achieve this, there were calls for learning about the economy to become a key part of school curriculum to ensure that future generations became aware of economic issues. Education and more information for the public were important among those who felt that an informed public would better hold the government to accountability to ensure that investment benefits future generations.

'Education is foremost and that will give citizens better quality information about the economy. In the future people will know more and we need to make sure that the government are doing the right thing.'

Participant, workshop 5

8.2

Participant hopes for the future

In Workshop 4, participants started off by sharing their hopes for the UK economy in the long-term, before any stimuli (presentations, scenarios etc.) had been provided. In general terms, they were asked what they wanted the economy to look like in ten years' time, and what the government could do to get there. Though the workshop programme did not focus on international economics, and did not discuss the separate set of trade-offs and uncertainties associated with relatively more or less open economy models, it was striking how participants tended to emphasise a self-sustaining and independent UK economy, with different ideas on how this could be achieved.

For many participants, a self-sustaining economy would be less reliant on produce and resources from abroad. For instance, participants suggested that the economy needed to be more self-sufficient with technology, energy, water and agriculture in order to increase the likelihood of the UK becoming more resilient to future economic shocks.

'The UK over the next 10 years needs to become a lot more self-sufficient in producing its own food, self-sufficient in water resource.'

Participant, workshop 4

There were also others who suggested that a self-sustaining economy should be environmentally friendly for it to combat the effects of climate change and meeting long-term net zero targets.

'Net zero is quite high up my list of hopes. Safeguarding the future and the environment for life.'

Participant, workshop 4

While government investment was viewed as key to creating a self-sustaining economy, there was debate over what ought to be invested in. One suggestion was for the government to invest in greener and innovative technologies such as vertical farms. Another was for further investment in water reservoirs to mitigate the risk of the economy being subject to future water shortages. Such investment was associated with facilitating self-sustaining agricultural, water, energy and technological industries, that could compete on the international stage.

'If all that money had been invested in sustainable industries, to help us to become more self-sufficient with technology, energy and agriculture, just imagine what a different country we'd be. You can create sustainable, stable industries.'

Participant, workshop 4

Alternatively, others emphasised the need for investing in sustainable renewables and renewable energy. This would involve investment in homes to ensure that they are better insulated and more energy efficient in the long-term, to ensure that residents can keep homes running by saving on their energy bills.

'[good investment] also means to me to invest in sustainable renewables. To have homes that are better insulated and take less energy inputs to keep them running.'

Participant, workshop 4

In addition, participants also suggested that the UK government should invest in education. They pointed towards investment in universities in order to educate the next generation to become leaders in pioneering different industries. For example, these participants called for further investment in education around technology, healthcare, and IT which they felt were integral to the prosperity and independence of the economy.

Others called for further investment in promoting education for all to increase their prospects in the job market. They felt that such investment should be targeted to open opportunities in the construction, manufacturing, healthcare and technological industries. In their view, this would lead to a better trained workforce with more people securing jobs in the long-term to result in a more self-sufficient economy.

While there was emphasis on a future UK economy to be self-sustaining, others argued that total independence was unrealistic, as the UK was already so reliant on international trade and investment for industry. They subsequently called for the UK to prioritise foreign inward investment to fund certain key areas including the NHS. Investment from abroad was accordingly viewed as a potential safeguard for the UK economy by covering the excessive costs of certain industries such as healthcare.

'Maybe they can leverage the NHS to bring more revenue, maybe opening it to foreign nationals who can pay the cost, as the UK has good life science and expertise. We need to find the best way, in cash.'

Participant, workshop 4

Others additionally felt that a future economy should embody equality. However, there were different interpretations of what equality would look like in practice. There were those who felt that equality revolved around reforms to reduce current inequality, such as tax and pension reforms. For others, equality meant an economy that bridged the gap between the poorest and richest. These participants also subsequently called for renationalisation and public ownership of essential resources such as water and energy in order to avoid huge companies making profits that contribute to inequality.

On the other hand, others felt that a future economy ought to embody equality in access to both jobs and education. Participants here felt that such equal access would enhance the chances of citizens becoming financially independent from government support. Such independence was attributed to creating a self-sufficient economy.

'We need equality for jobs, education, and we need to change our attitude, self-sufficiency has been mentioned, there seems to be an attitude that the government will solve our problems, I think that's wrong, in the future people need to look after themselves primarily but the government is there if we need them, but not an everyday prop.'

Participant, workshop 4

8.3

How should the government approach national debt?

While discussing the long-term, the participants also reflected on the implications of government debt and deficits for the UK. They compared their views on national debt from before and after they had heard from the expert speakers in the workshops. Then, participants suggested appropriate circumstances for the government to borrow money to finance different kinds of investments. As such, evidence provided and subsequent discussions were limited to the investment case for borrowing, rather than the broader arguments for and against running deficits to finance spending in downturns (i.e. counter-cyclical borrowing).

Before attending the presentations and hearing from expert speakers, participants were generally more cautious towards debt and borrowing. There were participants who believed that high levels of national debt were detrimental to the long-term UK economy. This view stemmed from concern that future generations would be saddled with paying off debt which could subsequently stagnate economic growth. Others felt that the UK economy had built-up higher levels of national debt compared to other nations, hence prompting them to feel that the government was no longer in a position to borrow additional money from other countries.

'Debt feels like it's not a good thing to have around your neck or that of the country as there are always unintended consequences of being in someone else's pocket.'

Participant, workshop 4

Prior to the presentations, participants were also cautious towards the long-term implications of debt repayment. They pointed towards a lack of growth in GDP posing the risk of a chronic economic situation in which the UK government would not be able to pay back debt. Again, they feared that this would result in future generations bearing responsibility for paying back high rates of debt.

'All the state pensions and debt repayment, if the GDP doesn't grow we will end up in a chronic economic situation... future generations will hold us to task if we leave a massive pile of debt.'

Participant, workshop 4

Before evidence and information were provided, high levels of national debt were associated by the participants with lowering Britain's standing on the international stage. For instance, participants feared that increasing borrowing and debt would result in the reduction of global trust towards UK banks. Reduced trust levels stemming from high debt were feared to put global investors off from investing in UK industries and banks in the long-term.

