



The Strange Survival of Liberal England

Political Leaders, Moral Values and the
Reception of Economic Debate

EDITED BY

**E. H. H. Green and
D. M. Tanner**

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It is often assumed that politicians are swept along by global forces and influences, without the power – or the desire – to shape events. By contrast, this book is concerned with the way that cultural values, individual moral sentiments and politicians' interpretation of economic and other imperatives have helped to shape political values. Focusing on the nineteenth and twentieth centuries, and containing contributions by a series of prominent scholars, themes are developed through essays on recognisably important events and figures. Subjects include the policy ideas of W. E. Gladstone, Woodrow Wilson's support for war in 1916 and Ramsay MacDonald's role in the 1931 crisis. Other essays examine the way that Keynesian ideas were understood and used across the party spectrum, and beyond Britain itself, or reflect on the relationship between ideas, values and politics. This volume also celebrates and represents an approach to historical writing which has received little attention from scholars.

Prior to his death in 2006, EWEN GREEN was a fellow of Magdalen College, Oxford. His publications included *The Crisis of Conservatism: The Politics, Economics and Ideology of the British Conservative Party, 1880–1914* (Routledge, 1995), *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century* (Oxford University Press, 2002), *Thatcher* (Hodder Arnold, 2006) and *Balfour* (Haus, 2006).

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For Peter Clarke

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Ewen Green died as this volume was going to the publishers. The composition of the volume was entirely his idea. He gave as much energy as he possessed to its completion, to the extent of dictating a fresh paragraph for the Introduction during the week before he died. A number of academic colleagues were of material assistance in helping Ewen, including some of his former students. Ewen wanted to thank them for their invaluable help. From our conversations, I believe he would have wanted to recognise a number of others, for the practical help they gave, for raising his spirits, and for many positive memories: his family, care team, his many Oxford friends, and his many other friends, both in the UK and overseas.

Abbreviations

BLPES	British Library of Political and Economic Science
CPT	Trevelyan
<i>EHR</i>	<i>English Historical Review</i>
<i>EcHR</i>	<i>Economic History Review</i>
<i>FRUS</i>	<i>Foreign Relations of the United States</i>
<i>HC Debs</i>	<i>House of Commons Debates</i> , various series
<i>HJ</i>	<i>Historical Journal</i>
<i>JMK</i>	<i>The collected writings of John Maynard Keynes</i> , edited by D. Moggridge (London: Macmillan, various volumes and publication dates)
JRM	James Ramsay MacDonald
<i>LHR</i>	<i>Labour History Review</i>
LPA	Labour Party archives, Labour Museum and Archives, Manchester
PS	Philip Snowden
<i>PWW</i>	<i>The papers of Woodrow Wilson</i> , edited by Arthur S. Link <i>et al.</i> (Princeton, NJ: Princeton University Press, various volumes and publication dates)
<i>TCBH</i>	<i>Twentieth Century British History</i>
TNA	The National Archives
<i>TRHS</i>	<i>Transactions of the Royal Historical Society</i>

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Introduction

Ewen Green and Duncan Tanner

The title of this collection – the strange survival of Liberal England – is an allusion to the title of George Dangerfield’s classic polemical text, *The Strange Death of Liberal England*, a study which set the tone for much subsequent and more academic analysis.¹ Dangerfield had argued that British Liberalism was effectively finished as a political creed by 1914. It had proved incapable of addressing the ‘modern’ problems which Britain faced: industrial unrest, nationalist discord, an upsurge of feminist activism – and ultimately, the irrationalism of war. Much subsequent scholarship accepted that ‘moderate’ and ‘bourgeois’ ideologies could not cope with such challenges. From this perspective, the ideas which attracted attention were naturally Marxism and fascism, the ideologies of left and right, in a century dominated by the extremes.² Britain sat on the edge of these developments, the dull (but safe and rather pleasant) cousin of passionate and ideologically charged continental movements. Although British Liberalism had survived longer than its continental European equivalent, Britain’s version of these developments was the polarisation of politics around a two-party, Labour–Conservative, paradigm: or so historians argued in the 1960s and 1970s.

There were powerful echoes of this emphasis within political science. Much attention was paid to sophisticated (often continental European) thinkers; the less abstractly theoretical modern British intellectual tradition was often marginalised. This tendency was reinforced by students of political systems, who saw modern Britain as essentially different from continental Europe – wrapped up within its evolving Westminster model, its tradition of democratic progression and cross-class collaboration meant it was less ideological, more pragmatic – more

¹ G. Dangerfield, *The strange death of Liberal England* (1st edn, 1935; Stanford: Stanford University Press, 1997).

² For example, E. Hobsbawm, *Age of extremes: The short twentieth century 1914–1991* (London: Michael Joseph, 1994).

‘British’.³ Even those who stressed the significance of Britain’s moderate social democracy, and of the British breed of politician/theorist, still felt obliged to compare such writers critically and unfavourably with their European counterparts.⁴ Historians of British Conservatism (and the British Conservative party) fuelled the impression that there was less engagement in Britain between ideas and politics. The Conservative party was proudly unideological, rejecting all (even Conservative) ideologies.⁵ The Conservatives’ main rival, others contended, was a sedate Labour party, enmeshed in a ‘Labourism’ which was devoid of any real socialist content.⁶ Liberalism was hardly worth consideration.

Amongst economists and economic historians, more attention was always paid to economic thinkers – like Keynes – who had an impact on economic practice in advanced democracies. However, if this suggests a difference of political emphasis between students of economic and political ideas, there was nonetheless a similarity of approach. In the same way that students of political theory were interested in ‘great men’ (men were indeed the subject of most such studies) Keynes was (likewise) a great and abstract thinker, whose ideas merited attention for their contribution to the canon of economic thought. In early biographies, Keynes’s ideas were given an exalted status. This veneration was also apparent in some historical works. The Labour party in the 1920s, for example, was denounced as a failure for not adopting Keynesian ideas.⁷ The appropriateness (and existence) of the great man’s ‘solutions’ for the problem of unemployment was taken as read.

This book is a product, firstly, of the interest in Liberal, social democratic and socialist political ideas which developed in opposition to these

³ The classic statements include T. Nairn, ‘The English working class’, *New Left Review* 24 (1964), 43–57; L. Kolakowski, *Main currents of Marxism* (Oxford: Clarendon Press, 1978).

⁴ See, for example, D. Marquand, *Ramsay MacDonald* (London: Cape, 1977), pp. 91–3.

⁵ S. Ball and A. Seldon (eds.), *Conservative century: The Conservative party since 1900* (Oxford: Oxford University Press, 1994); J. Ramsden, *The age of Balfour and Baldwin 1902–40* (London: Longman, 1978), pp. ix–xi.

⁶ For example, J. Saville, ‘The ideology of Labourism’, in R. Benewick *et al.* (eds.), *Knowledge and belief in politics* (London: Allen and Unwin, 1973). For a summary of this approach and its applications, J. Callaghan, S. Fielding and S. Ludlam (eds.), *Interpreting Labour: Essays on the Labour party and Labour history* (Manchester: Manchester University Press, 2003).

⁷ This classic denunciation can be found in R. Skidelsky, *Politicians and the Slump: The Labour government of 1929–1931* (London: Macmillan, 1967). Early biographies included R. Lekachman, *The age of Keynes: A biographical study* (Harmondsworth: Penguin, 1969); R. H. F. Harrod, *The life of John Maynard Keynes* (Harmondsworth: Penguin, 1972); D. E. Moggridge, *John Maynard Keynes* (Harmondsworth: Penguin, 1976). The definitive biographical study is now the massive three-volume study by Robert Skidelsky: *John Maynard Keynes: A biography* (London: Macmillan, 1983, 1993, 2000).

trends; and, secondly, of scholarship which addresses the connection between these 'moderate' political and economic ideas and public policy and debate. This introduction argues that substantial and positive developments occurred from the 1970s onwards, both through empirical revisionism and from conceptual innovations which originated within the history of ideas and the analysis of economic policy and practice. The essays themselves are testimony to the capacity of intellectual and economic history to generate new ideas from within, to absorb ideas from other and more theoretical bodies of scholarship, to question some emphases and omissions within these works – and to add substantially to the quality of scholarship. Such shifts have attracted comparatively little attention from those concerned with postmodern theories and their impact, with the means by which history is produced, rather than the produce of historians. One aim of the volume is thus to challenge this neglect by focusing on and illustrating the relationship between ideas, human agency and politics in work by a series of scholars with varied but broadly related interests.

I

In the early 1970s, scholars started to challenge the marginalisation of research on Britain's moderate political tradition. A number of Anglo-American scholars emphasised the vibrancy of Edwardian Britain's radical Liberal culture.⁸ Labour's more intellectually sophisticated social democratic thinkers were also studied, although – like some of its leading thinker/politicians – largely as the intellectual progenitors of a 'distinctively' British social democratic tradition.⁹ However, perhaps the most significant development was an emphasis on the continuing intellectual significance of two Liberal thinkers. Scholars argued that Liberalism was less bourgeois, less irrelevant, less marginal than Dangerfield (and others) had assumed. Indeed, by the late 1970s, the New Liberal thinkers L. T. Hobhouse and J. A. Hobson were being portrayed as progressive – indeed social democratic – thinkers who had developed Liberalism as a radical creed.¹⁰ Moreover, as thinker/activists whose ideas permeated

⁸ See, for example, M. J. Wiener, *Between two worlds: The political thought of Graham Wallas* (Oxford: Oxford University Press, 1971); A. J. A. Morris (ed.), *Edwardian Radicalism 1900–14* (London: Routledge & Kegan Paul, 1974).

⁹ J. Winter, *Socialism and the challenge of war: Ideas and politics in Britain, 1912–1918* (London: Routledge & Kegan Paul, 1974); L. P. Carpenter, *G. D. H. Cole: An intellectual biography* (Cambridge: Cambridge University Press, 1973); A. W. Wright, *G. D. H. Cole and socialist democracy* (Oxford: Clarendon Press, 1979).

¹⁰ P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978); S. Collini, *Liberalism and sociology* (Cambridge: Cambridge University Press, 1979); M. Freedon, *The New Liberalism: An ideology of social reform* (Oxford: Clarendon Press, 1978).

politics and reached a wider audience, they had a substantial and broader impact.

In Peter Clarke's work, ideas became popular within an organisation when they satisfied political needs (especially if they were wrapped in the cloak of party principle and hence 'legitimised' in the process). This was notably the case with Hobhouse's most famous book, *Liberalism* (1911), and with Hobson's *The Crisis of Liberalism* (1909).¹¹ The 'social purchase' of an idea – its capacity to articulate and mobilise popular interests – also determined the extent of its appeal to the electorate. Others – notably Michael Freedon – also abandoned a narrow focus on ideas, but approached the subject rather differently. Freedon examined the popularity of an idea by looking at the extent to which it permeated a broader intellectual culture.¹² Some works on economic ideas also escaped from a simple interest in the quality of a theory, stressing the *impact* of thinkers like Keynes rather than the value of his ideas as theory.¹³

This approach paralleled a changing climate within the history of ideas, particularly within Cambridge. In 1969 Quentin Skinner had famously argued that it was important to look at a theorist's intention and aims, to appreciate that political and other values influenced their arguments, either directly or indirectly.¹⁴ Neither Clarke nor Collini was a 'Skinnerite'; indeed, whilst both made reference to Skinner, neither was consciously 'theoretical' in orientation, although neither ignored theory. Indeed, Clarke referred more to Marx's writing on ideology than Skinner's (if only to refute some of his main arguments).¹⁵ Work by

¹¹ For this, see P. F. Clarke, 'Introduction' to J. A. Hobson, *The Crisis of Liberalism* (1st edn 1909; Brighton: Harvester Press, 1974).

¹² See Freedon, *The New Liberalism*. For a fuller account of Freedon's step away from the 'traditional apostolic succession of the "great thinkers"', and for his subsequent conceptual innovations, see his *Liberal Languages: Ideological imaginations and twentieth century progressive thought* (Princeton: Princeton University Press, 2005), pp. 8–9.

¹³ See, for example, D. Winch, *Economics and policy: A historical study* (London: Hodder & Stoughton, 1969); S. Howson and D. Winch, *The Economic Advisory Council, 1930–1939* (Cambridge: Cambridge University Press, 1977); J. M. Buchanan and R. E. Wagner, *Democracy in deficit: The political legacy of Lord Keynes* (New York: Academic Press, 1977).

¹⁴ Q. Skinner, 'Meaning and understanding in the history of ideas', *History and Theory* 8 (1969). See also Q. Skinner, 'The principles and practice of opposition: the case of Bolingbroke vs Walpole', in N. McKendrick (ed.), *Historical perspectives: Studies in English thought and society in honour of J. H. Plumb* (London: Europa, 1974). This has closer affinities with some of the work discussed here, notably in its discussion of the context of refutation.

¹⁵ For Clarke's (hardly prominent) comments on Skinner, see Clarke, *Liberals and Social Democrats*, esp. p. 291. Collini recognised but declined to elaborate on this (partial) debt – but added robustly sensible comments on the problems of trying to appreciate intent on the basis of a literal understanding of the text. See Collini, *Liberalism and sociology*, pp. 7–10.

J. G. A. Pocock was also part of this context.¹⁶ It was particularly influential on a rather different group of largely nineteenth-century historians, who started to examine the ways in which moral and religious values helped form or refract 'secular' economic and political notions.¹⁷ Linked to the philosophical Conservatism of Peterhouse, the focus of this research nonetheless shifted away from Maurice Cowling's apparent concern with the machinations of high politics to the principles of high Anglicans. This latter (and rather loose) collection of academics is often seen as a group apart; but relations between those concerned with (respectively) radical and Conservative ideas and their political impact were never as strained as those between social historians and 'Peterhouse' scholars. True, some historians of religion identified a hostility to their subject stemming from the 'left-liberal sentiment and commitment which characterised western universities from the 1960s' – and found a 'Whig', 'Marxist' or 'Fabian' scholar lurking around every academic corner. But it was not historians of twentieth-century radical ideas who rushed to register their disquiet with this wide-ranging attack.¹⁸ Nonetheless, the thrust of those writing on the resolutely secular Hobson and Hobhouse was different from those analysing the impact of religious ideas on economics and politics. Many late-Victorian and Edwardian radicals had felt that religion was often an excuse for seeing 'moral regeneration', not state intervention, as the means of addressing social needs. Those who studied their ideas paid little attention to the religious moralism which motivated some New Liberal sympathisers; for many years there were comparable gaps in the study of Edwardian socialism.

Naturally, not all Edwardian political history focused on the context in which Liberal ideas were shaped. Much work on Liberal ideology from within the history of ideas focused less on the New Liberals' role as thinker/activists and more on their role as thinkers who deserved a place in the canon of political thought.¹⁹ Some scholars took this further,

¹⁶ The most frequently cited work being J. G. A. Pocock, *Politics, language and time: Essays on political thought and history* (London: Methuen, 1972).

¹⁷ As in the works of Boyd Hilton, J. P. Parry, Richard Brent and others. For the influence of Pocock, see, for example, the summary in J. Lawrence, 'Political history', in S. Berger *et al.* (eds.), *Writing history: Theory and practice* (London: Hodder Arnold, 2003). For a more nuanced account of one area where Pocock's work was influential, R. Brent, 'Butterfield's Tories: "High Politics" and the writing of British political history', *Hj* 30 (1987), 943–54.

¹⁸ J. C. D. Clark, *English society 1688–1832: Ideology, social structure and political practice during the ancient regime* (Cambridge: Cambridge University Press, 1985), e.g. pp. 1–2, 10–12, 88, 95. Nonetheless, there was something behind the polemic, in that cultural values embedded in elite circles have often permeated popular historical writing. For example, see Collini below, pp. 251–74.

¹⁹ In addition to works cited at note 10 above, see M. Freeden, *J. A. Hobson: A reader* (London, Boston: Allen and Unwin, 1988); M. Freeden, *Reappraising J. A. Hobson:*

arguing that the 'Liberal' principles which they redefined had an enduring relevance, surviving beyond the party's Edwardian heyday by permeating social democratic thought. Harold Laski and G. D. H. Cole's interest in explaining the limits of state centralism was thus seen as evidence of abiding and 'Liberal' philosophical influences, which were being absorbed into socialist thought.²⁰ Ramsay MacDonald's 'Liberal' social democracy was said to stem from a philosophical Idealism absorbed from Liberal traditions.²¹ Economic historians also found evidence of the survival of Liberalism, as Keynesian ideas were apparently absorbed into Labour policy analysis both in the 1930s and thereafter.²² Such works did not really look at what 'Liberal' ideas meant to those who used them.