'(Debt) lowers Britain's standing in the rest of the world, so that we get a lower rating in global trustworthiness of our banks, if I remember rightly. So in some respects, it is a serious issue, because investors are less likely to want to invest in us and trust our banks.'

Participant, workshop 4

After hearing evidence from expert witnesses and having a chance to discuss the issues, participants who held concerns became more tolerant of higher levels of debt and borrowing. The views of those who were not initially concerned with national debt remained unchanged. Participants also regularly said that they felt more informed about national debt and borrowing after listening to the presentations and expert speakers and were thus able to make a better judgment on the issue.

International comparisons were an important form of evidence for the participants on this point. Many said that they felt surprised by the presentation indicating that the UK had lower levels of national debt compared to other countries, as this conflicted with their prior assumption that the UK was running comparatively high levels of national debt. This led to them beginning to question their original narrative that debt was detrimental for the economy. In turn, there were participants who felt that there was greater scope and flexibility for the UK to borrow more and build up debt.

Participants also highlighted surprise at how 'relaxed' speakers appeared about the implications that growing debt had for the economy, reflecting the more measured approach to discussing the topic that the workshop took when compared to media reporting and their own previous judgments. This further prompted participants to reconsider whether debt and borrowing posed negative consequences for the economy in the long run.

'It was very interesting to hear the perspective from the 2 speakers [on national debt] because a lot of people do listen to sensationalist headlines and run around like the sky is going to fall in. But if you have someone take the time to explain it in 10 minutes then you don't mind.'

Participant, workshop 4

'[National debt] is not the demon I always thought it was.'

Participant, workshop 4

Historical comparisons were also a significant influence on the participants: some felt happier to endorse higher levels of borrowing after the presentations which showed national debt levels all the way back through the twentieth century. For these participants, this comparison indicated that the UK economy was currently in a better financial state that it had been in the past.

It also showed them that national debt was much higher at points throughout the past 100 years compared to the last 20, which was deemed to be informative for participants. This adjusted participants' perceptions on national debt and again encouraged higher tolerance to borrowing.

'I think having seen it in comparison to other pinch periods like the wars, we are in a better position than we have been in the past. I now think we should go for a free for all and borrow more.'

Participant, workshop 4

Beyond comparisons, explanations about the way debt and deficit levels are affected by broader economic and demographic factors gained traction with participants. For instance, they discussed an expert speaker who explained that the UK currently has an ageing population and slower economic growth. This explanation provided assurance to participants that debt levels would likely need to increase to mitigate the financial impacts of reduced economic growth and an ageing population.

'I think it was the second speaker whose opinion is that we have an ageing population and slower economic growth and so you would expect the debt to go up. That makes me less concerned about accruing more (debt) for the right investments.'

Participant, workshop 4

Those who did not initially view national debt as a major issue felt that this view remained unchanged after hearing the presentations and expert speakers. The presentations and speakers instead reinforced their existing views that national debt was not a leading concern for the UK government. For example, they pointed to information and statistics provided on current UK debt levels as reinforcing their existing stance.

'I never thought it was an issue but I thought after these it might be an issue for the UK. But when I saw the figures in context I don't think it is and issue. (It) just made my belief stronger that it's not an issue right now.'

Participant, workshop 4

Participants did still have concerns about national borrowing, but these were concerns based on the evidence provided, rather than the media narratives that they had felt to be misleading. For example, the potential effect of high levels of borrowing on the exchange rate were raised, and participants voiced concern about this effect reducing the UK's ability to economically compete on the international stage.

'It might increase inflation a bit, and affect the value of the pound.'

Participant, workshop 4

Participants who urged caution around this issue then called for more information about the impact that increased debt levels would have on the value of the currency, beyond what had been provided in the workshop. As a result, these participants remained cautious towards further government borrowing until they received evidence on the long-term risks regarding inflation.

Another issue raised by some participants was the relationship between deficits and growth. They felt that, without growth, government would be likely to impose higher taxes on citizens and companies in order to pay off higher levels of debt in the future.

'If nobody earns money and gives it to the government, then they won't be able to pay back the debt. If no taxes are being paid, then we aren't going to float forever.'

Participant, workshop 4

Participants concluded that government borrowing money posed an inevitable risk to the national economy. They said that an unpredictable world economy made it impossible to accurately forecast whether money borrowed would result in successful investment in UK industries. A hypothetical example was that the government run the risk of using borrowed money to invest in nuclear power only to find out that alternative investment in hydroelectric schemes would have been more efficient for boosting the energy industry. However, participants accepted that there could be economic crises which would impact the ability of the economy to pay back debt. With such unpredictability in mind, these participants called for the UK to accept certain amount of risk when borrowing money, regardless of whether they did this to invest in the country.

8.4

Initial thoughts on state-led investment

'The 'national debt and government borrowing is not inherently bad' one. There's a certain amount of risk with them. Nobody can predict the future. For example, you decide to go ahead with nuclear power and then find you could improve the performance of the hydroelectric schemes and produce more power than the nuclear. It could happen like that. You've got to accept a certain amount of risk.'

Participant, workshop 4

Overall, participants were very grateful to hear the evidence provided to them and valued the chance to have an in-depth conversation about this area of fiscal policy. Many felt that discussion by politicians and in the media was inadequate, and that the information provided had enabled them to come to a better judgment.

I wish everybody could be made to sit and listen to those 10 minutes. Too many people are working under the wrong assumptions and being pushed to make political decisions that they might not make if they knew the facts.

Participant workshop 4

Following more informed discussions on how debt and borrowing can be used, participants reflected on where they felt borrowing was justified and when it was not. In general, participants felt it was acceptable for the government to build debt if it led to domestic investment, rather than solely being used to firefight short-term and immediate problems, such as housing or food shortages. Though the counter-cyclical case for borrowing was not covered explicitly in the workshop, some participants called for borrowed money not to be solely spent on providing bailouts for citizens in the short-term. In turn, participants felt that it was important to consider the government's rationale for taking on future debt.

'It depends why the government is taking on that debt, if we are borrowing to just put food on the plate, that is probably not right.'

Participant, workshop 4

After having heard the evidence on national debt and the role of investment in the economy, participants felt that future investment in the UK constituted important justification for tolerating higher levels of debt. This was often seen in terms of the opportunities that investment might bring, in terms of driving greater profits for businesses and improving the economic outlook for citizens. This would subsequently enable government to pay back debt via higher tax receipts, while boosting employment levels and domestic business growth. In other words, participants felt that it was acceptable to borrow money if this resulted in investment that facilitated economic growth.

'I can see a side to reduce it but also we need to invest in our country to make better money so the debt won't matter as much as we can pay that back from businesses creating profit.'

Participant, workshop 4

Those who felt that future investment was a justification for building debt then put forward different notions of what the money borrowed should be invested in. There were those who called for investments in certain industries that could grow and bring money back into the economy. Such investments were prioritised to facilitate economic growth while also ensuring that profits from the industries invested in could be used to pay off debt. An example put forward was the use of borrowed money to invest in the nation's transport industry. For instance, there was reference to investment in major transportation projects such as HS2, which could create new jobs and support businesses along route lines due to increased numbers of people travelling. Therefore, investment into major transport projects was deemed an acceptable reason for government to borrow money.

Others made the case for borrowed money to be invested into education and training, with investment being more focused on people rather than industries. Further education and training was viewed to promote a more skilled workforce for the future. For these participants, this meant that citizens would have increased chances of getting into employment to therefore generate more tax and National Insurance for the government. In turn, they felt that the state would have more opportunities to pay off debt with the money generated, while people would make more profits to become resilient to future economic crises.

'It gets people into employment, and that will generate more taxes, more National Insurance. It generates that circular movement. If you get more people in work, they're paying into the economy because they've got more money to spend. I think training people is a good idea, and an investment for that as well.'

Participant, workshop 4

8.5

Reactions to policy scenario 3

During workshop 5, participants discussed policy scenario 3:

Scenario 3: The worst of the cost-of-living crisis has passed. The government wants to enable households to be more able to cope with future crises and shocks. It hopes to do this by improving housing and transport, creating jobs, raising incomes, and supporting business. The economy is too weak to support big tax rises though, so these investments would have to be financed mostly by government borrowing. We've been asked to comment on six policy ideas.

Participants were then shown examples of investment in policy areas of housing, transport, jobs and business, all contingent on public borrowing. They subsequently discussed these policy areas while recommending what factors the government should take into account when considering whether to make these kinds of investment.

Housing

Improve household energy efficiency

This scheme would focus on fitting better insulation in UK homes and paying for heat pumps to replace gas/oil boilers, making UK citizens less reliant on gas for heating their homes. Those on low incomes would receive grants, with low interest rate loans for homeowners and landlords who can afford them. It could save the average household £500 per year on energy bills (up to £2000 for poorly insulated homes).

Housebuilding

This scheme would aim to provide funding for local authorities across UK to build energy efficient houses. Some houses to be 'genuinely affordable' social housing, where rent levels are linked to local incomes, targeted at those on low incomes or otherwise vulnerable, and some for standard sale on the property market, limited to UK buyers. Reducing the shortage of UK homes could bring house prices down.

Transport

Public transport upgrades

This scheme would aim to create world-leading local public transport system across UK, whilst lowering fares. Starting with increasing bus services, this proposal includes a commitment to public transport being no more than 15 minutes walk away from 95% of UK households. This could make travel to work/family cheaper for citizens and make it practical for more people not to own a car, which is often a big household expense.

Household transport loans

Modelled on existing support available in Scotland, grants and low-cost loans would be provided to people to support purchase and repairs to bicycles, e-bikes and electric scooters, plus a £3,000 petrol/diesel/hybrid car scrappage scheme. This would help reduce reliance on cars, and might improve air quality in built up areas, which could reduce the burden on health services.

Jobs and business

Re-training for jobs

This proposal is to establish fund to re-train workers to perform household energy upgrades, creating many new jobs. This would probably increase incomes for UK workers, particularly those in former industrial centers and coastal communities outside of London and the South-East. Higher wages would lower the cost of living and increases taxes contributed to government.

Business support

Zero-interest business loans, cash incentives and business rates exemptions to support investment into energy efficient industries and sectors including carbon capture, electric vehicles and offshore wind.

Again this could create new jobs, increasing incomes and opportunities for workers. It could also reduce the UK's reliance on energy imports. Older industrial centres outside London and the South East likely to benefit most again.

Rather than reaching a consensus to prioritise one of the policy areas over another, participants identified the benefits within each that reflected what and who good long-term investment should look like given the implications for government finances.

Participants generally thought that investment in household energy efficiency would provide long-term benefits. For example, the installation of insulation and heat pumps were deemed important measures to help residents save costs by reducing their energy bills. Participants who thought this subsequently felt that investment in household-efficiency was necessary to tackle the current energy crisis which has seen household bills significantly increase.

By helping to tackle the current energy crisis, participants felt that such investment would be beneficial in the long-term as energy-efficiency measures installed in households would be able to make them more resilient against future increases in energy prices.

Others of a similar mindset believed this investment was vital for meeting the UK's future Net Zero targets and that household energy-efficiency investments would contribute to a more self-sustaining and environmentally friendly economy.

'It's something we have to do long-term. If we stand any chance of meeting net zero and I'd hope that would go hand in hand with improving housing conditions.'

Participant, workshop 5

There were also long-term benefits attributed to investment in housebuilding. Participants here felt that investment in 'genuinely affordable' social housing could result in cheaper rent rates to provide more people with opportunities to secure a property. Such investment was also viewed to benefit the lower income families in the long run who were deemed as more vulnerable to housing shortages.

'One of the most important things at the moment is the lack of social housing for people on low income.'

Participant, workshop 5

Participants here also called for future investment to promote equality that bridged the gap between the poorest and wealthiest in society. This point of view was influenced by the housing policy area which prompted participants to point out that the poorest are most likely to suffer from housing shortages. They also felt the poor would be hardest hit with rising energy bills if their homes did not have energy efficiency measures installed.

In addition, participants felt that investments in building new homes would help many attempting to get onto the property ladder. These participants felt that many first-time buyers were currently priced out of purchasing a first property due to foreign investment. By providing more opportunities for UK buyers to get on the property ladder, these participants believed that investment could drive down the current shortage of UK homes and make them more affordable for UK buyers in the long-term.

'And again, the housing, limiting any newer builds to people who are in need of it first and foremost. Kids today can't get on the property ladder because of the costs. It shouldn't be let out to outside investment. First of all, give the younger generation a chance to get on the ladder. They're being priced out by foreign investment, and it's being left empty, most of them.'