Political historians who were more sceptical about ideas as agents of change – and there were many of them – maintained a rather different approach to that developed by intellectual historians like Clarke and Collini (or for that matter, Parry and Boyd Hilton). They argued that it was not so much *ideas* as *people* who determined political actions – hence it was Liberal people, not Liberal ideas, who were responsible for the longevity of Liberal policies. The inter-war Labour party became a vehicle for progressive ideals, it was suggested, because Edwardian Liberals like Norman Angell, H. N. Brailsford and others found a place within its ranks.²³ Historians of the Conservative party were if anything even more cautious about suggesting that Liberal ideas permeated Conservative politics, not least because they minimised the role of ideas in politics generally. But several noted the positive role of Liberal defectors within the Conservative party. In Conservative history (before Thatcher) it was often the 'Liberal Tories' (or the Liberal Unionists or National Liberals) who were seen as the better party leaders, largely because of their capacity to address a broader (non-Conservative) audience.²⁴

Humanism and welfare (London: Unwin Hyman, 1990); J. Allett, *New Liberalism: The political economy of J. A. Hobson* (Toronto: University of Toronto Press, 1981); J. Townshend, *J. A. Hobson* (Manchester: Manchester University Press, 1991); J. Phelby (ed.), *J. A. Hobson after fifty years* (London: Palgrave, 1994); J. Meadowcroft (ed.), *Liberalism and other writings: L. T. Hobhouse* (Cambridge: Cambridge University Press, 1994).

²⁰ M. Freedon, *Liberalism divided: A study in British political thought 1914–39* (Oxford: Clarendon Press, 1986).

²¹ J. Meadowcroft, *Conceptualizing the state: Innovation and dispute in British political thought 1880–1914* (Oxford: Clarendon Press, 1995).

²² E. Durbin, *New Jerusalem: The Labour party and the economics of democratic socialism* (London: Routledge & Kegan Paul, 1985).

²³ D. Blaazer, *The Popular Front and the progressive tradition: Socialists, liberals and the quest for unity, 1884–1939* (Cambridge: Cambridge University Press, 1992).

²⁴ See, for example, P. Marsh, *The discipline of popular government: Lord Salisbury's domestic statecraft* (Hassocks: Harvester Press, 1978), pp. 119–41. The much-praised Liberal Tories included Baldwin, R. A. Butler and Harold Macmillan. For an account which places more emphasis on the diffusion and plasticity of ideas, see M. Bentley, 'Liberal Toryism in the twentieth century', *TRHS*, 6th series, 4 (1994), 177–202.

In part because of this spread of ‘Liberal’ influences, what seemed striking to many historians was not the power of the political extremes, nor competition between competing sets of party ideologies, but the strength of an economic and social policy consensus which crossed party lines and dominated much of the twentieth century. Initially, and with some notable exceptions, this ‘consensus’ was not regarded as an ‘achievement’.²⁵ For many historians of the early Labour party, its party’s main leaders, Ramsay MacDonald and Philip Snowden, were guilty of betrayal – through their love affair with the New Liberalism before 1914 and their enthusiasm for classical liberal economics in the 1920s.²⁶ The ‘Establishment’s’ commitment to economic orthodoxy permeated government circles’ including the Civil Service. The ‘Treasury view’ as it became known amongst economic historians had more impact on policy than different party ideologies. If war created a new consensus, based around Keynesian ideas and the social policies of William Beveridge, another Edwardian Liberal, it was because these ideas represented and offered ‘practical’ achievements – full employment and the Welfare State – and not because ‘ideas’ were somehow driving forces in constructing a debate or creating a political agenda.²⁷

It was in this, rather unquestioning, way that ‘Liberal’ ideas were said to have permeated the post-war world.²⁸ Similarly economists who did not look in archives argued that the 1950s was a ‘Keynesian era’, in which governments (across Europe and further afield) were converted to a Keynesian perspective. Positive references to Keynes and Beveridge amongst politicians were often taken at face value. The ‘scientific’ value of their economic and social doctrines made them unquestionable. In other instances, however, there was also recognition of popular support for the fruits of the post-war settlement. It was argued that the terms of the policy debate were constrained not just by the nature of post-war economic growth and by the relative strength of the ideas behind ‘consensus’, but by public demand. There was a relatively narrow intellectual and political space in which politicians could operate compared to other periods.²⁹ It took a strident Conservatism – and its strident representative, Margaret Thatcher – to finally put ‘Conservative’ Keynesianism to

²⁵ B. Harrison, ‘The centrist theme in modern British politics’, in B. Harrison (ed.), *Peaceable kingdom: Stability and change in modern Britain* (Oxford: Clarendon Press, 1982).

²⁶ For a more nuanced view, see J. Harris, ‘Labour’s social and political thought’, in D. Tanner *et al.* (eds.), *Labour’s first century* (Cambridge: Cambridge University Press, 2000), esp. pp. 11–19.

²⁷ P. Addison, *The road to 1945: British politics and the Second World War* (London: Cape, 1975).

²⁸ See, for example, D. Kavanagh and P. Morris, *Consensus politics from Attlee to Thatcher* (Oxford: Basil Blackwell, 1989).

²⁹ We owe this point to James Thompson.

rest in the 1970s. Labour's parallel 'rediscovery' of socialism, as articulated in the Alternative Economic Strategy of the early 1980s and the politics of Tony Benn, meant that Keynesian ideas were finally beaten to their corner across the political spectrum.³⁰ However, a consensus was restored when New Labour accepted the principles of 'Thatcherite' economic policy, returning British politics to the pragmatic consensus model which some see as a 'normal' feature of the country's political life.³¹

The challenge to this idea of a cross-party consensus came from several sources, perhaps most significantly from the ordinary process of historical revisionism. New and more evidently archival scholarship – often based around government papers in the Public Records Office – suggested that economic experts within the Civil Service were not easily won over to the 'Keynesian' cause. In the 1930s the Keynesian revolution was strictly skin-deep.³² During the war, the apparent heyday of cross-party agreement, the 'consensus' was more apparent than real.³³ There was limited enthusiasm even by the 1950s.³⁴ Revisionism sprang from other sources as well. The success of Thatcherite Conservatism encouraged people to question whether the success of 'the left' (and of those who advocated state intervention) was quite as predetermined as people once seemed to think.³⁵ The growing salience of monetarist economics in the 1980s encouraged a fresh look at the economic policies of the past. It also produced work which questioned the value of Keynesian economics as a simple explanation of economic performance, and which started to suggest that perhaps 'Keynesian economics' had been less widely accepted than one might have thought.³⁶

³⁰ For this, see, for example, M. Wickham-Jones, *Economic strategy and the Labour party* (Basingstoke: Macmillan, 1996).

³¹ R. Heffernan, *New Labour and Thatcherism: Political change in Britain* (Basingstoke: Palgrave, 2001), chap. 8.

³² J. Tomlinson, 'A "Keynesian revolution" in economic policy making?', *EcHR* 37 (1984), 258–65; N. Rollings, 'British budgetary policy 1945–1954: a "Keynesian revolution"?', *EcHR* 41 (1988), 283–98. See also R. Middleton, 'Economists and economic growth in Britain', in L. Black and H. Pemberton (eds.), *Affluent Britain: Britain's post-war 'golden age' revisited* (Aldershot: Ashgate, 2004).

³³ The substantial older literature on this (and on the post-war period) is summarised in, for example, H. Jones and M. Kandiah (eds.), *The myth of consensus: New views on British history, 1945–64* (London: Palgrave Macmillan, 1996).

³⁴ A. Booth, 'Britain in the 1950s: a "Keynesian" managed economy?', *History of Political Economy* 33 (2001), 283–313; N. Rollings, 'Poor Mr Butskell: a short life wrecked by schizophrenia', *TCBH* 5 (1994), 183–205.

³⁵ These developments encouraged some scholars (including the editors) to question the primacy of class in pushing the Labour party to the fore and to recognise that periods of 'popular' Conservative success were historically quite common.

³⁶ Studies include S. Howson, *British monetary policy 1945–51* (Oxford: Clarendon Press, 1993). Monetarist ideas were applied more directly and critically to interpretations of British economic problems between the wars.

Political historians also helped undermine the idea of a cross-party economic consensus (or a shared and pragmatic search for the middle ground). They showed that in the 1950s, discontent with the ‘consensus’ festered beneath the skin of the Conservative party.³⁷ Putting ideas back into the history of Labour’s economic policy had already created an awareness of the party’s reoccurring interests and emphases, which included doubts about the policy assumptions which underpinned the ‘consensus’, especially on the left.³⁸ Other work showed that the political parties’ policies on taxation,³⁹ economic planning⁴⁰ and consumerism differed even when they used a similar language.⁴¹ Within the Labour party, Keynesian ideas were always less attractive than various versions of state control, often linked (from the 1930s through to the 1960s) with enthusiasm for some form of economic planning.⁴² There were substantial divisions between the political parties on both economic aims and social ideals, even when the rhetoric of politics suggested a search for the centre ground. Political and economic history produced arguments in favour of historical revisionism without recourse to any particularly ‘new’ and heavily theoretical approaches.

Nonetheless, a fresh emphasis on the role of ideas in politics had an equally potent and conceptually more original influence. The idea of an Edwardian ‘consensus’ over free trade was challenged by scholars who

- ³⁷ E. H. H. Green, *Ideologies of Conservatism: Conservative political ideas in the twentieth century* (Oxford: Oxford University Press, 2002), pp. 222–7. See also R. Lowe, ‘Resignation at the Treasury: the Social Services Committee and the failure to reform the Welfare State’, *Journal of Social Policy* 18 (1989), 505–26, and J. Tomlinson, ‘An unfortunate alliance: Keynesianism and the Conservatives, 1945–1964’, in A. J. Cottrell and M. S. Lawlor (eds.), *New Perspectives on Keynes* (Durham, NC: Duke University Press, 1995).
- ³⁸ See, for example, N. Thompson, *Political economy and the Labour party: The economics of democratic socialism, 1884–1995* (London: UCL Press, 1996).
- ³⁹ R. Whiting, *The Labour party and taxation: Party identity and political purpose in twentieth-century Britain* (Cambridge: Cambridge University Press, 2000); M. Daunton, *Trusting Leviathan: The politics of taxation in Britain, 1799–1914* (Cambridge: Cambridge University Press, 2001); M. Daunton, *Just taxes: The politics of taxation in Britain, 1914–1979* (Cambridge: Cambridge University Press, 2002).
- ⁴⁰ D. Ritschel, *The politics of planning: The debate on economic planning in Britain in the 1930s* (Oxford: Clarendon Press, 1997).
- ⁴¹ M. Hilton, *Consumerism in twentieth-century Britain* (Cambridge: Cambridge University Press, 2003); F. Trentmann (ed.), *The making of the consumer: Knowledge, power and identity in the modern world* (Oxford: Berg, 2006); M. Daunton and M. Hilton (eds.), *The politics of consumption: Material culture and citizenship in Europe and America* (Oxford: Berg, 2001).
- ⁴² R. Toye, *The Labour party and the planned economy, 1931–1951* (Woodbridge: Royal Historical Society, Boydell Press, 2003); J. Tomlinson, *Democratic socialism and economic policy: The Attlee years* (Cambridge: Cambridge University Press, 1997); J. Tomlinson, *The Labour governments 1964–70*, vol. III: *Economic policy* (Manchester: Manchester University Press, 2004).

stressed the Conservatives' *ideological* support for tariffs.⁴³ This support continued into the 1920s, when free trade was supposed to be an unassailable feature of the consensus. Labour's version of free-trade economics, its own take on the nature of liberty, meant it saw the world differently from Liberals even when using the same policy instruments and ideas. Moreover, at some point in their history, 'Liberal' or 'Keynesian' concepts became absorbed into a 'Labour' or 'Conservative' culture, and developed a different meaning. The scholars who developed this approach further were often not 'political historians', but historians of ideas with a keener interest in the historical context – and in theory.⁴⁴ Indeed, even those who still focused on 'great men' and on a thinker's place within an ideological tradition recognised that there was much cross-fertilisation within contemporary intellectual debate – between socialists, progressives and pluralists and between and across national boundaries.⁴⁵ This form of revisionism was matched by the work of more archivally focused scholars, who were similarly concerned to show that ideas 'mattered' and were influential in determining party trajectories.⁴⁶

Works building on these roots sometimes became more consciously theoretical, challenging the way that political history was written and reconceptualising the dynamics of political change. At times, they reached into areas where poststructuralists had seemed reluctant to tread. Some suggested a role for civil society in determining the agenda of politics, including its economic assumptions. Social movements, they argued, developed ideas on political economy which were less detached from the state and economy, less located in a private world, than Habermasian theory and some empirical research would suggest.⁴⁷ Others saw political

⁴³ See especially E. H. H. Green, *The crisis of Conservatism* (London: Routledge, 1995).

⁴⁴ F. Trentmann, 'The strange death of free trade: the erosion of "Liberal consensus" in Great Britain, c.1903–32', in E. F. Biagini (ed.), *Citizenship and community: Liberals, radicals and collective identities in the British Isles, 1865–1931* (Cambridge: Cambridge University Press, 1996); F. Trentmann, 'Wealth versus welfare: the British left between free trade and national political economy before the First World War', *Historical Research* 70 (1997), 70–98. See also M. Bevir, 'The Marxism of George Bernard Shaw 1883–1889', *History of Political Thought* 13 (1993), 299–318; M. Bevir, 'Fabianism, permeation and Independent Labour', *Hy* 39 (1996); M. Bevir, 'Sidney Webb: Utilitarianism, positivism and social democracy', *Journal of Modern History* 72 (2002), 217–52.

⁴⁵ See, for example, C. Laborde, *Pluralist thought and the state in Britain and France, 1900–25* (Basingstoke: Macmillan, 2000) and M. Stears, *Progressives, pluralists and the problems of the State: Ideologies of reform in the United States and Britain, 1909–1926* (Oxford: Oxford University Press, 2002).

⁴⁶ D. M. Tanner, 'The development of British socialism, 1900–1918', in E. H. H. Green (ed.), *An age of transition: British politics 1880–1914* (Edinburgh: Edinburgh University Press, 1997); E. F. Biagini and A. J. Reid (eds.), *Currents of radicalism: Popular radicalism, organised labour and party politics in Britain 1850–1914* (Cambridge: Cambridge University Press, 1991).

⁴⁷ F. Trentmann, 'Introduction', in F. Trentmann (ed.), *Paradoxes of civil society: New perspectives on modern German and British history* (Oxford: Berghahn, 2000), pp. 24–31.

institutions not simply as vehicles for a national discourse, but as sites in which societal ideas were filtered by rooted languages, traditions and expectations, with political scientists seeing this as part of the governing process.⁴⁸ Within political history, party myths have been increasingly seen as important mobilising tools rather than as ‘bad’ history, with post-structuralists studying the role of autobiographical texts in establishing myths and others focusing on the ways in which myths developed within institutional cultures and hence structured the text itself.⁴⁹ Studying the non-textual – oral memory for example – has shown how the historical meaning of political events has been constructed by activists’ own political orientations.⁵⁰ The expectations, traditions and discourse of activists and the institutions in which they operate contribute to the detachment of parties from popular opinion. Activists’ perceptions of particular political leaders – often determined by matters that had little to do with economics – could help to determine which economic policies came to dominate party policy.⁵¹ Here, the social historians’ awareness of the gap between political understandings of the people and the lives and values of the electorate was as important as anything else in generating a fresh approach. Over time a theoretical awareness emanating from a variety of sources has helped to produce a ‘new’ political history.

During the 1970s, economic historians also developed a more subtle understanding of the relationship between economic thought and political action, well before postmodernism raised some of the same issues.

⁴⁸ D. M. Tanner, ‘Constructing the constructors: Institutional cultures, associational life and their impact on inter-war politics’, Pacific Coast Conference on British Studies, University of California, Berkeley, 2004. There are links between this approach and Bevir’s notion of ‘decentred’ governance, in which politicians’ ideas/strategies are ‘constructed from interpretations of experience infused with traditions’. See M. Bevir and R. A. W. Rhodes, *Interpreting British governance* (London: Routledge, 2003), p. 64. For an earlier, but much less developed and more contextually determined call to see Labour politics as a fluctuating space containing varying ideological contests, see R. Samuel and G. Stedman Jones, ‘The Labour party and social democracy’, in R. Samuel and G. Stedman Jones, *Culture, ideology and politics: Essays for Eric Hobsbawm* (London: Routledge & Kegan Paul, 1983).

⁴⁹ For the myths embedded within autobiographical texts, see J. Lawrence, ‘Labour – the myths that it has lived by’, in Tanner *et al.*, *Labour’s first century*.