Participant, workshop 5

Beyond housing, investment in upgrading public transport options was initially valued, with examples offered for how this would constitute good long-term investment. Participants spoke of additional transport as providing more flexibility for those living in rural areas to travel to urban areas. These participants believed this would facilitate more people being able to travel to work in the long run, hence increasing longer-term employment prospects.

They also felt that such investment would benefit citizens in cities such as London as they would have more opportunities to travel at affordable rates, meaning that they would have more disposable income in the future.

'A lot of people live in the country. If they add more transport people could get into town and things like that. More public transport around where I live would be a lot better for a lot of people.'

Participant, workshop 5

As well as considering transport, participants felt investment in business support could be particularly helpful for small businesses. They pointed to small start-up businesses throughout the UK as they felt these could significantly grow from government support to generate more revenue. For participants, continued support through zero-interest business loans, cash incentives and rates exemptions also posed the potential to develop small start-up business to expand into major companies that could rival world leaders such as Amazon or Microsoft. Such development, in their opinion, could create more jobs, contribute to a self-sustaining economy and grow the UK's economic standing on the international stage.

'I think small businesses. Not enormous corporations that are already making record profits. When we talk about business-friendly, that needs to be around smaller businesses or start-ups.'

Participant, workshop 5

Moreover, participants argued that investment in re-training people for jobs would most likely facilitate long-term economic growth. They told us that funds to re-train workers to perform household energy upgrades would result in a more skilled workforce and subsequently lead to more employment. This was viewed to be particularly beneficial in the long-term for those struggling to find or retain work. Increased employment was linked with a more prosperous future economy as more people in work would receive more income to provide economic stability and enable the government to increase its tax. More domestic employment stemming from funding to re-train workers was additionally associated with projecting against inflation.

'I think investing in the future it would create jobs by giving apprenticeship training... that would create jobs.'

Participant, workshop 5

Here, participants emphasised the importance of investing in re-training the poorest. They felt that targeted investment would be most effective in the long-term if it aimed to create more jobs and higher income for the poorest. Others stressed the importance of long-term investment in the housing and transport policy areas to facilitate the levelling up of regions with the poorest citizens.

'Improving life for the poorest, more jobs/higher incomes and levelling up different regions as well.'

Participant, workshop 5

Considering the impact on the personas

Participants were then asked to consider the potential impact of the different policy approaches on the personas. There was broad consensus that investments in both household energy-efficiency measures and housebuilding would benefit all the personas. Participants here felt that lower energy and heating bills from having more insulation installed would enable everyone in society to save costs to maintain their households, with the personas all naturally included.

They also pointed to cheaper housing as being particularly beneficial to Phil and Claire who would likely be facing the highest energy and heating bills due to being part of a family with children. In participants' opinions, this family could also benefit from investment in building more affordable housing that would provide them with a greater flexibility to relocate to a cheaper area where they could manage their household bills.

'Improvements in housing would benefit all of them in terms of their bills and I think the family on the top right would have moved to a cheaper area.'

Participant, workshop 5

On the other hand, participants said that investments in transport within this long-term scenario would not be applicable to all the personas. In their opinion, investments in public transport would not necessarily benefit shift workers such as Sandra because they felt that it was likely that future public transport would not run for all the shift hours that she needed to travel to and from work. Participants also pointed towards the increased risk of unreliable public transport for NHS workers such as Sandra in more rural areas.

However, participants felt that Sophie, who flat shared with friends, would mostly benefit from investment in transport. They argued that lower transport fares would help Sophie save money in the long-term by cutting costs on her commute to work and trips to visit family, particularly as she regularly relied on public transport.

'I think it was Sophie who was in sharing a flat with her 3 or 2 friends, she would benefit from lower transport fares, as I think she had a commute to work.'

Participant, workshop 5

While considering the personas and policy packages, however, there were participants who identified alternative trade-offs within each policy area.

For housing, there were participants who raised concerns over the suitability of household energy-efficiency measures for older houses. They recalled their personal experiences of having older properties with stone walls which were not suited for the installation of new energy-efficiency measures. These participants subsequently felt that those living in older properties would risk losing out in the long-run as they would more likely have to spend additional funds than those in new builds to ensure that the energy-efficiency measures were properly installed and fully operational.

'Improving household for energy efficiency might be more negative to people who live in very old houses, who may not be able to fit the most advanced equipment or fund it. They may lose out in the long term compared to someone who has more funds or whose house is better suited for improvement.'

Participant, workshop 5

Furthermore, discussion around the long-term investment scenario prompted greater emphasis on the importance of infrastructure when considering investment in transport. This stemmed from participants' concerns around the transport policy area as they felt that investment here could be hindered if infrastructure was not improved. For instance, they pointed towards investment in transport as hinging on improved infrastructure for public transport across the country as well as better infrastructure for electric cars. Furthermore, participants felt that the public would be less likely to take up grants and low-cost loans to use bicycles, e-bikes and electric scooters if more cycle lanes were not added to the roads.

'There isn't enough infrastructure in enough places to, you can't just tell people to cycle because a lot of the time it's a lack of infrastructure, people would cycle if they could but there isn't enough cycle lanes, they disappear suddenly if you cycle.'

Participant, workshop 5

Participants also raised some concerns around the idea of investment geared towards re-training workers. They urged caution towards the government forcing people to re-train to perform energy-efficiency upgrades, for example, because they felt that many would not necessarily want to re-train and being forced to do so would not guarantee them long-term job security. Others questioned whether middle aged workers would have the time to re-train due to existing commitments such as running a household and looking after children.

'The need to re-train people halfway through life is important, but by that age, they've got commitments. By 40, I had children to look after, so being able to go on a college course, even if it was paid for might have proved difficult for me.'

Participant, workshop 5

When considering what good investment look like, participants also thought about fairness – with some different interpretations of what this should mean in the long term. There were participants who argued that fairness was an overarching value that should underpin any government investment within this scenario. In general, this discussion followed the same ideas of fairness developed in workshop 2, focusing on the outcomes for the most vulnerable in society. Some put this in terms of distributional inequality, arguing that investment should bridge the wealth gap between the poorest and richest in society, including measures for levelling up certain regions.