⁵⁰ The classic texts are A. Portelli, *The death of Luigi Trastulli and other stories: Form and meaning in oral history* (New York: State University of New York Press, 1991) and A. Portelli, *The order has been carried out: History, memory and meaning of a Nazi massacre in Rome* (Basingstoke: Palgrave Macmillan, 2003).

⁵¹ This has been most fully argued in D. Tanner and S. Fielding, ‘The “rise of the left” revisited: Labour party culture in post-war Manchester and Salford’, *Labour History Review* 71, 3 (2006), 211–33. For Labour’s detachment from popular attitudes, S. Fielding *et al.*, *England arise! The Labour party and popular politics in 1940s Britain* (Manchester: Manchester University Press, 1995); N. Tiratsoo, ‘Labour and the electorate’, in Tanner *et al.*, *Labour’s first century*; L. Black, *The political culture of the left in affluent Britain, 1951–64* (Basingstoke: Palgrave Macmillan, 2003).

Here the influence of Pocock and Geertz could be directly acknowledged.⁵² One manifestation of this interest was a cross-disciplinary reawakening of concern with the structure and functioning of the state as an arena in which policy debate took place. It was guided in a few cases by a theoretically understated but sophisticated attention to the way that 'knowledge' was constructed, diffused and understood, which marked the merging of intellectual history and writing on the policy process.⁵³ Thereafter, rather more work was notable for taking an expanded conception of what constituted economic 'advice' and of the sources of opinion which politicians utilised.⁵⁴ Informed (generally economic) opinion was seen as just one influence on policy discussion, alongside 'moral precepts, political convictions, social expectations and customary maxims that people draw on when making judgements regarding economic questions'.⁵⁵

Keynesian policies could thus differ across nations, because the 'scientific' advice of economic 'experts' was not the only influence on government.⁵⁶ Whilst the growing primacy of economic assumptions in popular discourse meant that economic terms still helped to structure the language and assumptions of debates, politicians, businessmen and others became recognised as actors with their own conceptions of economic determinants and rules. Linkages between particular economic precepts (such as 'free trade') and moral concepts (like the value of liberty or choice) became rooted in popular discourse. Such ideas could triumph over 'secular' economics. Work by Boyd Hilton and others showed that in the fusion of economics and religion during the early nineteenth

⁵² M. O. Furner and B. Supple, 'Ideas, institutions, and state in the United States and Britain: An introduction', in M. O. Furner and B. Supple (eds.), *The state and economic knowledge* (Cambridge: Woodrow Wilson International Center for Scholars and Cambridge University Press, 1990), p. 33. The items cited are Pocock's *Politics, language and time* and C. Geertz, 'Ideology as cultural system', in his *The interpretation of cultures* (New York: Basic Books, 1973).

⁵³ This included work on the way that ideas influenced the organisation and discussion of social policy. See J. Harris, 'Political thought and the state', in S. J. D. Green and R. C. Whiting (eds.), *The boundaries of the state in modern Britain* (Cambridge: Cambridge University Press, 1996), pp. 15–28.

⁵⁴ See e.g. G. C. Peden, 'Economic knowledge and the state in modern Britain', in *ibid.*, pp. 170–87.

⁵⁵ Furner and Supple (eds.), *The state and economic knowledge*, p. 13 and, more generally, P. B. Evans, D. Rueschemeyer and T. Skocpol (eds.), *Bringing the state back in* (Cambridge: Cambridge University Press, 1985). For an earlier period, C. Muldrew, *The economy of obligation: The culture of credit and social relations in early modern England* (London: Macmillan, 1998), especially pp. 7–8; and A. Shepard and P. Withington (eds.), *Communities in early modern England: Networks, place, rhetoric* (Manchester: Manchester University Press, 2000).

⁵⁶ P. Hall (ed.), *The political power of economic ideas: Keynesianism across nations* (Princeton, NJ: Princeton University Press, 1989).

century, it was the *morality* of religion which triumphed over the cold logic of economics, with the former structuring the language of the latter.⁵⁷ Those with ‘practical knowledge’ or a ‘moral’ take on economics could be dismissive of formal economic ideas, as were non-economists with some experience of other policy areas. Institutions became arenas for ‘social learning’, in which popular assumptions could develop a pseudo-academic value, or be challenged and rephrased following contact with ‘expert’ ideas. Institutions, in other words, mediated ideas. Nor was this only a function of periods where religious values permeated economic and political life. Writers on much later periods recognised that the ‘morality’ rather than the ‘logic’ of economics could have the greater purchase – both within Labour politics and where issues such as consumption were under discussion by the public at large.⁵⁸

As scholars recognised that the meaning of political and economic ideas and rhetoric was constructed, and that ‘experts’ were not necessarily as significant as was once assumed in determining how such ideas were understood, it followed that individual agency in the form of political actors was (again) recognised as particularly significant. This has not meant a shift back towards a narrative emphasis on ‘leadership’ as an (unexplained) influence on decision-making. Recognition of the way that political leaders come to represent broader ideas and currents – such as a sense of ‘Englishness’ or of a party’s historic traditions – has meant ‘leadership’ being seen as a discursive representation of broader sentiments.⁵⁹ This has often involved recognition of the ways in which leaders used ideas and displayed an awareness of a broader societal culture.

There are numerous instances of party leaders presenting themselves as the natural representatives of another party’s ideological tradition, in ways which eased the absorption of that party’s followers or made some broader point about their own party’s direction. Thus in the 1920s, when

⁵⁷ J. Harris, ‘Economic knowledge and British social policy’, in Furner and Supple (eds.), *The state and economic knowledge*, pp. 381–2, 396. One of the key texts here is B. Hilton, *The age of atonement: The influence of evangelicalism on social and economic thought, 1785–1865* (Oxford: Clarendon Press, 1988).

⁵⁸ This theme is brought out in J. Tomlinson, ‘Labour and the economy’, in Tanner *et al.* (eds.), *Labour’s first century*, pp. 46–73. For a detailed example, M. Francis, *Ideas and policies under Labour, 1945–1951: Building a new Britain* (Manchester: Manchester University Press, 1997), chap. 3. For consumption, M. Hilton and M. Daunton, ‘Material politics: an introduction’, in Daunton and Hilton (eds.), *The politics of consumption*, pp. 14–18.

⁵⁹ See, for example, P. Williamson, *Stanley Baldwin* (Cambridge: Cambridge University Press, 1999); R. Toye and J. Gottlieb (eds.), *Making reputations. Power, persuasion and the individual in Modern British politics* (London: I. B. Taurus, 2005); M. Taylor, *Ernest Jones, Chartism and the romance of politics 1819–1863* (Oxford: Oxford University Press, 2003). For Peter Clarke’s earlier work on leadership, see below, pp. 23–4.

the Liberal party was slowly dying, Labour made huge attempts to suggest it was more attentive to Liberal values than the Liberal party itself.⁶⁰ In the 1980s and 1990s (when various people were trying valiantly but unsuccessfully to breathe fresh life into a new version of the Liberal party) first the Conservatives and then Labour claimed the Liberal inheritance. In 1983 Thatcher told the Conservative Party Conference ‘I would not mind betting that if Mr Gladstone were alive today he would apply to join the Conservative Party.’⁶¹ Her political philosophy, she stated, ‘has some things in common with . . . old-fashioned Liberals’.⁶² Her 1996 Keith Joseph Memorial Lecture contained the claim that ‘The kind of Conservatism which he [Keith Joseph] and I . . . favoured would be best described as “Liberal”. And I mean the Liberalism of Mr Gladstone not of the latter day Collectivists.’⁶³ Similarly, in his 1995 Fabian Society lecture, Tony Blair painted New Labour as the successor to a New Liberal tradition.⁶⁴ Nor was this use of ideological traditions confined to Britain. In Europe and in the USA, left-of-centre parties and individuals proclaimed themselves to be part of a democratic tradition, which sat above class and had little to do with political extremes.⁶⁵ When Blair later noted his admiration for Thatcher the politician, it suited his political opponents to go further and suggest that this intellectual borrowing extended to Conservative ideas as well. New Labour’s critics proclaimed the party’s indebtedness to ‘Thatcherite’ orthodoxy, an argument contested by scholars who see the ideology of New Labour as more than the ideology of Tony Blair.⁶⁶ However, repeated press comment turned New Labour’s Thatcherite roots into an accepted popular ‘fact’.⁶⁷ What recent literature demonstrates above all else is that political and economic ideas are tools in a political and policy war, their ‘real’ impact often exceeded by their less-studied representational value.

⁶⁰ D. Tanner, *Political change and the Labour party 1900–1918* (Cambridge: Cambridge University Press, 1990).

⁶¹ Margaret Thatcher at the Conservative Party Conference, Brighton, 14 October 1983, Margaret Thatcher Complete Public Statements 1945–1990 (CD-ROM; ed. Christopher Collins. Oxford: Oxford University Press, 2000).

⁶² Thatcher, Interview with BBC Radio 3, 17 December 1985, *ibid.*

⁶³ Thatcher, Keith Joseph Memorial Lecture, London, 11 January 1996, *ibid.*

⁶⁴ Tony Blair, *Socialism* (Fabian pamphlet 565, 1994); and Tony Blair, *Let us face the future: The 1945 anniversary lecture* (Fabian pamphlet 571, 1995).

⁶⁵ S. White (ed.), *New Labour: The progressive future?* (Basingstoke: Palgrave, 2001).

⁶⁶ See, for example, M. Bevir, *New Labour: A critique* (London: Routledge, 2005).

⁶⁷ Dissident Labour MPs and journalists helped construct this image (for example, Alan Simpson, *Independent*, 22 September 1998). However, repeated newspaper comparisons have been even more explicit. See, for example, *Independent* headlines 30 September 1998, ‘Echoes of Thatcher as the gentleman is not for turning’, and *Independent* 1 October 2003, ‘A defiant Blair echoes Thatcher, “I can only go one way. I’ve not got a reverse gear.”’

Current scholarship within the history of ideas also indicates that the most influential ideas are not necessarily elaborate constructions of argument and logic. Individual words may convey a myriad of meanings to a particular ‘public’. Stefan Collini’s work on the multiple resonances of words such as ‘character’ and ‘intellectual’ are cases in point.⁶⁸ Political languages which appear simplistic may convey complex messages to particular audiences. Writing in the 1990s, Peter Clarke dealt similarly with the ‘meaning’ of Keynesianism. He did not assume that Keynes’s General Theory revolutionised the economic attitudes of his contemporaries through its sheer intellectual brilliance. He accepted that ideas could have a ‘scientific’ or doctrinal value (as an ‘ordered body of knowledge’) and that challenges to their intellectual rationality *could* lead to a new body of knowledge being accepted; but he had long recognised that it was the ‘social purchase of ideas in terms of the interests they serve which constitutes their ideological aspect’ – and hence their broader resonance.⁶⁹ Thus, rather than re-examining the extent to which Keynesian ideas permeated institutions as a mark of their impact, or studying the debate over economic doctrine in the years after the General Theory was published, he focused attention on the way that Keynesian ideas (seemingly) structured ideological discussion. Hence he argued that those who departed from a supposed Keynesian consensus masked (or gave legitimacy to) their ideas by presenting them as in some way ‘Keynesian’. Keynesian ideas mutated, the meaning always determined by their context. Ideas were not just tools for the thinker. They were tools in the hands of those who constructed a lineage to make a political point. The ‘idea’ of Keynesian was as important as Keynesianism itself.⁷⁰ This transformation of complex ideas into verbal symbols was not always a product of political ‘calculation’, but it always required human agency to make it happen.

In the essays presented here, politicians and the institutions they inhabit are not passive agencies through which intellectual ideas freely pass. Rather, they add to or filter ideas. Political or cultural leaders give ideas credence. Thereafter, many now contend, the discourse of politics does much to determine how those ideas are understood by the electorate at large – and sometimes by posterity. In the same way that much

⁶⁸ S. Collini, *Public moralists: Political thought and intellectual life in Britain 1850–1930* (Oxford: Clarendon Press, 1991), chap. 3; S. Collini, *Absent minds: Intellectuals in Britain* (Oxford: Oxford University Press, 2006).

⁶⁹ Clarke, *Liberals and Social Democrats*, pp. 3–4; P. F. Clarke, *The Keynesian revolution and its economic consequences* (Cheltenham: Edward Elgar, 1998), p. 133. We owe this point to John A. Thompson.

⁷⁰ Clarke, *The Keynesian revolution and its economic consequences*, p. viii.

political history has become concerned with the myths, rituals, symbols and institutional languages in which policy packages are contained and sold, some economic and much intellectual history has become increasingly concerned with representations of ideas rather than with the ideas themselves. That is not to say, however, that ideas or institutions are in some way detached from civil society or from societal culture. Rather, the interplay of definition, meaning, exposition and implementation occurs in a complex manner – which no single theory has yet to encompass or explain.

II

Discussions of the kind noted above find no place in the burgeoning literature on historical methodology and the evolution of historical writing since the 1960s.⁷¹ Those who wear their theory lightly – whether they value ideas over structures or not – are often mistakenly merged together as ‘traditional’ historians, setting them aside from those generating a ‘new’ political history.⁷² It is the theoretically self-conscious writers – and the rabid opponents of theory – who dominate most books and articles in this area. Academic history, it is argued, has followed (sequentially) linguistic, cultural and ritualistic turns.⁷³ The theoretical underpinnings of these (competing) approaches have been lauded and defended by zealous advocates.⁷⁴ The process is still evolving, perhaps turning back on itself. Some writers now stress a desire to reconnect the humanities with the social sciences. Patrick Joyce identifies an additional ‘materialist’ and ‘institutional’ turn which promises to bring this about. Indeed, such a development is by no means impossible. True, the ‘new institutionalism’ identified by some social scientists sees little scope for the individual agency much touted by historians. Yet although some stress an

⁷¹ All reviews of historiographical trends are of necessity selective. This review concentrates largely on works which are directly relevant to the literature on policy-making within government.

⁷² Lawrence, ‘Political history’, pp. 190–5. For a related discussion of a prevalent ‘traditional empiricism’, see A. Croll, ‘Holding onto history: Modern Welsh historians and the challenge of postmodernism’, *Journal of Contemporary History* 38, 2 (2003), 327–8, 332.

⁷³ P. Burke, ‘Performing history: the importance of occasions’, *Rethinking History* 9, 1 (2005), 35–52.

⁷⁴ The initial forays included J. Lawrence and M. Taylor, ‘The poverty of protest: Gareth Stedman Jones and the politics of language’, *Social History* 18 (1993), 1–15; and J. Vernon, ‘Who’s afraid of the “linguistic turn”? The politics of social history and its discontents’, *Social History* 19 (1994), 81–97. For a further critique, P. Joyce, ‘The return of history: postmodernism and the politics of academic history in Britain’, *Past & Present*, 158 (1999), esp. 229.

institutional ‘path dependency’ which limits the scope for individual initiative, other political scientists contest this exclusion of the contingent and political.⁷⁵ Theory of one kind or another is evidently a growing feature of historical scholarship.

Few would dispute the evident fact that this ‘theoretical turn’ has altered the scope of political history, and produced some superb analysis of political life. Indeed, the very notion of what ‘politics’ encompasses has been expanded well beyond the areas covered in the literature identified above. Here the lead has often been taken by scholars working outside the twentieth century, on popular rather than elite politics, and through work on ritual,⁷⁶ political discourse,⁷⁷ material and societal culture,⁷⁸ on consumption – and before any of these, on gender. There has been far more direct inspiration from theoretical works, notably by Foucault, Bourdieu and Habermas, than was the case in the past (although it is often forgotten that Marxist historians once argued passionately about the theoretical value of Althusser, Gramsci and others to academic scholarship, and that doubts about social history’s separation from the political generated heated debate.⁷⁹ Of course much innovative contemporary scholarship looks and reads differently from works written

⁷⁵ P. Joyce. *The social in the question: New bearings in history and the social sciences* (London: Routledge, 2002). The ‘institutional turn’ is passed over completely in many works on historical methodology, in part because of its roots in social science. For comments on its potential, M. Hilton, *Consumerism in twentieth-century Britain* (Cambridge: Cambridge University Press, 2003), p. 10. See also P. Maclachlan and F. Trentmann, ‘Civilizing markets: traditions of consumer politics in twentieth-century Britain, Japan and the United States’, in M. Bevir and F. Trentmann (eds.), *Markets in historical contexts: Ideas and politics in the modern world* (Cambridge: Cambridge University Press, 2004), p. 170: ‘Institutions are not idea-free containers. How consumers define themselves over time and are defined by others matters.’ For a summary of the debate over the ‘new institutionalism’ within political science, D. Judge, *Political institutions in the United Kingdom* (Oxford: Oxford University Press, 2005), pp. 5–20. The key text is still A. Panebianco, *Political parties, organization and power* (Cambridge: Cambridge University Press, 1988).

⁷⁶ See, for example, F. O’Gorman, ‘Campaign rituals and ceremonies: the social meaning of elections in England, 1780–1870’, *Past & Present* 135 (1992), 79–115. For a later and more theoretically influenced example, J. Lawrence, ‘The transformation of British public politics after the First World War’, *Past & Present* 190 (2006), 185–216.

⁷⁷ The classic text is G. Stedman Jones, ‘Rethinking Chartism’, in his *Languages of class* (Cambridge: Cambridge University Press, 1983). For later work on a national discourse, see D. Jarvis, ‘The Conservative party and the politics of gender’, in M. Francis and I. Zweiniger-Bargiełowska (eds.), *The Conservatives and British society* (Cardiff: University of Wales Press, 1996), and his essay in J. Lawrence and M. Taylor (eds.), *Party, state and society* (London: Scolar, 1997).

⁷⁸ This is most clearly demonstrated in J. Vernon, *Politics and the people: A study in English popular culture c. 1815–1867* (Cambridge: Cambridge University Press, 1993). The implications are spelt out in J. Vernou ‘What is a cultural history of politics’, *History Workshop Journal* 52 (2001), 261–95.

⁷⁹ The issues (and a small portion of the extensive literature) are discussed in M. Perry, *Marxism and history* (Basingstoke: Palgrave, 2002), chap. 6.

some years ago. In particular, many such works seek to contribute to theory, rather than simply using a modicum of theory to devise research questions. In older works, theory would sit lightly in the background of an overwhelmingly historical analysis. That is certainly no longer the case. Nonetheless, the distinction between ‘old’ and ‘new’ forms of scholarship – and the depiction of ‘traditional’ scholarship as ‘empirical’ or ‘narrative’ in focus – is as much a construction as the difference between ‘Old’ and ‘New’ Labour. In areas like the study of ritual, the ‘roots’ of much ‘new’ scholarship lie firmly in the work of ‘traditional’ scholars like Colley and O’Gorman. As some conceptually acute research turns to the limitations of the ‘postmodern’ – and rediscovers the institutional and the material – it is easier to reconnect with the virtues of research conducted in the past, some of which paid considerable attention to developments within social science and made attempts to understand the ‘material’ and its impact. There may also be theoretically grounded reasons for contesting ‘new’ approaches – from poststructuralist ideas on discourse to Habermas’s rather different ideas on the separation of the public from the private sphere – and hence for preserving some (revised) elements of earlier scholarly writing.⁸⁰ In sum, the originality and continued relevance of the issues raised by some earlier scholars is increasingly being recognised, even in work which is attentive to theory and sympathetic to recent historiographical trends.⁸¹

Peter Clarke’s work provides an excellent individual example of the conceptual innovation which has emerged from within ‘traditional’ British history. Clarke’s expansive range of publications contains little which engages very fully with conceptual debates about historical methodology or about the theoretical relationship between ideas and politics.⁸² Theoretical reading is evident, as are conceptual concerns; but these are (consciously) subordinate to the narrative. Nonetheless, his evolving approach has consistently shaped academic debates and set the pattern for subsequent scholarship. Clarke’s first book, *Lancashire and the*

⁸⁰ M. Freedon, *Ideologies and political theory: A conceptual approach* (Oxford: Oxford University Press, 1996); M. Bevir, *The logic of the history of ideas* (Cambridge: Cambridge University Press, 1999), pp. 310–11; Collini, *Absent minds*, pp. 54–6.

⁸¹ See, for example, Hilton and Daunton, ‘Material politics’, pp. 10, 16–17, 31 referring both to the empirical work of Brewer and others and to the conceptual approaches of E. P. Thompson and Raymond Williams. See also S. Fielding, ‘Maurice Cowling, the “Peterhouse school” and the politics of modern British democratic history’ (unpublished paper).

⁸² Rare (and partial) exceptions include P. F. Clarke, ‘Political history in the 1980s’, in T. K. Rabb and R. I. Rotberg (eds.), *The New History* (Princeton, NJ: Princeton University Press, 1982).

New Liberalism,⁸³ fundamentally challenged the idea that Liberalism was an antiquated creed, doomed to collapse and die by the growth of class politics. It was then commonly argued that under the leadership of Gladstone – the ‘Grand Old Man’ of Victorian politics – the Liberals had become the ‘Grand Old Party’. True, after a troubled late nineteenth century following their split over Irish Home Rule, they had re-emerged as a politically dominant force under Campbell-Bannerman and Asquith – winning three general elections in a row between 1906 and 1910. However, the Edwardian Liberals’ success was a chimerical Indian summer. Within four years the party was destroyed, unable to cope with the demands of a modern world, as exemplified by the challenges of the First World War and the rise of the Labour party. Clarke presented a wholly different story. To begin with, his book recast the psephology of Edwardian Britain. Rather than facing their electoral nemesis, he argued that the Liberals enjoyed a period of sustained and solid electoral success in the pre-1914 period, especially in the North-West of England which he, like other historians, saw as the ‘cockpit’ of late-Victorian and Edwardian electoral politics.

Clarke also showed that it was not only the Liberal party’s electoral position that shifted in the Edwardian period but also the nature of *Liberalism* itself. In this context two things were particularly important. Clarke accepted, both in his book and in an important article, that class had become the major (although not the only) determinant of voting behaviour in the late nineteenth and early twentieth centuries.⁸⁴ The Liberals had, if anything, beaten the Labour party to the punch by appealing to the electorate on class terms. The 1906 Trade Disputes Act had offered organised labour legal immunities in industrial disputes, and the Liberals also introduced social reforms, such as free meals in elementary schools, Old Age Pensions, the Trade Boards Act of 1909 to regulate the so-called sweated trades and the Children’s Charter of 1908–9, which offered free medical and dental inspection in elementary schools. In 1911, the National Insurance Act ensured that medical and unemployment benefits were extended to a significant proportion of the working classes – with the promise of more to come. The Liberal party, associated with *laissez-faire* and the ‘minimal state’ under Gladstone, had it seemed transformed itself into a social-reforming, interventionist institution. The Liberal party, in terms of both ideology and policy, had embraced the New

⁸³ P. F. Clarke, *Lancashire and the New Liberalism* (Cambridge: Cambridge University Press, 1971).

⁸⁴ P. F. Clarke, ‘Electoral sociology of modern Britain’, *History* 17 (1972), 31–55.

Liberalism. For Clarke, popularised political ideas constructed public opinion through their ‘purchase’ or resonance – and the New Liberalism had this popular resonance in spades.

Clarke’s (Weberian) conception of voting behaviour was developed with shrewd attention to the importance of habit and tradition.⁸⁵ By demonstrating that the existence of radical ideas in London did not necessarily explain the actions of voters across the UK, he argued that the *reception* of Liberal ideas had to be explained, as did the institutional capacity of the Liberal party as a mechanism for their transmission. Central institutions and provincial party newspapers enabled the delivery of a popular Liberal language. Few would now accept that identifying the material and class appeal of Liberal rhetoric was sufficient to establish this point. Empirical evidence and conceptions of popular behaviour have moved on. However, this concern with demonstrating and charting the process by which ideas trickled down, incrementally changing at each phase, has remained significant. Clarke recognised something that those later associated with the ‘linguistic turn’ initially did not – that a discourse which was unread or undermined by alternative readings had little power as an explanation of changes in popular opinion. The dissemination and reception of ideas – rather than the mere existence of a text – was vital in determining the impact of a national approach.⁸⁶

Lancashire and the New Liberalism did not just turn historical scholarship on the ‘rise of Labour’ and the decline of the Liberal party upside down. It started to explain the strange longevity of Liberal England. It saw ‘proletarian’ support for both Labour and Liberal parties as a manifestation of support for ‘Progressive’ political ideas and their policy consequences. By implication, this fusion had the capacity to exert a continuing influence on twentieth-century Britain. The point was made explicitly in an essay covering a century of British Progressivism, published in 1974.⁸⁷ However, in his second book, *Liberals and Social Democrats*, he examined it

⁸⁵ Clarke, *Lancashire and the New Liberalism*, pp. 16–19. At the same time, Clarke’s work still bears the marks of the period. For different reasons to those of social and labour historians, he accepted the value of ‘class politics’ as a means of describing electoral processes, and saw a trade-union-dominated Labour party as a vehicle for a defensive form of politics, termed ‘labourism’ in other studies.

⁸⁶ For the absence of this in early work, see G. Stedman Jones, ‘Rethinking Chartism’ in his *Languages of class*. Lawrence, by contrast, first recognised the reception of ideas as a significant concern and subsequently tried to explain regional deviations from national trends (J. Lawrence, *Speaking for the people: Party, language and popular politics in England, 1867–1914* (Cambridge: Cambridge University Press, 1998), pp. 67–9 and J. Lawrence, ‘The complexities of English Progressivism: Wolverhampton politics in the early twentieth century’, *Midland History* 24 (1999), 147–66).

⁸⁷ P. F. Clarke, ‘The Progressive movement in England’, *TRHS*, 5th series, 24 (1974), 159–81.

more carefully through a collective intellectual biography of New Liberal, socialistic and left-radical thinkers in Britain from the late nineteenth century to the early 1950s. Merging intellectual history and biography, and avoiding the ‘intellectualist fallacy’ of assuming that ‘significant’ ideas had a significant impact, Clarke created an original approach which demonstrated the overlaps and imbrications between Liberal, Social Democratic and Socialist thought in Britain (as well as showing that age and generational change make a mockery of neat intellectual categories and a simple concern with the author’s intended meaning).⁸⁸

Having established the centrality of Progressive thought in British politics, Clarke increasingly argued that Labour had inherited but betrayed that tradition. The point reflected both the views of Clarke’s New Liberal subjects and the views of social democrats ‘stranded’ (as they saw it) within the increasingly union-dominated Labour party of the later 1970s and 1980s. In his 1974 article he argued that the Liberal version of the Progressive tradition had gone underground, rather than died. Tired of trying to influence politicians who feared ideas, Liberals turned to the ideas themselves to make their mark. Keynes, he argued, gave up on politicians and wrote the *General Theory*.⁸⁹

Keynes had only enjoyed a ‘walk-on’ part in *Liberals and Social Democrats*. Thereafter he was to be a central figure in Clarke’s work. This was a logical development. In the 1920s and 1930s Keynes was the leading Liberal intellectual. If anyone represented and/or expressed a later form of the New Liberalism, it was the Cambridge economist. In *The Keynesian Revolution in the Making*, Clarke briefly examined the links between Keynes’s and earlier Progressive economic thought (especially that of J. A. Hobson). However, and more importantly, he explored the broader origins and subsequent trajectory of Keynes’s thinking. His work confirmed the point made by Gunnar Myrdal, that the ‘perpetual game of hide and seek in economics consists in hiding the norm in the concept’; it also dealt with what Skinner termed the ‘context of refutation’, that is the existence of opposing views, based on a clear set of theoretical assumptions.⁹⁰ In so doing he opened up new windows on Progressive thought as a whole, on the evolution of Keynes’s economic ideas and on

⁸⁸ For the often neglected generational aspect, Clarke, *Liberals and Social Democrats*, esp. pp. 276–90. Clarke’s works are full of insights which fall outside the more widely known areas of his books’ scope. Thus *Lancashire and the New Liberalism* also contained a great deal of percipient material on popular Conservatism.

⁸⁹ P. F. Clarke, *The Keynesian revolution in the making* (Oxford: Clarendon Press, 1987), pp. 229–30. The reference is of course to J. M. Keynes, *The General Theory of employment, interest and money* (London: Macmillan, 1936).

⁹⁰ G. Myrdal, *The political element in the development of economic theory* (London: Routledge & Kegan Paul, 1953), p. 192.

the relative role of pragmatism and doctrine inside government. Keynes had been actively involved in politics in the 1920s, structuring his ideas in ways that were relevant to the programmatic needs of the Liberal party in 1929 and the policy needs of Labour in 1930. Anticipating what Peter Hall and his collaborators were later to call *The Political Power of Economic Ideas*, he saw the political purchase of Keynesian ideas in the same way as he had previously seen the political purchase of the New Liberalism – that is, as something which gained strength because it served/benefited various interests.⁹¹ However, for a period in the 1930s, Keynes turned his back on the political reception of his ideas and addressed the *General Theory* to his ‘fellow economists’. For Keynes, Clarke argued, *intellectual* influence had become the only way to establish a *political* voice.⁹²

This was a major departure from earlier approaches to Keynes. However, there were some parallels between Clarke’s approach and that of other innovative academic work within the history of ideas, as noted above. These never simple connections were made explicit through a series of collected essays featuring new works on the state and policy and a series of works on the importance of cultural values to an individual’s policy orientation. In the former, Clarke’s work offered a typically measured assessment on the role of (Keynesian) ideas, rejecting the idea that there was a ‘Keynesian takeover’ within policy-making whilst at the same time questioning the counter-argument that ideas had little impact on the administratively minded.⁹³ Quoting Keynes, Clarke argued that ‘practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct dogma’.⁹⁴ In a second collection, Clarke argued that the *cultural* context in which Keynes developed his ideas was a powerful and unspoken determinant of the values and preferences which he adopted. His identification of Keynes as a Victorian moralist operating in a ‘modern’ post-war world is just one example of his efforts to paint a complex picture of the relationship between ideas, cultural spaces and political actions.⁹⁵ This was some way from the approach termed a ‘cultural history of politics’ by James Vernon;

⁹¹ P. A. Hall, *The political power of economic ideas: Keynesian ideas across nations* (Princeton, NJ: Princeton University Press, 1989).

⁹² Clarke, *Keynesian revolution*, esp. pp. 308–10.

⁹³ Furner and Supple (eds.), *The state and economic knowledge*.

⁹⁴ P. F. Clarke, ‘The Treasury’s analytical model of the British economy between the wars’, in Furner and Supple (eds.), *The state and economic knowledge*, pp. 171–3, 205.

⁹⁵ P. F. Clarke, ‘J. M. Keynes (1883–1946): “The best of both worlds”’, in S. Pederson and P. Mandler (eds.), *After the Victorians: Private conscience and public duty in modern Britain* (London: Routledge, 1994).

but it was some way distant from the way that Keynes had been portrayed in the past.

In addition, Clarke took the lead in demonstrating that perceptions of ideas altered both their impact and their meaning. He turned next to an examination of how Keynesian ideas were used and represented, to studying the purchase of Keynesian ideas within political debates in which Keynes himself did not participate. In *The Keynesian Revolution and its Economic Consequences*⁹⁶ and also in his 2002 Ford Lectures⁹⁷ he argued that there were differences between the ideas Keynes developed and the way that those ideas appeared; between 'original' Keynesianism and what Keynesianism came to mean. Thus Keynes was not a 'Keynesian' in 1930 – if 'Keynesian' is defined by the way the word was used in the 1940s – nor could the views he expressed in the 1930s be defined as 'Keynesian', using the term as it was deployed in the 1960s.

Like other political historians, Clarke had always recognised the role of political leaders in articulating and popularising a more complex political discourse. His work has been as much concerned with individual (and collective) human agency, with people as vehicles for ideas, as it has been with the ideas themselves. In early work, he showed how the Liberal intellectuals Hobson and Hobhouse spread a much simplified version of their theoretical writings through the provincial (Liberal) press, influencing a group of professional politicians and provincial leaders in the process.⁹⁸ *Lancashire and the New Liberalism* explains how the Victorian Liberal party – an unlikely vehicle for radical ideas – was turned into an engine of political and ideological change. Whilst the intellectual/politicians whom he studied had a role in this, he also recognised that others – notably a new breed of professional politician – were often more adept at popularising ideas and creating mass support. Thus Lloyd George and Winston Churchill appeared in his early work as political leaders who utilised these ideological currents⁹⁹ as did figures as diverse as Gladstone, Margaret Thatcher and Stafford Cripps in later writings.¹⁰⁰

⁹⁶ P. F. Clarke, *The Keynesian revolution and its economic consequences* (Cheltenham: Edward Elgar, 1998).

⁹⁷ The Ford lectures were entitled 'Britain's image in the world in the twentieth century', and focused on Keynes, Virginia Woolf, George Orwell and Margaret Thatcher.

⁹⁸ This was especially evident in his doctoral thesis. See also Clarke, *Lancashire and the New Liberalism*, chaps. 6–7.

⁹⁹ *Ibid.*, for example, pp. 189–91, 278–9, 358–60 (Churchill); 195–7, 361–3 (Lloyd George) and more explicitly, 'Lloyd George and Churchill: what difference did they make?', in I. G. Jones and G. Williams (eds.), *Social policy, crime and punishment: essays in memory of Jane Morgan* (Cardiff: University of Wales Press, 1994).