Refining views and agreeing principles

In the fifth and sixth workshops, participants were presented with a series of principles for fiscal policy which were based on the most regularly voiced ideas and perspectives citizens had expressed in deliberations up to that point.

This part of the programme was designed to elicit further discussion and refinement of the citizens' views on all the various issues discussed, allowing a chance to change minds or develop thinking. These principles were split into two groups: principles around fairness in tax and spending, and principles around investment and national debt.

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We got a peek behind the curtain here. We were able to gain information, discuss and share our thoughts and make more informed choices.

Citizen Participant

Participants were asked which principles they thought were most important, why, and whether they thought any principles should be added or if existing principles should be amended. Break-out groups were kept the same between the two workshops, with facilitators editing presentation slides live, based on discussions in their groups.

In the final workshop, participants were also asked to consider the principles in the context of the scenarios that were discussed in previous workshops. Finally, facilitators presented the results of each group's discussion to the whole group, sharing the presentation slides.

Principles concerning fairness

The below slide was presented to participants in workshops 5 and 6, which summarised issues they had identified in previous workshops related to fairness in fiscal policy.

<p>1.</p> <p>Support during crisis should be targeted at those who need it most.</p>	<p>2.</p> <p>Government spending should be spent on things that benefit society.</p>	<p>3.</p> <p>Government should consider how different types of tax interact (e.g. double tax).</p>	<p>4.</p> <p>There are limits to what tax can achieve in distributing income fairly.</p>
<p>5.</p> <p>Ensuring the economy is 'fair' – although different people have different ideas as to what this might look like.</p>	<p>6.</p> <p>Hard work should be rewarded, but those earning more should pay more.</p>	<p>7.</p> <p>Fair economic policy should reflect the nuances of different citizen's situations.</p>	<p>8.</p> <p>The wealthiest in society (such as large corporations) should bear more responsibility for tax than the poorest.</p>

What principles did participants identify as most important?

The four principles identified as most important were:

- Support during crisis should be targeted at those who need it most
- Government spending should be used on things which benefit society
- Ensuring the economy is 'fair' – although different people have different ideas about what this may look like
- Hard work should be rewarded, but those earning more should pay more

Support during crisis should be targeted at those who need it the most.

Throughout the workshops, participants overwhelmingly favoured this definition of fairness in economic policy, particularly in times of crisis. It is therefore unsurprising that all rooms ranked this principle very highly. It was rarely discussed in-depth because it was often treated as a given. Conversations were more often focused on other principles, which went further to identify how support should be prioritised or de-prioritised.

'We do need to target those who need it the most in a crisis, the crisis will affect those who are most vulnerable.'

Participant, Workshop 5

Some participants did highlight that this support needed to be effective. One room added this to the principle itself.

'That's why we put 'in the most effective way' in our second point. Don't spend more money on fine-tuning it than you're saving. It needs to be a positive effect.'

Participant, Workshop 6

Government spending should be used on things which benefit society.

Similar to the above, this principle was valued highly. While some participants thought this statement was too vague or, again, thought it should be simply taken as a given, many added addendums for what government should spend on in order to benefit society. As highlighted in Chapter 2, participants tended to think government should spend on education, infrastructure, and protecting those most vulnerable to shocks in the market. One room added the following addendums on what they thought government should spend more on:

- Reinvestment back into society
- Health of citizens
- Training and grants to increase the workforce and wages
- Education, housing, and health
- Self-sufficiency as a nation.

Principles relating to a higher burden of tax for the wealthy

- Hard work should be rewarded, but those earning more should pay more; and
- The wealthiest in society (such as large corporations) should bear more responsibility for tax than the poorest.

These principles were often discussed in conjunction with one another, as both were based on the idea that the wealthiest should bear a higher burden of tax than they currently do. They also both fed into the same tension that participants had previously highlighted (see Chapter 2): the balance to be struck between what participants saw as a fairer tax system that more stringently taxes wealthy individuals and large corporations, set against the risk of making the economy of the UK seem hostile to those with the ability to grow it through investment. Through discussing both principles, many participants highlighted the need for a more nuanced tax system with smaller bands on income tax rates, for example.

Hard work should be rewarded, but those earning more should pay more

Participants debated over this principle, with most participants agreeing that both parts of the statement were important. One group split the statement out into two separate principles and removed the 'hard' from the start of the first, so it read 'work should be rewarded'. In another room, the idea of hard work being rewarded prompted a broader debate around how workers are valued; participants highlighted that lower paid workers also work hard, but see fewer rewards for their work than, for example, investment bankers. To this group, it was important that different forms of hard work should be more greatly appreciated than they currently are.

'A lot of people work very hard and don't get paid what they should for their contribution. But I also think that those on high earnings should pay more. It doesn't mean they work hard, they might just be lucky.'

Participant, Workshop 6

Some participants were also unsure how to define those 'earning more'. For some participants, this should refer to very wealthy individuals and companies, and should not penalise those on middle-to-high incomes.

'They're working hard and want to be rewarded for it, but they're having it scooped out of their pockets.'

Participant, Workshop 6

In doing so, participants pointed out something they believed was missing; again the need for a more graded or gradual tax system to recognise the nuances of different people's situations was emphasised.

The wealthiest in society should bear more responsibility for tax than the poorest

As above, participants agreed with this principle being a priority, but remained concerned about the tax regime becoming too punitive, or not differentiating adequately between small and large businesses.

'I would struggle to argue with that, the wealthiest in society should pay more tax, that is fairness for me. I know there is talk about not penalising those working hard, but they have got more by working hard, and they should give more as well.'

Participant, Workshop 5

Participants were generally emphatic that wealthy individuals (particularly those who were seen as not 'earning' their wealth, i.e. those who inherited it) and large corporations were not currently paying their dues in terms of tax to society. On top of this, one room added the following stipulations to this principle:

- Tax evasion needs to be targeted and stopped as a priority – both in terms of 'benefits cheats' and in terms of large companies or wealthy individuals finding tax loopholes.
- Companies need to invest more in minimum wages offered to workers, as this may be an alternative to a more punitive corporation tax.
- There need to be more checks on people who are self-employed.
- Taxing businesses more may mean that they are less able or less willing to contribute more to their employees' lives, for example through paying a competitive salary, or offering other benefits.