¹⁰⁰ P. F. Clarke, *A question of leadership: Gladstone to Thatcher* (London: Penguin, 1999).

Indeed, this interest in the ways that ideas can be represented to convey different meanings is evident in the only biography Clarke has written, namely that of Sir Stafford Cripps. The title of this biography (*The Cripps Version*)¹⁰¹ is in itself significant. At one level Clarke was echoing the title of Terrence Rattigan's play *The Browning Version*. However, he was also drawing attention to the fact that Cripps, like the individuals discussed in his 2002 Ford Lectures, had been read and represented in different ways by different groups and individuals. Here was another – Cripps's own version, made possible because Clarke had been granted full access to his private diary and other similar papers. The different 'versions' of Cripps were summed up with typical panache. Cripps's evolved, he wrote, from 'Marxist outcast' in the late-1930s Labour party to the 'austerity Chancellor' of the Attlee government – from a hare-brained fellow-traveller to the hair-shirt Chancellor of post-war Britain.¹⁰² This was a story of an individual – and his ideas – located and understood not just within a life history, but within that life history's representation by other people and by Cripps himself. Although (characteristically) there are no references to works on the art of biography (and no attempts to stress the conceptual originality of the work) this is an unconventional work of intellectual analysis, which sits easily alongside consciously postmodern biographical studies.

III

The essays presented here demonstrate differing levels of engagement with the trends and patterns noted above, and with Clarke's own writings and ideas. Although there are no articles by 'Clarkeian' disciples maintaining the validity of his approach to history outside this collection (and the authors in the collection are not part of a Clarkeian 'school'), nonetheless, his influence is pervasive. This is perhaps unsurprising in that many of the contributors conducted research under his supervision. The influence is most evident in work by Ewen Green and Duncan Tanner, which paralleled Clarke's own study of the Edwardian Liberal party. Ewen Green's analysis of Radical Conservative ideas had close affinities with Clarke's work on the New Liberalism. In revealing the ideological conflicts which lurked behind the Conservatives' seemingly organisational debates, Green developed Clarke's own conceptual approach but

¹⁰¹ P. F. Clarke, *The Cripps version: The life of Sir Stafford Cripps 1889–1952* (London: Allen Lane, Penguin Books, 2002).

¹⁰² For the construction of Cripps as the personification of abstinence, see, for example, pp. 270–2, 508–11.

rooted it more firmly within the framework of policy debate.¹⁰³ Duncan Tanner's work extended Clarke's analysis of Liberal politics geographically and also looked more intensely at the Labour party. Nonetheless, conceptually the empirical sections built on Clarke's interest in political science. Moreover, in looking at debates over policy and strategy, Tanner showed how ideas were debated and received within the Labour party not in accordance with their 'quality' as ideas but through their purchase as electoral strategy and as representations of party values.¹⁰⁴ A subsequent generation of Clarke's students were equally indebted to his later work. Richard Toye extended Clarke's ideas on leadership, on Keynes's impact within the Labour party and on the representational value of Keynes's ideas. James Thompson added to knowledge of the ways in which Progressive ideas crossed not just internal political boundaries within the UK, but international geographical boundaries as well. In the process, he developed a concern with the language of Edwardian politics and the functional utility of a particular type of discourse.¹⁰⁵

Of course, historians' approaches are not fixed. If on one level, all of the essays in the collection share a 'Clarkeian' concern with the relationship between ideas and politics, some at least reflect the impact of new conceptual writing, fresh literature, the example of other countries and the discovery of new materials. Tanner has developed a concern with the political culture of institutions which has deep roots within political science,¹⁰⁶ and parallels other recent work on Labour politics.¹⁰⁷ It also draws from cultural history and the history of ideas.¹⁰⁸ James Thompson's work, by contrast, has more in common with work by Jon Lawrence and others, and stresses the discursive power of Edwardian Progressive ideas (and the practical limitations posed by Labour's position within the electoral system). The examples could be repeated for others, with

¹⁰³ Green, *Crisis of Conservatism*.

¹⁰⁴ Tanner, *Political change and the Labour party*. See also D. Tanner, 'Ideological debate in Edwardian Labour politics: radicalism, Revisionism and socialism', in Biagini and Reid (eds.), *Currents of radicalism* and D. Tanner, 'The development of British socialism'.

¹⁰⁵ Toye, *Labour and the planned economy*; Toye and Gottlieb (eds.), *Making reputations*. See also J. Thompson, "'A nearly related people": German views of the British labour market, 1870–1900', in D. Winch and P. K. O'Brien (eds.), *The political economy of British historical experience 1688–1914* (Oxford: British Academy and Oxford University Press, 2002).

¹⁰⁶ See, for example, H. M. Drucker, *Doctrine and ethos in the Labour party* (London: Allen and Unwin, 1979), developed through works such as R. P. Formisano, 'The concept of political culture', *Journal of Interdisciplinary History* 31 (2001).

¹⁰⁷ Such as D. Howell, *MacDonald's party: Labour identities and crisis, 1922–1931* (Oxford: Oxford University Press, 2002).

¹⁰⁸ There are strong connections with Vernon's writing on a 'cultural history of politics' and with Bevir's notions of a 'decentred' politics.

a different ‘mix’ of ingredients and displaying differing levels of engagement with conceptual and theoretical ideas.

Other contributors have less direct academic, but closer geographical, links to Peter Clarke – and perhaps fewer links to a changing intellectual climate. Clarke was one of a series of political and intellectual historians working in Cambridge on similar themes and at broadly the same time.¹⁰⁹ Although this was not a ‘school’ (nor even a ‘cluster’) these colleagues and friends sometimes taught the same courses and appeared in the same edited collections.¹¹⁰ Cambridge’s strength in intellectual history and the history of ideas from the 1970s to the turn of the new century was diffuse and eclectic. The main figures were not even in the same faculties – but the end result was certainly innovative historical writing. Several essays below demonstrate that studying ideas and their role within political and economic debate can generate innovative arguments and exciting scholarship. In the same way that liberal and social democratic ideas were often eclipsed by works on the political extremes, so the impact of the less consciously theoretical is easily passed over (or misrepresented) because it does not wear its conceptual originality on its sleeves. One aim of the collection is to suggest that this imbalance is unfortunate.

The rationale behind these essays is simple. Ideas are seen as tools; their use (like the use of the past more generally) is a powerful weapon either directly within the political context – or within a cultural world which may influence political options and reasoning. All the essays are concerned with real or imagined economic ideas and economic influences; but all question the direct and linear role of economic ideas, conflicts over economic ideology, or ‘blind’ economic forces as a *sufficient* explanation of policy differences or of conflicting political orientations. In these essays, politicians are not crowded out by economic experts, with their mastery of economic theory and complex statistics. They are leaders, with ideas and a discourse of their own. The contributors look at how ideas are refracted, tailored and utilised – consciously or unconsciously – by political writers or cultural figures. In particular, economic ideals are seen as

¹⁰⁹ Skinner, Pocock, Dunn, Stedman Jones and Cowling all taught political ideas at Cambridge. Collini moved to the Cambridge English faculty from Sussex. John A. Thompson, a colleague of Clarke’s at University College London, had earlier moved to Cambridge. He shared these interests and published on American Progressivism (see his *Progressivism* (Durham: British Association for American Studies, 1979) and *Reformers and War: American Progressive Publicists and the First World War* (Cambridge: Cambridge University Press, 1987)).

¹¹⁰ Barry Supple and Peter Clarke co-taught a Cambridge special subject entitled ‘Rethinking the modern state’. See also Furner and Supple (eds.), *The state and economic knowledge*, which contains essays by Clarke, Supple, Donald Winch and Jay Winter.

ethical (or unethical) instruments and as means of securing intellectual legitimacy. In this way, the value of ideas is reasserted, not as ‘expert’ opinion influencing events, but as mechanisms through which pre-existing orientations are given credibility and meaning. In short, political – and economic – ideas as sophisticated discourse are seen as important; but as less important than those who study their intellectual value may wish to think.

Part I puts people – individual agency – and their moral and cultural preferences back into politics. Boyd Hilton’s chapter on the differences between Gladstone and Robert Lowe, his one-time Chancellor and apparent economic ally, is a case in point. It shows how their differing approaches – both generally and to social policy in particular – were more significant than their apparently shared commitment to limiting expenditure and the economics of free trade. Indeed, they differed quite substantially on issues which raised questions about the desirable ends and nature of state intervention.¹¹¹ This does not mean that ideas were unimportant; on the contrary, in Hilton’s analysis Lowe’s actions are carefully related to contemporary intellectual debates.¹¹² Rather, it is argued that people absorbed and mixed these debates with their own preconceptions, applying them obliquely even when quite specific or narrow issues were raised.

As economic trends are global, so policies designed to cope with or control them tend to occur – and to be applied – in broadly similar ways across national boundaries. For example, the ‘Treasury orthodoxy’ much discussed by historians of Britain in the 1920s was not an ‘orthodoxy’ confined to Britain.¹¹³ Nor was it a new international development – its origins were apparent before the war. As James Thompson’s essay on debates over minimum wages in the Edwardian period demonstrates, attempts to question orthodoxy were not confined to Britain. Drawing on US material and evidence from Australia, British Progressive thinkers examined the role of minimum wages as a mechanism for economic reform – but also, significantly, as a means of delivering a standard of life which was morally defensible.¹¹⁴ At the same time, Ramsay MacDonald placed limits on intervention, not simply on economic grounds but because there were moral limits to what the state should do for the people. Economists were similarly influenced, as Thompson shows through a discussion of debates on both sides of the Atlantic.¹¹⁵

¹¹¹ See Hilton below, pp. 52–8. ¹¹² *Ibid.*, pp. 47–52.

¹¹³ R. W. D. Boyce, *British capitalism at the crossroads 1919–1932* (Cambridge: Cambridge University Press, 1987).

¹¹⁴ See James Thompson below, pp. 69–79. ¹¹⁵ *Ibid.*, pp. 63–73, 79–83.

John A. Thompson's chapter is similarly concerned with Anglo-American intellectual connections and with the role of individual agency in structuring decision-making. Thompson shows how in the United States, Progressives' doubts about intervention in the Great War reflected and paralleled the writings of British New Liberals on the origins and determinants of the conflict. Hobson's influential interpretation of the role of economic imperialism was matched by sympathy for the views of Noel Brailsford and Norman Angell, which saw the arms race and international economic conglomerates as equally responsible. Such ideas were given greater purchase by a widespread and less intellectual suspicion of the Old World. Yet these ideas also had their limitations as an influence on political actions. Thompson's explanation of how elite opinion changed contrasts with Paul Kennedy's powerful emphasis on global economic tensions as an influence on the internationalisation of the conflict and with the Progressives' own explanation of war as a reflection of US economic self-interest.¹¹⁶ Rather, he suggests that US *perceptions* of its economic strength and of its 'just' position in world affairs as a great nation, were potent influences – at least on Woodrow Wilson. Here agency becomes significant. Wilson redirected the discourse of Progressivism, suggesting that the USA had a moral duty to intervene.¹¹⁷ A new body of ideas, a new rhetoric, dominated the decision to go to war – aided by events which gave this greater purchase.

Tanner's chapter on the political and economic crisis of 1929–31 is an account of individual agency within another major crisis, and deals with some of the same people who feature in James Thompson's account of Edwardian economic debates. 'Liberal' economic ideas have conventionally been seen as a significant influence on a government damned for many years by its rejection of Keynesian alternatives.¹¹⁸ Whilst Snowden and MacDonald (like Gladstone and Lowe) are often seen as partners with a shared commitment to free trade 'orthodoxy', they were neither as united (nor as 'orthodox') as some studies would suggest.¹¹⁹ Nor did the moral approaches and policy orientations identified by Thompson simply disappear because these politicians were presented with 'expert' advice once in government. Economic advice narrowed options; it did not remove them. MacDonald and Snowden were influenced by aspects of their characters and personalities, together with a sense of what was morally right for them – and their parties – to do at a time of national crisis.¹²⁰ MacDonald's weakness as a leader, and the party's inadequacy as

¹¹⁶ John A. Thompson below, pp. 89, 93–4, 96–7. ¹¹⁷ *Ibid.*, pp. 107–10.

¹¹⁸ Skidelsky, *Politicians and the Slump*. ¹¹⁹ See Tanner below, pp. 117–19, 137–45.

¹²⁰ *Ibid.*, pp. 145–9.

a vehicle for change, turned Labour's economic problems into a political disaster.

The second part of the book looks directly at one set of ideas – those associated with Keynes. It examines the 'survival' of Liberal England by noting the ways in which Keynesian ideas have been used as political tools by a startling cross-section of political actors. The Keynesian emphasis is justified by the global attention paid to his ideas, and by the idea that a 'Keynesian consensus' lay behind the British *and* European 'welfarism' of the 1950s and 1960s.¹²¹ The essays collected here follow Clarke in drawing a distinction between the history of Keynes and the history of Keynesianism.¹²² They discuss 'the historical Keynes' (what Keynes advocated at any one moment and in any one policy context), 'Keynesianism' (the economic doctrine which Keynes developed) and 'actually existing Keynesianism' (meaning Keynesianism as it was interpreted). The result is some fascinating work on the power of Keynes's ideas, both as part of the economists' toolkit, but especially as a rhetorical device in the political war. In the first of these essays, Richard Toye shows that many Labour economists saw Keynesian ideas as a useful adjunct to, rather than a replacement for, physical controls over the economy.¹²³ Nor was this simply a generational fact, a result of Labour economists from Cole to Dalton being grounded in the economic ideals of an earlier period. In the late 1970s, when Keynesianism was challenged by the new orthodoxy of monetarism, moral aims permeated Labour's internal debates. In the 1970s, James Callaghan used a public endorsement of monetarism to develop a moral message – the need for the party to face realities – as well as to reassure international opinion. In reality much of his government's policy still had a 'Keynesian' twist.¹²⁴ Monetary stringency was initially embraced by Blair and especially Brown. However, and as Toye shows, both later made flattering references to Keynes – in part to demonstrate Labour's commitment to social spending and to features of a Labour past when they were partially moving away from Labour's policy traditions.¹²⁵

Ewen Green's chapter on the Conservatives and Keynes plays a similar role. He shows how, in the 1930s, a series of Tory intellectuals (Harold

¹²¹ See, for example, T. Cutler, K. Williams and J. Williams (eds.), *Keynes, Beveridge, and beyond* (London: Routledge & Kegan Paul, 1986); D. Marquand and A. Seldon (eds.), *The ideas that shaped post-war Britain* (London: Fontana Press, 1996).

¹²² P. F. Clarke, 'The historical Keynes and the history of Keynesianism', in T. C. W. Blanning and D. Cannadine (eds.), *History and biography: Essays in honour of Derek Beales* (Cambridge: Cambridge University Press, 1996).

¹²³ See Toye below, pp. 160–5, 177–9.

¹²⁴ K. O. Morgan, *Callaghan: A life* (Oxford: Oxford University Press, 1997), pp. 535–7.

¹²⁵ See Toye below, pp. 183–5.

Macmillan, J. W. Hills and Arthur Steel-Maitland) paid considerable attention to Keynes's economic views. Moreover, this engagement was encouraged through the Conservatives' training college, embedding consideration of such ideas in the party's future leaders.¹²⁶ The 'purchase' of Keynesian ideas for these individuals went beyond its intellectual coherence. Keynesianism was a tool with which to prise unthinking Tories from a 'deflationary fixation' – a fixation rooted in middle-class moral strictures, and institutionalised in the cultural organisations which were drawing former Liberals into the increasingly powerful world of suburban Conservatism.¹²⁷ Keynes was an ally against these 'reactionary forces'.¹²⁸ These Tory intellectuals were proudly anti-establishment. Keynes's ideas seemingly reflected their contempt for bankers and rentiers, by now an ingrained feature of dissident Tory debate, but evident since the radical Conservatism of the Edwardian period if not before.¹²⁹ As a result of these and wartime developments, Keynesian ideas were stronger in the Conservative party than one might think. Macmillan's promotion to party leader in the 1950s reinforced this strength. This was in part the popularity of an 'actually existing Keynesianism', that is Keynes understood through a Conservative filter. Indeed when the party split over economic policy in 1960–1, it came through a conflict between 'Keynesianism' and the redigested Tory Keynesianism of Reggie Maudling.¹³⁰ Green also strikingly shows that the battle for the 'real' Keynes became even more explicit thereafter. The 'real' Keynes was heralded as a Tory hero by Margaret Thatcher and her economic allies in the early 1980s, reflecting Keith Joseph's view that Keynes had been misread in the past. The 'real' Keynes, it seems, the Keynes who saw money as important, was recruited to the Tory cause.¹³¹

In many of the preceding chapters, the authors identify a great deal of intellectual interchange between the USA and the UK, with the latter influencing the former economically and in other ways as well. Nonetheless, 'Liberal England' had a semi-independent global impact – not simply through the Empire but through the power of British constitutional and economic thought. Keynes's standing in the USA, his ideas on paying for the war, and the way he was associated with the Beveridge plan,

¹²⁶ See Green below, pp. 187–98.

¹²⁷ For this world, see R. I. McKibbin *Classes and cultures: England, 1918–1951* (Oxford: Oxford University Press, 1998), pp. 94–100. The hostility to waste and extravagance is elaborated in 'Class and conventional wisdom: The Conservative party and the "public" in inter-war Britain', in R. I. McKibbin, *The ideologies of class: Social relations in Britain 1880–1950* (Oxford: Oxford University Press, 1990).

¹²⁸ See Green below, p. 194. ¹²⁹ *Ibid.*, p. 189. ¹³⁰ *Ibid.*, pp. 202–3.

¹³¹ *Ibid.*, pp. 204–6.

made him a political talisman for groups across Europe in the aftermath of the Second World War. Nonetheless, at least in Italy, there was no simple absorption of Keynesian ideas, nor a parochial rejection of them as 'foreign'. Eugenio Biagini's chapter shows that during the period of post-war reconstruction, there was much informed discussion of Keynes's ideas, both from people who looked with sympathy on his aim of reconstructing international capitalism and by those who rejected his ideas as tinkering with a capitalism which needed more substantial reform. The suitability of Keynes's ideas to an Italian context was also examined.¹³² If some argued that the scale of the economic collapse and the extent of unemployment meant there was no Italian economic structure which could be manipulated through Keynesian levers, others were concerned that in an Italian moral/political context, Keynesian ideas would become an excuse for unchecked expenditure.¹³³ Hence, although Keynesian ideas were not in the ascendant during post-war reconstruction, this does not suggest that his ideas were unimportant. Conscious decisions were taken based on a mix of ideas, political preferences, instincts and Italian circumstances. Moreover, as the economy expanded after 1953 and those embedded in an older culture passed on or evolved within a new world, Keynes became the fashionable name for policy-makers to use and misuse in their competing plans for the Italian economy.¹³⁴

The third part of the book deals explicitly with the relationship between moral perceptions and the world of economics. Stefan Collini's chapter deals not so much with the economic but with the idea of the economic in inter-war Britain. For Collini's subjects, who include literary writers as well as the socialist historian R. H. Tawney, the modern emphasis on economic prosperity as a determinant of what is good within society had created a world in which a range of positive values had been marginalised and diminished. Constructing a particular picture of the English past and its historical evolution, they saw the development of a materialistic capitalism as the root source of contemporary social evils. This view of the past was drenched in Victorian moral values. Through its permeation of inter-war British intellectual culture (and that of other countries) this historical interpretation had a remarkably deep and powerful impact. Collini's essay is thus testimony not only to the significance of the moral in determining how economic changes are perceived, but also to the importance of cultural influences on societal and, plausibly, political values.

As a result, the final section is suitably sobering. It demonstrates a repeated theme in Peter Clarke's work – that those who profess to

¹³² See Biagini below, pp. 228–44. ¹³³ *Ibid.*, pp. 228, 234 ¹³⁴ *Ibid.*, p. 243.

understand the world do not necessarily shape it as they wish. In these final essays, the public's understanding of policies – and hence the most evident 'impact' of economic ideas – is out of the control of *both* politicians *and* economists. 'Objective' economic changes may be understood subjectively in ways which alter their meaning. The implication is that in a century where economics has been presented increasingly as a predictive science, planned events do not always happen as elites intend. Economic theories and economic strategies need to be more than intellectually coherent. However sophisticated the idea, its representation determined its meaning. Barry Supple's suitably expansive chapter deals with the way that economics is invariably – in some cases unintentionally – infused with moral arguments.¹³⁵ It also demonstrates that there are often unseen moral consequences even of policies which are not constructed with this in mind, because economic ideas (and policies) often have a less significant or controlled impact than economists would like to suggest.¹³⁶ Attention is paid to macro-economic and structural changes – influenced by Britain's changing position in the international economy and by the impact of the European communities and the United Kingdom's 'European' policy – but also by the ways in which the fruits of economic growth have been used for the collective provision of welfare services and pensions. However, this does not mean that for Supple 'blind' economic forces replace economic ideas as the dynamic force in shaping events. Rather, expectations and other constructs govern how people perceive economic impacts.¹³⁷ Peoples' understanding of the impact of economic change (or ideas or policy) is determined by factors beyond the economists' control – by the 'representation' of results rather than by either the intentions of policy-makers or the 'reality' of economic outcomes.

This gap between planned intentions and eventual outcomes would hardly surprise Peter Clarke, the historian of liberal democracy. In the twentieth-century world which he has studied so concertedly, radicals from the political extremes developed clear plans for world-wide social and economic change. The results – in fascist Europe and in Soviet Russia and its satellites – were disastrous. For Clarke, even within Western democracies, the 'mechanical reformers' – those who tried to structure policy and change society with their technocratic skill – created state bureaucracies which had the opposite effect to that intended. Clarke's social democratic 'moral reformers', by contrast, sought to convert people through the purchase of their ideas rather than force the pace of

¹³⁵ See Supple below, pp. 275–8.

¹³⁶ *Ibid.*, pp. 282–91.

¹³⁷ *Ibid.*, pp. 292–6, 300–6.

change; this they (and he) argued would produce slower changes, but a potentially more lasting basis for the creation of a more just society.¹³⁸ In fact (and as many of the essays here testify) ‘moral’ intent often permeated the thinking of Labour *and* Liberal (and Conservative) thinkers and politicians. Was this the final triumph of Clarke’s ‘Liberal England’, the triumph of a ‘progressive tradition’? Whatever some politicians may claim, most historians would not see this emergence of a ‘moral’ language as the ‘Liberal’ permeation of other parties’ doctrine. Rather, they would argue that during the twentieth century there was a mixing of ideological currents, the precise blend varying between people and over time. In fact, ‘technocratic’ (or ‘mechanical’) policies were often infused with ‘moral’ aims – within the policy process, within the same party and even within the same person. Nonetheless, if politicians and bureaucrats can be persuaded to rely less on structures than on ideas, to assert the ‘moral’ ends over the ‘mechanical’ means, the twenty-first century might yet see an even stranger revival of ‘Liberal’ England – no longer the preserve of a single party or a single country, and with the meaning of these ideas determined by a very different context.

¹³⁸ The distinction between ‘mechanical’ and ‘moral’ reformers is made in Clarke’s *Liberals and Social Democrats*, pp. 5, 15–16 and in his essay ‘The social democratic theory of the class struggle’, in J. Winter (ed.) *The working class in modern British history: Essays in honour of Henry Pelling* (Cambridge: Cambridge University Press, 1983). For the influence of this distinction – and of Labour anti-intellectualism – on Clarke’s support for the Social Democratic Party in the 1980s, see his ‘Crossman and social democracy’, *London Review of Books* 16 April–6 May 1981, pp. 8–10.

Part I

Economic ideas and political leaders

1 Utilitarian or Neo-Foxite Whig? Robert Lowe as Chancellor of the Exchequer

Boyd Hilton

Peter Clarke's first book *Lancashire and the New Liberalism* luxuriated in the grassroots of politics, but insofar as it acknowledged any individual heroes they were a present and future Chancellor of the Exchequer, Lloyd George and Winston Churchill. These two were pioneers of the progressive policies that were the subject of Clarke's second book, *Liberals and Social Democrats*. His third book, *The Keynesian Revolution in the Making*, took for its context the policies of Churchill and the man who succeeded him as Chancellor, Philip Snowden. Finally *The Cripps Version*, Clarke's sixth and most recent book, is the biography of a politician best remembered as the 'austerity Chancellor'. This chapter, on two other one-time residents of 11 Downing Street, William Gladstone and Robert Lowe, is also relevant to Clarke's fourth book, *A Question of Leadership: Gladstone to Thatcher*, because along with Disraeli these were the first two 'political' Chancellors in the sense of enjoying a prestige independent of the Prime Minister of the day. Furthermore, their ambiguous relationship illustrates one of the main themes of Clarke's *oeuvre*, and also of the present volume: the way in which agreements over economic theory and policy can often mask – just as disagreements can often reflect – philosophical differences that have nothing directly to do with economics.¹

Back in the eighteenth century the offices of Prime Minister (technically the First Lord of the Treasury) and Chancellor were always combined, except when the former was a peer in which case a subordinate was needed in the Lower House, which had exclusive rights over money bills. In 1841 Peel became the first Prime Minister to sit in the Commons and not double up at the Exchequer, but even so he chose to present his government's two most important budgets, in 1842 and 1845. It was Gladstone's nine highly political budgets (1853, 1859–66) and bravura

I am grateful to Eugenio Biagini, Peter Mandler and Jonathan Parry for their helpful comments and suggestions.

¹ For the relationship between this chapter and the theme of the volume, see Introduction above, pp. 12–13, 23, 27–8, 31.

rhetoric that turned the chancellorship into what he himself described as ‘the most important office in the state’,² while the incumbent gained a further boost from the 1867 Reform Act, which created something approaching a popular electorate in the boroughs, and helped to make wealth redistribution a central political issue. From that time on it could be said that potentially every Chancellor carried a leader’s baton in his bag, hence the striking fact that eleven of the twenty-two Prime Ministers appointed ‘from Gladstone to Thatcher’ had previously served as Chancellor.³ Even more strikingly, six of the seven appointed between 1906 and 1950 did so.

It is therefore unsurprising that the two officers should have clashed so often. Some of these clashes have been ideological or at least policy-driven. For example, the tensions between Palmerston and Gladstone, which formed the central dynamic of the 1859–65 administration, involved foreign and colonial policies as well as more strictly Treasury ones. Again, when Attlee sacked Dalton in 1947, it was probably not because of his displeasure over a minor indiscretion on Budget Day, but rather because a record of tax-cutting and cheap money meant that Dalton was hardly the man to front the government’s new strategy of trying to control inflation by restraints on aggregate demand. Similarly, Thorneycroft’s resignation from the Exchequer in 1958 was a calculated *démarche* undertaken in order to try to persuade Prime Minister Macmillan that inflation could only be controlled by tough monetary policies. On the other hand, when Randolph Churchill walked out of Salisbury’s cabinet in 1886, and when Lawson left Thatcher’s in 1989, their motives seem to have been mainly personal and political. The same applies to John Major’s dealings with Norman Lamont. Having kept him on as a fig leaf following ‘Black Wednesday’ in 1992, he dumped him eight months later when the Newbury by-election made it necessary for his government to look as though it had turned over a new leaf altogether. Likewise at the time of writing it seems likely that the strife between Blair and Brown is the outcome of personal rancour rather than a battle between New and Old Labour principles.

I

What then of the clash between Prime Minister Gladstone and Chancellor Lowe? Gladstone’s first government was formed amid high expectations

² Gladstone to Lowe, 26 December 1868, Gladstone Papers, British Library Add. MS 44301 ff. 35–6.

³ Her successor, John Major, made it twelve of twenty-three.

in December 1868, but by 1873 it was deeply unpopular, while Lowe had become something of a butt or whipping boy. Gladstone responded by making himself the Chancellor of the Exchequer, which meant shunting Lowe to the Home Office, a perceived demotion albeit not a technical one. Surprisingly, historians have paid little attention to the reasons for this substitution. Perhaps the feeling has been that, since Gladstone was such a colossus in financial matters, Lowe simply did not matter very much. Whatever the reason, of Gladstone's recent biographers Roy Jenkins covers Lowe's chancellorship in a dozen lines, Colin Matthew has three pages, while Richard Shannon makes scattered references but offers no sustained analysis.⁴ There is a much fuller coverage in James Winter's *Robert Lowe*, while John Maloney's recent account of Lowe's economic policies has placed the subject on a new plane of sophistication.⁵ But none of the above writers examines the possibility that there might have been significant differences of principle between the two men, let alone any clash of ideology.

In a way this is understandable since, in stark contrast to the situation before 1850, there was a broad consensus on economic policy during the third quarter of the nineteenth century, which meant that differences were rarely, if ever, articulated in principled or ideological terms. Since 1850 the success of the free trade and dear money regime – a success owed in part to the fortuitous gold discoveries of the mid century – had put the basic tenets of orthodox political economy beyond political contention, the most basic tenet of all being to reduce the size of the state and the proportion of national revenue that went to support public services. Looked at in this light, Lowe's appointment to the Exchequer in 1868 was perfectly explicable since, as Biagini points out, he was an instinctive utilitarian and the 'sternest defender of *laissez-faire*'.⁶ His rhetoric of extreme economic orthodoxy qualified him to pose as Gladstone's *alter ego*, as did the skilful way in which he had ensured that 'payment by results' would render state-assisted education as inexpensive as possible.⁷ As for candle-ends and cheese-paring, he himself boasted shortly before his appointment that when faced with importunate lobbyists and

⁴ R. Jenkins, *Gladstone* (London: Macmillan, 1995), p. 315; H. C. G. Matthew, *Gladstone 1809–1874* (Oxford: Clarendon Press, 1986), pp. 217–18; R. Shannon, *Gladstone: Heroic minister 1865–1898* (London: Penguin, 1999), p. 59.

⁵ J. Winter, *Robert Lowe* (Toronto: University of Toronto Press, 1976), pp. 243–98; J. Maloney, *The political economy of Robert Lowe* (Basingstoke: Palgrave Macmillan, 2005), pp. 71–126.

⁶ E. F. Biagini, *Liberty, retrenchment and reform: Popular liberalism in the age of reform, 1860–1880* (Cambridge: Cambridge University Press, 1992), pp. 145, 167.

⁷ See below, p. 54.

spending ministers he would possess ‘the faculty of saying No as well as anyone’.⁸

It is true that the political world was astonished when Gladstone made Lowe Chancellor in 1868, but this was not because of any perceived incompatibility as regarded economic policy. The reason was simply that Lowe had played a key role two years previously in dividing the Liberal party, destroying Gladstone’s Reform Bill, and bringing down the Russell government. The offer of the Exchequer may have been a gesture of reconciliation, a rare example of Gladstonian emollience; it may even have betokened an appreciation of Lowe’s principled truculence on the former occasion. Whatever Gladstone’s motive, the surprising nature of the appointment may have lulled scholars into thinking that Lowe’s subsequent dismissal four-and-a-half years later was correspondingly *unsurprising* and therefore hardly worth dwelling on. The usual line has been that Lowe – despite great learning and intellectual self-confidence – was ‘politically inept’,⁹ hence the fiasco of his third budget in 1871, which was withdrawn after the female employees of Messrs Bryant & May, fearing unemployment, had demonstrated pathetically against his proposed stamp tax on the sale of matchboxes. The debacle is said to have been a savage blow to a Prime Minister who took pride in his government’s competence. ‘Hitherto . . . Lowe had performed solidly and sustained well the cherished reputation he inherited from Gladstone for the financial soundness and expertise to be expected from Liberal governments. Now the spell was broken.’¹⁰ Two years later Lowe was blamed for financial irregularities involving the Post Office and the Zanzibar mail contract, and was duly demoted. Never mind that the match-girls’ campaign was a side-show, the real animus against the budget being the proposed hike in succession duty (a policy in which Gladstone was implicated), or that in 1873 Lowe was made to carry the can for the shortcomings of departmental officials. The charges against him found favour partly because it was pleasing to think that this scourge of proletarian ‘venality’, ‘ignorance’ and ‘drunkenness’ was himself an incompetent.

Another but not incompatible interpretation focuses on policy differences between the Prime Minister and his Chancellor, while emphasising

⁸ Lowe to Lady Salisbury, 3 September 1868, in Lady Burghclere (ed.), *A great lady’s friendships: Letters to Mary, Marchioness of Salisbury, Countess of Derby, 1862–1890* (London: Macmillan, 1933), p. 197.

⁹ J. Parry, *The rise and fall of Liberal government in Victorian Britain* (New Haven, CT: Yale University Press, 1993), p. 269.