Principles relating to fairness in the economy:

- Ensuring the economy is 'fair' – although different people have different ideas about what this may look like.
- Fair economic policy should reflect the nuances of different citizens situations.

Participants discussed these principles at length. While there were questions over how the principles may be practically applied, participants overall agreed that the economy needed to be fairer. Often, they pointed to wealth inequality, what they saw as tax evasion by the wealthiest, and issues such as housing, healthcare and infrastructure as examples of how public spending and tax is currently unfair.

'We can all think of people who deserve and need more than they're getting.'

Participant, Workshop 5

Some participants did, however, challenge these principles, too. Firstly, some pointed out there are different definitions of 'fairness' and wondered whether these could be reconciled in economic policy. While participants most often identified a fair economy as one that protected or supported its most vulnerable members, some recognised that this definition of fairness was not universal.

What did participants see as being less important?

Participants less often considered the following two principles as important:

The government should consider how different types of tax interact.

This principle (number 3) was not considered at length by participants. Participants generally agreed with the principle and thought it was something government should consider, particularly around council tax, benefits, and income tax, but participants did not indicate any challenges or nuance within this.

There are limits to what tax can achieve in distributing income fairly.

While this principle did get more attention than principle 3 (see previous paragraph), this was another principle that many participants simply agreed with, without offering additional nuance. A few participants indicated that paying people more or increasing income (for example, through an increase of mandatory minimum wage) could be as effective as a tax hike. One participant indicated that a higher tax on large businesses may not encourage businesses to pay employees more, while other participants pointed out that some businesses could do this at present, but were choosing not to. Nonetheless, participants overwhelmingly emphasised the need for a fairer tax system, and focused on this rather than alternative approaches to distributing income.

What principles did participants add, or think were missing?

As part of discussions, participants were also encouraged to think of principles they thought should be included. Perhaps because of concurrent crises occurring in the economy at the time of the workshops, and as a reflection of the previous sessions' focus on the long term, participants' principles tended to concentrate on building a more resilient and stronger economy in the future.

Aside from the final two bullet-points, each of these principles were suggested by different groups, and are therefore not representative of all or most of participants' views.

New principles:

- Encourage self-reliance, as it is important not to become reliant on government or credit.
- The economy needs to think about long-term impact of student loan debt and find ways to reduce this
- Ensure that policies do not squeeze middle earners
- Give hope and opportunity to young people
- There needs to be a balance between dealing with economic crises as they arise, but also making sure we are prepared for the future and building a more resilient future economy (NB: this principle was identified in more than one group).
- Income tax bands should be refined, so they are less broad and more granular to ensure middle income earners do not struggle (this principle was identified in more than one group).

What is missing that should be considered?

Some participants suggested that closing loopholes in the current tax system that allow large businesses and wealthy individuals to pay less tax is arguably more important than taxing wealthy corporations and individuals an additional amount.

Participants also consistently brought up housing as an aspect of the economy currently being unfairly managed. Participants were deeply concerned at the lack of affordable housing and the lack of regulation on how much private landlords are able to charge in rent, and were often emphatic that strong consideration needed to be given to resolve this sectors' challenges for young people and low earners. While not a principle per se, participants evidently believed this was an important issue to face.

Did participants' views change because of the scenarios?

Following discussion of the principles, participants were asked to consider the principles in the context of the three scenarios they had been introduced to in previous sessions. Fairness principles were tested against scenarios 1 and 2 – see chapter 3 for description of these scenarios and policy packages.

Scenario 1 – Almost all participants continued to prefer policy package 2 for this scenario, generally feeling that the principles they had prioritised did not contradict this view.

However, some participants argued that the principles that had been identified as most important, aside from support being targeted at those who needed it most, tended to be too long-term for scenario 1. This was when participants began emphasising the need for spending to be balanced between responding to immediate crises and building a more resilient economy.

In line with the above, one group made a new principle in line with Scenario 1: The government should build a resilient economy to prepare for times of crisis.

Some participants also reiterated the need for a choice to opt-out if support needs to be provided too quickly to do so in a targeted way.

Scenario 2 – In Workshop 4, most participants had preferred policy package 2. However, in this workshop participants were more critical – feeling there needed to be more nuance in the policy package to reflect their thoughts that the tax regime should be more staggered and tax bands should show more granularity.

For example, in one room there were concerns that scenario 2 could result in individuals who earned a decent wage – like a lawyer or a doctor – needing to pay a large sum in tax. The example participants used was the tax band £70,000 to £150,000. These participants emphasised that there needed to be a stipulation to prevent middle to high income earners from being 'punished' by higher tax.

In another room, participants emphasised the need for balance between tax and encouraging investment. These participants highlighted that looking further forward and establishing a fairer system (which they saw in policy package 2) may create an economy in the future that is more resilient against shocks.

Principles Concerning Investment and Borrowing

Participants were presented with the slide below to consider principles around investment and borrowing.

Participants typically did not differentiate between the type of investment being offered, focusing instead on what was being invested in. They tended to argue strongly for investment in certain sectors, including housing, healthcare, and education (both for children and upskilling later in life).

1. A focus on longer-term more future-thinking investments.	2. There should be more opportunities for citizens to have a say in how the government runs the country.	3. Citizens should have access to better quality information and education about the economy.	4. Investment, borrowing and national debt should be communicated more clearly and more accessibly to ordinary citizens.
5. The government should focus more on investing in people and society (e.g. healthcare, infrastructure, environmental investment, education and skills).	6. National debt and government borrowing not inherently bad, but investments must be managed carefully and not waste money.	7. Investment should focus on the here and now (cost of living). What gaps are there currently? How can we fix them?	8. The economy should be values-led and compassionate.

What principles did participants identify as most important?

The following are the principles, or groups of principles, that participants prioritised above others when asked which they thought were most important.

Principles on the focus and direction of investment:

A focus on longer-term, more future-thinking investments

The government should focus on investing in people and society

These were often discussed in tandem as the principles that participants thought were most important, with most participants agreeing with both.

In terms of how participants wanted investments to help society, a key area was in education and ensuring citizens are more knowledgeable about – and engaged with – economic policy (as discussed below). There were other sectors that participants also underlined as being vitally important, most notably housing, infrastructure (in particular reducing regional inequalities there), healthcare, and education in the form of retraining and reskilling potentially older individuals. For many participants, the end goal of these investments was a fairer and more equal society. A few participants were also emphatic that, in line with reskilling, will be investing in green jobs and ensuring net zero.