¹⁰ Shannon, *Gladstone*, p. 96.

that these were matters of degree only and not principle. To the world at large, Lowe proved to be as ‘fiercely mean’ as expected,¹¹ and duly earned himself the nickname ‘Torpedo’ for his eagerness in shooting down departmental initiatives. Expenditure was slashed while direct and indirect taxes tumbled. However, he went nothing like far enough for Gladstone, whose end-of-term report on Lowe was damning: ‘I hold that the first duties of C. of E. are to look after & control the great expenditures & estimates. In this duty I am sorry to say he was wretchedly deficient.’¹² In other words, Lowe’s bite had proved to be worse than his bark. Buoyed by a favourable economy and ‘exuberant revenues’,¹³ he had failed to slash and hack as vigorously as he had promised. It followed that, if even Lowe lacked the courage of his commitment to retrenchment, Gladstone’s only option was to sack him and make himself Chancellor.¹⁴

Only one historian has argued that Lowe made a crucial contribution to Gladstone’s first government, and that the clash between him and the Prime Minister was one of principle. Unfortunately, Timothy Morgan’s lack of impact can be gauged from the fact that his work does not figure in any citation indices, and no more than half-a-dozen scholars have consulted the deposited copy of his 1983 doctoral dissertation. In it he makes very forcibly a point that would now be uncontroversial but was novel when he made it, that is, that, despite his prominence in Commons debate and the fact that he dominated media coverage of his government, Gladstone was hardly even *primus inter pares* when it came to the making of domestic (as distinct from foreign) policy. He described his cabinet as ‘easily handled’, but in fact it handled him to such an extent that one of his junior ministers was able to refer to his ‘wonderful combination . . . of imperiousness and of deference. In the cabinet he would assume that he was nothing.’¹⁵ This was in strong contrast to Peel, who is often regarded as his mentor. Concessions to colleagues would explain why Gladstone loathed so much of his own government’s legislation, including the religious teaching provisions of the 1870 Education Act, University Tests, the Secret Ballot, and – most importantly in the present context – the

¹¹ D. Kynaston, *The Chancellor of the Exchequer* (Lavenham: Dalton, 1980), p. 32.

¹² Gladstone to Granville, 9 September 1873, in *The political correspondence of Mr Gladstone and Lord Granville 1868–1876* (London: Royal Historical Society, 1952), vol. II, p. 407.

¹³ Gladstone to Lowe, 17 February 1870, Gladstone Papers, British Library Add. MS 44301 ff. 131–3.

¹⁴ Matthew, *Gladstone*, p. 218; Maloney, *Political economy of Lowe*, pp. 110–14; J. Parry, ‘Robert Lowe’, in *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004) [ODNB], vol. XXXIV, pp. 575–80.

¹⁵ Anon., ‘Character sketch: Sir James Stansfield’, *Review of Reviews* 11 (1895), 519.

Licensing Act. These were all outcomes of departmental initiatives that Gladstone seems to have thought he was in no position to veto, despite being Prime Minister.¹⁶

Morgan's second anticipatory insight was to suggest that the secret of the government's early successes, before things went sour, was 'its effective subdivision of itself into committees'. 'These committees were sometimes formal; sometimes merely the close co-operation of men whose joint responsibilities were implicit.' Thus legislation on the Irish Church was prepared by Gladstone, Granville, Bright and Lowe; on Irish land by Gladstone, Kimberley, Fortescue and Lowe, with help from the civil servant Henry Thring; on licensing (at different times) by Bruce, Forster, Lushington, Thring, Cardwell, Goschen, Hartington, Kimberley and Lowe; on Army reform by Cardwell, De Grey, Bruce and Lowe; on University Tests by De Grey, Coleridge, Goschen and Lowe; on elementary education by Forster, Bruce, De Grey and Lowe; and on civil service reform by Cardwell, Childers, De Grey, Goschen and Lowe (though on this issue Gladstone was willingly complicit). As Morgan points out, the government's policies on Tests, education, the purchase of Army commissions and civil service reform had all previously been moved as private measures by politicians who were now in the cabinet.¹⁷ This recourse to cabinet committees paralleled the steady growth of delegated legislation, a development noted by Agatha Ramm, and the explanation was the same – that is, the increasing pressure for ever more government intervention in people's lives and the consequent huge log-jams in the cabinet and parliamentary timetables.¹⁸ The relevant point here is that the Prime Minister only participated in these cabinet committees on issues that particularly interested him, whereas Lowe, keeper of the purse-strings, was almost invariably involved. Expenditure – its level and direction – was central to Gladstone's first administration, and this inevitably made Lowe a key, and perhaps *the* key, figure.

Morgan's wider point is that Lowe was the spearhead of a principled alternative to Gladstonian liberalism, a species of radicalism of which

¹⁶ T. Ll. Morgan, 'All for a wise despotism? Robert Lowe and the politics of meritocracy, 1853–1873', unpublished PhD thesis, University of Cambridge (1983), pp. 247–9. Morgan's examiners were Peter Clarke and Richard Shannon.

¹⁷ Morgan, 'All for a wise despotism?', pp. 257–60; Earl of Kimberley, 'A journal of events during the Gladstone ministry, 1868–74', *Camden Miscellany*, vol. XXI, *Camden Third Series* 90 (1958), 2, 11, 30.

¹⁸ A. Ramm, 'The parliamentary context of cabinet government, 1868–74', *EHR* 99 (1984), 739–69. Ramm attributes this pressure for intervention to the 1867 Reform Act and a new sense by MPs that they should act as conduits for their constituents' interests, but in fact the trend owed even more to the vogues for social science and statistics, and had been setting in since the 1830s.

the guiding principle was – not utility, the concept most often associated with him – but meritocracy. Like other ‘true votaries’ – meaning MPs such as Layard, Bruce, Horsman, Otway, Goderich, Roebuck and Samuel Morley, together with civil servants such as Henry Thring and Thomas Henry Farrer – Lowe was galvanised by the evidence of aristocratic incompetence during the Crimean War. He had already been chiefly responsible for the India Act of 1853, which opened writerships to public competition. He subsequently championed administrative reform and ‘payment by results’ in school education, participated in a ‘crusade against nepotism’, and showed interest in Thomas Hare’s scheme for educational franchises as a way of palliating the movement towards democracy, which he dreaded. In this way, what had started out as a crusade for meritocracy turned into assertions of elitism. During 1868–73, according to Morgan, Lowe and his associates mounted a legislative *putsch* which, had it succeeded, might have provided a link between mid-Victorian radical politics and later Fabianism, but instead was blunted by Gladstone’s stubborn inegalitarianism. These suggestions are interesting and deserve to be taken seriously, but they will not be pursued here. For present purposes Morgan’s important insights are that Lowe was a crucial political player, and that his differences with the Prime Minister over how the country should be governed were ones of principle.

II

To say this is not to retract the view expressed above – that in terms of economic policy, which was Lowe’s direct brief, there was a widespread contemporary consensus to which he and Gladstone both subscribed. As Maloney puts it, Gladstone’s first budget had created a state of relative equilibrium in fiscal and financial policy, so that the period 1855–80 can be regarded as ‘a long punctuation mark in the massive shift from indirect to direct taxation between 1832 and 1914’.¹⁹ Some differences remained, of course, both within and between the two main political parties.²⁰ The balance between direct and indirect taxation, the question of grants-in-aid from the Consolidated Fund to local rates, the impact of emergency spending on normal budgets, the rights and wrongs of financial virement, the reform of corporate business law, and trade union regulation were among the topics that provided food for dissension. But these could all be regarded as details compared with the four main imperatives of free trade, balanced budgets, sound money and a minimal or ‘knave-proof’

¹⁹ Maloney, *Political economy of Lowe*, p. 114; Matthew, *Gladstone*, pp. 124–8.

²⁰ P. R. Ghosh, ‘Disraelian conservatism: A financial approach’, *EHR* 99 (1984), 268–96.

state (to borrow one of Peter Clarke's favourite phrases). Eventually in the 1880s, with the 'rediscovery of poverty' and the rise of the fair trade and bimetallist movements, this broad consensus on economic policy broke down, but for as long as it lasted Gladstone and Lowe were fully paid-up subscribers. Lowe might differ from Gladstone on small points, in his preference for taxes on saving for example,²¹ but on the main issues it would be hard to put clear water between them.

So much is evident. The problem with this interpretation is that it confuses ends and means. For Gladstone the fiscal minimal state was a *telos*, a final culmination, and one that he personally had come to embrace by a roundabout path, whereas for Lowe it was a premise, arrived at *a priori*, and did not exhaust the sum of his aspirations for governance. What those other aspirations were will emerge, but it should be made clear now that the aim of this chapter is not to set Lowe up as a prototype of Peter Clarke's New Liberals. His commitment to individualism and *laissez-faire* was absolute. The point is rather that his approach to governance in the round was less mechanical than Gladstone's. One reason for this was that the two men had arrived at the classical political economy consensus by different routes, and sprang from traditions which – before the budget settlement of 1853 – had been in serious conflict.²² Once their different histories are taken into account, and also their divergent fears about the future, the antagonism between them takes on greater significance.

At this point it is necessary to look back to the way in which battle lines had been drawn during the second quarter of the nineteenth century, when Gladstone and Lowe were in their prime, and before the political economy consensus was arrived at. Throughout that time the Conservative party had been racked by divisions over taxation, tariffs, banking, industrial regulation and poor relief. On one side there was a liberal Tory-cum-Peelite tradition, based on non-interventionism and a belief that citizens should be made to stand on their own feet in a system that offered them free scope to exercise social market choices. Governance could be reduced to a few simple rules, which would be policed in a mechanical way by bureaucrats (though no more of them than was strictly necessary). The harsh Victorian poor law based on minimal welfare provision was a central plank of this liberal Tory tradition, much more so than it was of the Whig tradition, even though – for reasons

²¹ M. Daunton, *Trusting Leviathan: The politics of taxation in Britain 1799–1914* (Cambridge: Cambridge University Press, 2001), pp. 100, 168–74.

²² There is not space here to develop the point, but it is essential to the argument that the budget settlement of 1853 should be seen as a political coup (with intellectual consequences) rather than an inherently intellectual one.

which cannot be elaborated here – the notorious codifying legislation of 1834 was introduced by a Whig government.²³ On the other side were interventionists, sometimes loosely called High and Ultra Tories, who (as Anna Gambles has shown) proffered a powerful counter-weight to classical economic policy. It included protection to native industry, fiscal attempts at what would now be called social engineering, physical control of the money supply, ‘real bills’ banking, tariff-based diplomacy and colonial preference.²⁴ High and Ultra Tories thought that persons in authority – whether Treasury officials, poor law guardians, judges, JPs, bankers or diplomats – should exercise a managerial discretion in their several spheres of operation, as distinct from bureaucrats mechanically applying rules. Meanwhile social, as distinct from economic, policies hardly figured on the Conservatives’ agenda. Most were reluctant to initiate educational schemes or curb industrial abuses, and only mavericks like Shaftesbury took much interest in issues such as climbing boys and ragged schools.

Disputes over state intervention, and over how far it should be allowed to interfere with free market *laissez-faire* policies, had also dogged the Whig-Liberal party during the 1830s and 1840s, but in a different way. Whereas the Conservative party was mainly divided on economic policy, most Whigs and Liberals were agreed on the need for sound money, restrictions on poor relief, and free trade (including Corn Law repeal). What divided them was rather social policy, notably public health and education or what might be called the ‘Russell agenda’. On the one hand there were those whom Peter Mandler calls ‘Foxite Whigs’ – Russell himself, Morpeth, Duncannon and Normanby – who were keen to advance speedily on these fronts by means of royal commissions and similar centralised bodies, and who were conscious of the potential of applied science for solving social problems.²⁵ Lined up against them were colleagues such as Althorp, Poulett Thomson and Lansdowne whom Mandler calls ‘Liberals’ or ‘moderate Whigs’. Some of the latter opposed social intervention and its likely cost to tax and rate payers altogether, while others clung doggedly to the rights of localities to decide such matters for

²³ By a nominally Whig government, that is, but really by a coalition government in which liberal Tories carried a disproportionate weight in regard to economic policy. P. Mandler, ‘The making of the New Poor Law redivivus’, *Past & Present* 117 (1987), 131–57; B. Hilton, *A mad, bad, and dangerous people? England, 1783–1846* (Oxford: Oxford University Press, 2006), pp. 309–46, 588–99.

²⁴ A. Gambles, *Protection and politics: Conservative economic discourse, 1815–1852* (London: Royal Historical Society, 1999).

²⁵ I am indebted here to Joe Bord’s work in progress on the scientific approach to governance of many Liberals and Whig Liberals.

themselves.²⁶ Summing up in terms of governance, these free market ‘Liberals’ had more in common with liberal Tories than with ‘Foxite Whigs’. Similarly ‘Foxite Whigs’ had much in common with High and Ultra Tories, but whereas the former endorsed centralisation and pan-national legislation, High Tories only favoured intervention on a local basis. Then again, most High Tories restricted their hopes for government intervention to what might be called crisis management – monetary policy, diplomacy, judicial process, ‘keeping the show on the road’ in other words – whereas ‘Foxite Whigs’ were prepared to intervene in order to promote progress and social evolution. To complete the circle, free market ‘Liberals’ such as Althorp agreed with ‘Foxite Whigs’ about social progress, but thought that it could only be achieved when liberated and energised citizens were able to exercise individual choice.

Gladstone arrived at the political economy consensus of the 1850s via the liberal Tory-cum-Peelite route. Lowe was only two years younger, but his provenance is harder to pin down. He obviously belonged to the ‘Liberal’ side of the main party political divide, but as will be evident by now that label by itself says little about his philosophy of government. Moreover, the fact that he had spent most of the politically defining decade of the 1840s in Australia²⁷ means that he arrived at the political economy consensus without trace, giving his career an air of mystery which has puzzled historians as it did contemporaries. He is often taken for a latter-day utilitarian or Benthamite, in which case his approach to governing would have had much in common with that of liberal Tories, though the tone and underlying philosophy would have been less moralistic. However, his reactionary stance on parliamentary reform sits oddly with the idea of him as a Radical, Benthamite or otherwise. It seems much better, in fact, to identify Lowe as a ‘Foxite Whig’ in the sense defined above, notwithstanding his contempt for aristocratic Whigs as a group.

If Gladstone is seen as a former Peelite Conservative Tory and Lowe as a ‘Foxite Whig’ *manqué*, then the two men could be expected to agree on free market economic policies, but one would expect Lowe to support a much more active social policy. For some reason, however, the rash of high-profile social legislation that characterised the late 1840s (for example, the Ten Hours and Public Health Acts) came to a halt soon afterwards, stopped in its tracks perhaps by Gladstone’s first budget in 1853.

²⁶ P. Mandler, *Aristocratic government in the age of reform: Whigs and Liberals 1830–1852* (Oxford: Oxford University Press, 1990). For a compelling application of Mandler’s analysis to a particular locality, see Ben Weinstein, ‘Shopkeepers and gentlemen: the Liberal politics of early-Victorian London’, unpublished PhD thesis, University of Cambridge (2006).

²⁷ He was abroad until 1850 and did not become an MP until 1852.

Its disappearance privileged economic over social policy, and enabled Lowe and Gladstone to seem at one. Nevertheless, the fact that they had arrived by different routes was significant, and was almost certainly relevant to their later disagreements.

III

With one notable exception, to be discussed below, historians have agreed that politicians during the ‘mid-Victorian boom’ (c. 1850–73) were notably unconcerned about such nitty-gritty issues as the material condition of the people or conflicts between different sectional interests. Unlike the earlier Ten Hours Movement and the Anti-Corn Law League, for example, the ‘faddists’ and pressure groups of the 1850s and 1860s – for example, the National Education League, the United Kingdom Alliance, the Ladies’ Association against the Contagious Diseases Act, and the Liberation Society – were devoted to moral rather than economic reforms.²⁸ Among politicians generally the great and abiding issues of concern were now parliamentary and institutional reform, civil rights, ecclesiastical and denominational disputes, foreign policy and moral *causes célèbres* such as the Governor Eyre and *Alabama* affairs, and later the Bulgarian atrocities. Meanwhile the Liberal party’s hegemony encouraged a belief in natural market forces and the minimal state, which meant that any attempts at social reconstruction were thought likely to be self-defeating. As John Vincent explained in a groundbreaking volume:

When the Liberals spoke with deep feeling on the condition of the people, their words did not bear the obvious construction: they were not talking of [illiteracy, alcoholism, ill health, bad housing, poverty], but of something quite different. Hence their deep feeling, which referred to what they felt were the moral and political forces which had built up the economy . . . [Their] creed . . . was that nothing acted so powerfully on the condition of the people as peace, retrenchment, and free trade. By applying themselves to these issues, men like Gladstone and Bright felt themselves true philanthropists and great social reformers, without even having to consider social questions proper.²⁹

For all his attempts at empathy, Vincent was writing in the welfarist 1960s and so could not but disapprove of this approach to government. ‘Liberal conduct of foreign affairs, of administrative reform, and in constitutional

²⁸ D. A. Hamer, *The politics of electoral pressure: A study in the history of Victorian reform agitations* (Hassocks: Harvester Press, 1977); D. A. Hamer, *Liberal politics in the age of Gladstone and Rosebery: A study in leadership and policy* (London: Oxford University Press, 1972).