'Healthcare, infrastructure and environmental issues. They must be long-term strategic plays.'

Participant, Workshop 6

While discussing these principles, some participants indicated that future-thinking investments that benefitted people and society also necessitated a more impartial or more accountable decision-making process for economic investments. Participants often shared a belief that current investments were done along political lines, and the people directing investment were often not held accountable for the choices being made. Some participants highlighted an imperative that choices for future investments should be less political and more in line with the above principle: based on helping people and society.

Principles relating to education and citizen engagement with economic policy

There should be more opportunities for citizens to have a say in how the government runs the economy

Citizens should have access to better quality information and education about the economy

Investment, borrowing, and national debt should be communicated more clearly and accessibly to citizens.

Similar to the above, participants tended to discuss these three principles in conjunction with one another. Often informed by their experiences throughout this deliberative process, participants near-unanimously highly prioritised a need for the general public to be more informed about economic policies in general, and national debt in particular, as well as for more avenues by which the public could interact with economic policy. There was some discussion over how this may function – for example, with a few participants reacting against the idea of more votes or referendums, and with others suggesting a similar process to the citizen's economic council on a wider scale. Beyond this, however, there was limited discussion as to how citizen engagement in economic policy should be widened.

'It takes ages to get this sort of thing approved anyway, then to have a referendum would be a disaster.'

Participant, Workshop 5.

Participants tended to express a desire for awareness-raising and education around the economy to be invested in, both in the long term through having better economics education in school, but also through having more expert-driven dialogue about the economy rather than primarily politicians.

What did participants see as being less important?

National debt and government borrowing are not inherently bad, but investments must be managed carefully and not waste money.

This principle was not discussed at length by most rooms and tended to rank in the middle of participants' values. Only one room discussed this principle in detail, identifying two ways of wasting money. Firstly, spending money on ineffective projects, or things that would not provide value (for example, making a more future-proof society).

'Minding what matters. Not going in and spending money on something that is not going to help.'

Participant, Workshop 6

Secondly was money that was 'easily filched' through not being targeted well enough at those who needed it, bringing up the furlough and business support scheme that existed in the pandemic.

'Money that's easily filched out of the system. Like furlough, there was a lot of abuse on that [...]. It's pure waste that people object to.'

Participant, Workshop 6

Investment should focus on the here and now.

Participants tended to be more critical of this principle, valuing instead the principle that investments should be focused on the future (discussed above). Participants argued that while there did need to be a balance between meeting the demands of short-term crises in a fair way and planning for and building a robust economy for the future, investment was seen as being an inherently long-term endeavour.

The economy should be values-led and compassionate.

Generally, while participants were not critical of this in principle, and indeed some ranked this quite highly in terms of importance, most participants were unsure what 'compassionate' would or should mean in the context of economics. Instead of highlighting what their own values would be in this context, participants were concerned the principle was simply too nebulous and too dependent on an individuals' values to be practically definable.

What principles did participants add, or think were missing?

Participants generally highlighted fewer additional principles related to investment than they did for those relating to fairness. What was identified as missing in some rooms were the following:

- A number of participants wanted economic policymaking to be less politicised. Participants tended to criticise what they saw as the short-term priorities of government (in line with political cycles rather than the national interest), and a desire for a greater level of independence and long-sightedness in economy policy – including impartiality in how economics is reported and taught in schools.
- Related to the above, one group suggested an additional priority that explicitly held the government and policymakers accountable for the outcomes of investment and policy decisions, referencing the ‘minister swapping’ that had been occurring in government over the previous year.⁵⁴
- Some participants suggested that principles on how policy could balance immediate demands with long-term principles were missing – although most participants did simply say they thought it was important for short-term support to be targeted specifically towards those who needed it, whilst long-term goals should be more strategic and based around building resilience and a more equal society.
- One group argued that the intention of investment was potentially missing. While some groups identified this as a more resilient economy, or one where investment was made in the correct places and with limited waste, this group thought that the value of equality or redistribution should be a goal of investment in the future – something that was inferred in several other groups, too.

‘I think equality is not properly presented here. We talked about different qualities. Equality between north and south, rich and poor. It’s not properly covered here.’

Participant, Workshop 6.

Did participants’ views change because of the scenario?

Broadly, participants thought the principles they saw as important were in line with their views on Scenario 3. When discussing the scenario, participants highlighted what aspects of the scenario should be prioritised, and where they thought the best investments should be targeted.

Building a ‘sustainable society’ was a key consideration for many participants. For a few, this did entail environmental sustainability (a challenge not really discussed in earlier workshops). For most, however, this meant a society that is resilient to shocks and able to support the most vulnerable. Participants highlighted in particular the need for better infrastructure across the country, and for healthcare to be improved.

‘We have a reactive government, rather than a proactive one.’

Participant, Workshop 6.

Participants also pointed to housing as being a key policy area that needed to be focused on for the policy scenario, which is consistent with participants’ concerns for fairness principles. Most participants felt that the current state of housing and the rental market in particular was unfair to young people and those on lower incomes, and expressed a strong desire for this to be a key area of investment in the future.

⁵⁴ In the months prior to the workshops, there was a great deal of political turmoil in the UK Government, with two Prime Ministers and numerous Cabinet Ministers resigning over the course of a few months, based on allegations of breaking ministerial code, losing the confidence of the party, and breaches to lockdown measures during the pandemic.

Reflections on the process

The Citizens' Economic Council was an experiment in the application of deliberative methods to concrete national economic policy issues, focusing on the fiscal policy challenges arising during the cost-of-living crisis.

It delivered a series of policy recommendations based on long and careful deliberations by participants, and thereby sought to provide a proof of concept in the value of deliberative approaches in the economic policy sphere. With the latter in mind, this final section provides some reflections on the process with a view to informing future applications of the CEC model or other similar initiatives.

“

The experience was fantastic.

Citizen Participant

It's been a privilege to have been involved.

Citizen Participant

I'm sad that it's over. It felt like a small family of mine. I'm really happy that I was a part of it.

Citizen Participant

Making economic policy accessible to participants –

All national policy issues are complex and economic policy is certainly no exception. If non-specialist citizens are to understand and meaningfully deliberate about economic policy, careful thought must be put into how it is presented. Given that the CEC was somewhat experimental, it was difficult to predict in advance whether the right balance had been struck, but happily, 96% of the participants taking the post-event survey⁵⁵ indicated that the information provided was ‘about the right level of complexity’, with only one person considering it too simplistic, and no respondents considering it too complicated. Also, all survey respondents felt that their understanding of fiscal policy had improved, with most saying that it had improved very much or considerably.

A big part of the process of making the content manageable is specifying clear topics and questions which participants can reasonably be expected to make a decision on within the available time. The CEC took the approach of tackling the three main components of fiscal policy - spending, taxation and national debt – largely separately. Furthermore, in the first two scenarios, budget assumptions were essentially fixed so as to focus participants on the distribution of benefits and taxation amongst UK households and businesses. This approach was effective in producing two cost-of-living-relevant policy scenarios which citizens could understand and effectively comment on, but it precluded deliberation about the overall level of spending or taxation – i.e. whether either is too high or low in general terms. This limitation was partly mitigated by the third scenario on debt and investment which, by bringing in the question of borrowing, raised questions about the overall size and economic role of the state in the economy.

The approach to topic selection and presentation in the CEC did work very well and enabled participants to answer the project question effectively, but there are no doubt many other ways the theme of fiscal policy during the cost-of-living crisis could have been addressed. Future projects must consider this aspect of project planning carefully, soliciting – as was the case for the CEC – the advice of a wide range of experts.

Economic policy modelling – the policy modelling provided by Policy Engine was a key strength of the project because, in the two policy scenarios it was used for, it gave very clear ‘stakes’ to the hypothetical policy decisions that participants were being asked to make. They made the trade-offs self-evident and unavoidable.⁵⁶

The limitation of the modelling, as discussed earlier in this report, was that it only captured static effects on the distribution of income and resources in the economy, but this can be mitigated by inviting expert speakers to discuss potential behavioural effects. The CEC emphasised this approach particularly for example on wealth taxation, where the nature of potential behavioural responses is a particularly significant part of the debate. Again, there is a trade-off between breadth and depth: a deliberative process focused on a smaller range of topics might permit these issues to be unpacked in greater detail.

Including a range of economic perspectives – The CEC covered economic policy at a high level. As such, given time constraints, there was a practical limit to the number of experts who could be included (either two or three on each topic). A more limited topic focus would have allowed for the inclusion of a wider variety of expert opinion. When asked how participants would have preferred any extra time to have been used, ‘more time for hearing from experts’ was the top choice. Nevertheless, all participants taking the post-event survey either agreed or strongly agreed that the information provided to them reflected a good range of perspectives. Experts were chosen and briefed so as to ensure that the participants received contrasting views and approaches to the issues discussed.

Participant recruitment – It is important that deliberative processes include deliberators from a wide range of groups likely to be affected by the policies being discussed. In the field of national fiscal policy, this includes the entire UK population, and so a sortition approach across all UK households was appropriate. The number of participants is, however, the principal driver of costs in a deliberative project, so once again there is a trade-off. As an experimental project, the initial target of 50 participants for the CEC was appropriate. A high number of participants, 100 for example, would, at greater cost, provide a wider range of perspectives, which would be particularly valuable on national-level economic policy questions. Despite the fact that only 39 citizens ended up participating in the deliberations, no categories controlled for in recruitment (age, ethnicity, receipt of benefits, views on fiscal policy etc.) were lost. To some extent, however, this was luck. Recruiting 100 participants would better guard against the possibility of dropouts affecting the composition of the sample.

⁵⁵ The post-event survey was run by King’s College London and was anonymous and optional. 24 of the 39 participants completed it (a 60.5% response rate), and whilst this means that results cannot be taken as a perfect representation of the group’s views, the survey results correlated well with the verbal feedback provided to the project team and to discussion facilitators.

⁵⁶ A simplified, bespoke version of PolicyEngine’s interface was developed to enable participants to engage in modelling themselves. Sadly there was not time in the programme of deliberations to run this exercise, but the interface remains available on the project website: <https://citizensecon.org.uk/policymodelling>

Tracking changing views – The CEC tracked the way participants' views changed at the cohort level. It did this by comparing views expressed in sessions before and after key stimuli and evidence (expert presentations, results of policy modelling etc.). Although the CEC was not primarily an academic research project, future iterations might benefit from enhanced system to track changing views both at cohort and at individual level (e.g. using online-polling and pre-/post- deliberation session surveys). This would enable a more fine-grained understanding of how different participants' views evolve. It would, however, either eat into time available for deliberations and evidence or require participants to provide more of their time outside of sessions, which ought to be financially compensated for. Furthermore, individual-level tracking raises concerns about the level of anonymity that can be maintained when dealing with such a small sample of participants, which should be considered carefully.

Online deliberations – The CEC took place online and there are advantages to running deliberations in that way. Participants do not have to be physically transported to deliberation sessions and put up in accommodation, thus saving them time and potentially making people more likely to respond to the invitation to participate. Participants have to be paid for travel and lodgings, so it also saves money, though these savings are partially offset by the need to provide support to participants who are less experienced with videoconferencing or computer technology in general.

The CEC benefitted from a dedicated member of staff who helped participants experiencing difficulties connecting to calls or getting online, often speaking to them over the phone. Nevertheless, there were some individual issues and, in the fifth workshop, a major broadband provider had a significant interruption of service, which delayed deliberations slightly. None of these issues had a significant impact on the programme of the sessions, though.

In terms of the substantive effects of online vs offline for the quality of deliberation, opinions amongst practitioners vary, and there is currently too little research to be definitive about the differences between the two modes of delivery.⁵⁷ On one hand, it is inevitable that some opportunities for informal discussion and bonding within and around sessions that an in-person approach would provide are not available in an online approach. On the other hand, CEC participants did build up a sense of camaraderie over the course of the deliberations, with one participant saying that the group 'felt like a small family of mine'.

57 See Elstub, S. et al. (2021) The Resilience of Pandemic Digital Deliberation: An Analysis of Online Synchronous Forums, *Javnost The Public*, 28(3) pp.237-255.