²⁹ J. Vincent, *The formation of the Liberal party 1857–1868* (London: Constable, 1966), p. 244.

reform, is hard to censure by their own standards except in details. But in this field of social policy, the charge made against the Liberals is clear and general: the wealth of the age did little to reduce the numbers of those in misery.³⁰ Likewise Paul Smith, commenting on the Conservative party, argued that its ‘interest in, and grasp of, social problems was extremely limited. It had no shadow of a social policy: the conditions of mid-Victorian politics did not require it – or its opponents – to produce one. For nearly twenty years social questions had been in the background of politics.’³¹

This was all in stark contrast to the previous twenty years (1830–50) when issues such as taxation, public spending, the currency, corn laws, poor laws and factory conditions had figured prominently in parliamentary debate, and conversely when the outcome of political decisions had impacted materially on the lives of ordinary citizens. The same was true during the last twenty years of the century, when fair trade, taxation, industrial strikes, poverty and social welfare came firmly back on to the agenda. From these perspectives the priority given to political reform, denominational disputes and civil rights issues between 1850 and 1880 was exceptional, and was seen to reflect benign material and social conditions, following the distress and tensions of earlier decades, and prior to the long economic downturn that set in after the peak of 1873.³²

If there really was this retreat from social policy after 1850, economic amelioration might well supply an explanation, but what evidence did Vincent have to suggest that it took place at all?

A look at any representative political publications such as the *Annual Register*, *Hansard*, or the *Parliamentary Papers*, will show that political attention was fixed chiefly on foreign affairs, finance, defence, Reform, and Church affairs. Simply regarded as a fraction of time spent and attention given, social questions hardly entered into general politics.³³

The problem with this is Vincent’s slide from what might fancifully be called the signifiers (*Annual Register*, *Hansard*, or *Parliamentary Papers*) to the thing signified (political attention). According to Lawrence Goldman, the ‘notable exception’ among historians alluded to above,³⁴ there was

³⁰ Vincent, *Formation*, p. 241.

³¹ P. Smith, *Disraelian Conservatism and social reform* (London: Routledge & Kegan Paul, 1967), p. 30.

³² M. Bentley, *The climax of Liberal politics: British Liberalism in theory and practice 1868–1918* (London: Edward Arnold, 1987), p. xiv.

³³ Vincent, *Formation*, pp. 241–2.

³⁴ Goldman’s contribution has been generally saluted, but its implications for Victorian political history have not yet been thoroughly registered. This may be due to the long time lag between its initial suggestive appearance in article form and its later substantiation

in fact an intense interest in social reform during these two decades, but it went unseen because historians had been looking for it in the wrong place. Instead of at Westminster and its mouthpieces, they should have looked to the National Association for the Promotion of Social Science, founded by Brougham, Russell and Stanley and meeting for the first time in 1857. This Social Science Association (SSA) was an ‘alternative parliament’ in which the more dutiful type of politician joined forces with civil servants, ‘academics’, lawyers, scientists, economists and leisured gentlemen to constitute a self-appointed clerisy. Trade unionism, banking, working-class saving, women’s property, education, public health, sanitation, housing, crime, the judiciary, lunacy, juvenile delinquency, prison conditions – all these and other topics were investigated by the SSA, and a great deal of mid-Victorian legislation on such matters originated there.³⁵ It was in effect an unofficial civil service at a time when the state was in payroll terms famously minimal.³⁶

It might seem surprising that the Westminster parliament should have been willing to delegate such important activities to the self-appointed busy-bodies of the SSA. Whatever the explanation, it would almost certainly *not* have done so had the SSA sought to spend taxpayers’ money, redistribute wealth or extend the boundaries of the central state. However, the SSA was confident that it could improve the condition of the poor without doing any of these things. It followed that ‘the Association’s schemes might occasionally be controversial, but they were not a challenge to an accepted model of the relation of state and society’, not a challenge in other words to orthodox political economy.³⁷

One reason for the SSA’s confidence was that these were decades in which a very great deal of private capital was being mobilised for social benefit, much as in the United States of America today. Reformers could therefore forget about having to raise money from taxpayers, and concentrate on improving laws and modes of administration in order that these private resources might be utilised efficiently. Exemplary in this regard was the work of Octavia Hill, who raised funds to buy insanitary dwellings which she then arranged to have cleaned and ventilated. Female rent collectors acted as social workers, and tenants who failed

in a monograph. L. Goldman, ‘The Social Science Association, 1857–1886: A context for mid-Victorian Liberalism’, *EHR* 101 (1986), 95–134; L. Goldman, *Science, reform, and politics in Victorian Britain: The Social Science Association 1857–1886* (Cambridge: Cambridge University Press, 2002).

³⁵ The work of the SSA suggests answers to two once-puzzling questions: where did the reforming impulse of ‘Foxite Whigs’ in the 1830s and 1840s go to, and where did the Disraeli government’s sudden burst of social reform initiatives in 1875–76 come from?

³⁶ Goldman, *Science, reform, and politics*, pp. 266–8. ³⁷ *Ibid.*, p. 269.

to pay their dues or respond to their opportunities were reluctantly but sternly evicted. Investors hoped for 5 per cent on their capital, and any return above that amount could, at the tenants' discretion, be put towards educational, cultural or recreational amenities such as playgrounds and sewing classes. 'The number of tenants and houses grew, as, exponentially, did the "fellow-workers" – those who volunteered for rent collection or put money or property into the scheme . . . Those who provided funds or practical support ranged from royalty to City financiers, from conscientious aristocrats to leading figures in the worlds of literature and the arts. Her support snowballed year by year.'³⁸

The title of the Charity Organisation Society (1869) provides a suitable motto to describe the ethos of the period; however, the operative word is not 'charity' but 'organisation'. Philanthropy had been just as much a feature of elite behaviour during the first half of the century, but then it had often been deliberately unsystematic, with as much focus on the efforts and motives of the giver as on the plight of the recipient. Offered as an atonement for the possession of earthly wealth, it had to be performed personally and if possible spontaneously rather than in a routine manner,³⁹ whereas after 1850 the rage was all for 'scientific philanthropy'. In explaining the latter concept, historians often emphasise the dislike of indiscriminate giving, the belief that recipients should be 'carefully targeted and efficiently supervised', but in this respect there was no difference from the attitudes of earlier decades. The real significance of 'scientific philanthropy' was that charitable expenditure should be efficient, reliable and predictable, even if that meant merely directing one's accountant to divert a fixed proportion of one's income to impersonal organisations. As for possible selfish motives, the search was now for public esteem rather than personal redemption. This method of dealing with the social problems of an advanced industrial society was abandoned towards the end of the century, partly because investigators such as Booth and Rowntree revealed its practical inadequacies, and partly because the onset of depression put paid to philanthropy and eventually forced the state to introduce unemployment insurance, old age pensions and school meals. This in turn meant using tax-payers' money, which at once politicised the situation, since it then became a matter of whether direct or indirect taxes should bear the brunt – that is to say, which sections of the community. In such a situation there was no longer any role for extra-parliamentary bodies like the SSA.

³⁸ G. Darley, 'Octavia Hill', in *ODNB*, vol. XXVII, p. 166.

³⁹ B. Hilton, *The age of atonement: The influence of evangelicalism on social and economic thought, ca. 1785–1865* (Oxford: Clarendon Press, 1988), pp. 73–114.

Goldman writes about a ‘parallelism between the SSA and the Liberal party’,⁴⁰ and claims that the former ‘filled the gap’ between high cabinet manoeuvring and grassroots liberal politics. This may be slightly exaggerated, given that prominent Conservatives such as Northcote, Pakington, Hicks Beach, Shaftesbury and Stanley all participated in the SSA; that nine of fifteen members of its Sub-Committee on State Medicine were Conservatives; and that the Conservative Public Health Act of 1875 was much more in tune with the Association’s thinking than the corresponding Liberal legislation of 1872.⁴¹ Goldman is almost certainly right to say that Gladstone was ‘the SSA’s favourite statesman’, and it is also the case that several of his ministers in the 1868–74 government had been involved in the organisation, including Bruce, Lowe, Ripon, Forster and Hatherley. However, Goldman has to concede that Gladstone himself displayed ‘studied ambivalence’ in his relations with the Association, declining several invitations while accepting others but hogging the limelight at fringe meetings of his own. Goldman’s explanation is that Gladstone was feeling his way politically, seeking to gauge the direction of public opinion before committing himself wholeheartedly, which Goldman not very convincingly suggests he finally did do in 1868. ‘Eventually a Gladstone who had accepted his new political role and learnt how to use his extra-parliamentary following, came openly to the SSA as the acknowledged “foremost statesman of the day”.’⁴²

However, it seems more likely that Gladstone’s ambivalence was based on principle rather than politics. Born way back in 1809 and schooled by Peel, he was ideologically more attuned to the moralism of the first half of the century, meaning that his opposition to public spending was based not merely on a belief that money should be allowed to ‘fructify’ in the pockets of savers, but *just as importantly* that welfare reforms should not be allowed to undermine the ‘manly independence’ of the populace. He remained unfashionably wedded to the ‘sound and wise’ principles of the 1834 New Poor Law, which had put a stop to the ‘subtle poison’ of dependency,⁴³ and from 1869 onwards he strongly supported Goschen in ‘the most sustained attempt ever made to reduce outdoor relief’.⁴⁴ As a result the numbers receiving such assistance fell from 917,890 in 1871 to 571,982 in 1877. Equally telling was Gladstone’s opposition to his

⁴⁰ Goldman, *Science, reform, and politics*, pp. 80–3.

⁴¹ Likewise, the Conservatives’ Royal Sanitary Commission of 1868 was more favourable to the SSA viewpoint than its Liberal equivalent in the following year. *Ibid.*, pp. 190, 193, 195–6.

⁴² *Ibid.*, pp. 76–8; Goldman, ‘Social Science Association’, 120.

⁴³ Hilton, *Age of atonement*, p. 359.

⁴⁴ T. J. Spinner, Jr, ‘George Joachim Goschen’, in *ODNB*, vol. XXII, p. 1025.

own government's Licensing Act. A political motive is most often cited – namely Gladstone's wish not to be mown down at the next election by a 'torrent of beer and gin' – but as usual principle counted for more. He still adhered to the doctrine, promoted by the British and Foreign Temperance Society during the 1830s and 1840s, that the only way to cure alcoholics was to expose them to temptation through a free trade in liquor,⁴⁵ and to attack the individual conscience by a process of religious and moral exhortation. The general view back then was that legislative coercion to prevent a person from drinking could never effect a genuine cure. However, the BFTS was wound up in 1848, to be replaced by the London Temperance League (1851) and the United Kingdom Alliance (1853), both of which organisations were devoted to collective measures of prophylaxis such as licensing and prohibition.⁴⁶ Their campaign led on to Bruce's Licensing Act of 1872, which Gladstone disliked not so much on secular or constitutional ('Better England free than England sober') grounds but because a former evangelical and Peelite like himself could not believe that self-improvement was possible without an inner process of conversion and conviction. Hence his instinctive (not 'studied') ambivalence towards the SSA. Insofar as its efforts tended to foster individual responsibility – for example, its role in promoting the Post Office Savings Bank in 1861 and the Government Annuities Act of 1864 – Gladstone approved. These were 'institutional initiatives to help people to help themselves: the funds were theirs, but the state might play a constructive role in facilitating self-help'.⁴⁷ But all too often the SSA's recommendations spilled over into what Gladstone (with a shudder) called 'construction', and which would now be called the actions of a nanny state.

IV

Once it is appreciated that social policy was, after all, a factor in political calculation, it becomes much easier to see why Gladstone and Lowe should have found themselves at loggerheads. For whereas the former had a pathological hatred of the nanny state, Lowe took a close interest in the work of the Law Amendment Society and then in that of the SSA, despite his much quoted disparagement of social science in the abstract. This is why it matters that Gladstone had formerly been a Peelite Conservative whereas Lowe cleaved to the 'Foxite Whig' tradition. They might

⁴⁵ Bruce reflected, 'Unfortunately Gladstone cares for nothing but "free trade" [in liquor]'. J. Morley, *The life of William Ewart Gladstone* (London: Macmillan, 1903), vol. II, p. 390.

⁴⁶ B. Harrison, *Drink and the Victorians: The Temperance question in England, 1815–72* (London: Faber & Faber, 1971), pp. 179–218.

⁴⁷ Goldman, *Science, reform, and politics*, p. 268.

have agreed on economic policy and in their dislike of monopolists and preferentialists, and that might have been sufficient to create harmony between them in the surface world of Westminster politics, where issues of social reform were largely excluded from consideration. But it was obvious to many that the concerns of the SSA were those of the future, and Lowe's instinctive interventionism in such matters was always going to be a source of tension.

Admittedly, if what divided them had merely been the question of *how much* money the state ought to spend on social issues, then one might conclude that the difference between them was only one of degree, but as the above analysis suggests it cut deeper than that. There was a principled tension between the ideal of an administrative state and the ideal of a managerial state, and anterior to that was a contrast of cosmologies. Liberal Tories and Peelites had supported the mechanical application of fixed laws and rules because they assumed that the world itself was like a machine, with many moving parts and much repetitive action but ultimately static and unchanging. 'Foxite Whigs', on the other hand, with their progressive and evolutionary views, saw the need for intervention to guide society forward. What was needed was not a rule-bound, paper-pushing bureaucracy but 'statesmen in disguise', with discretion to interpret changing conditions and apply intelligent remedies. Now it is true that by the 1860s almost everyone, even a former Peelite like Gladstone, had come over to the Whig view that societies were in a state of progressive evolution. Gladstone talked freely about 'the great social forces that move upwards and onwards in their might and majesty', and he accepted that laws needed continual updating in order to register moral and physical progress. However, he continued to believe in the rule of positive (and preferably statute) law, that is to say he envisaged periods of rest punctuated by moments of significant advance. It was an application to human affairs of the palaeontologist Richard Owen's 'Peelite compromise' in science, whereby evolutionary jumps were thought to occur at intervals between moments of stasis.⁴⁸ Similarly, for Gladstone, human laws needed to be improved periodically, but at any one point in time the existing laws should continue to be applied as it were bureaucratically. All of which was anathema to Lowe, whose description of India as 'the land of bureaucracy' was not meant admiringly.⁴⁹ In true 'Foxite Whig' fashion he believed in the application of expertise, managerial

⁴⁸ A. Desmond, *The politics of evolution: Morphology, medicine, and reform in radical London* (Chicago: University of Chicago Press, 1989), pp. 22–3, 318–19, 355–8; Hilton, *A mad, bad, and dangerous people?*, pp. 459–60.

⁴⁹ Lowe to Gladstone, 28 August 1869, Gladstone Papers, British Library Add. MS 44301 ff. 73–5. For Lowe's belief in man as a progressive being, caught between environment and heredity, see Morgan, 'All for a wise despotism?', p. 52.

talent and discretionary wisdom, even if this meant bending rules at the margin.

As Vice-President of the Board of Education at the Privy Council (1859–64), Lowe had special responsibility for public health as well as education, and, as Parry notes, he later proved remarkably generous to both services as Chancellor.⁵⁰ Admittedly his approach to education was ambiguous and to begin with highly mechanical. As late as 1858 he was still arguing that this was a case where supply could not create demand. It was therefore not enough for the state to provide education; the poor had to relish it as much as they craved alcohol, and the best way to make them relish it was to make working-class jobs dependent on educational attainment, as was beginning to happen with upper- and middle-class employment.⁵¹ Then in 1862 he was responsible for the ‘revised code’ which, being based on the three Rs and payment by results, was sufficiently bureaucratic and mechanical to meet with Gladstone’s approval. Although the immediate consequence was to reduce the Treasury grant to schools by one quarter in just four years, the system of payment by results was, as Lowe promised and Parry confirms, ‘potentially opened’. It is often supposed to have been educationally dehumanising as well, a nineteenth-century anticipation of present-day SATS and league tables, but this is probably unfair since, despite many shortcomings, it liberated pupils from an earlier pedagogy based almost exclusively on religious and moral indoctrination.⁵² Later, following the extension of the franchise in 1867, Lowe gave up on the voluntary system and became a vigorous proponent of compulsory education for the working classes.⁵³ Historians have rarely given him much credit for this, since his motive is thought to have been tainted – based as it was on a need ‘to compel our masters to learn their letters’ – but this is beside the point. Lowe never presented educational opportunity (or anything else) as an inalienable natural right. Rather it was a matter of good government and social need. He and Gladstone could agree on the need for the Education Act of 1870, albeit not on the details, but most interestingly Lowe followed up that Act by sanctioning an increase in the complement of schools inspectors, and a doubling of the number of assistant secretaries in the Education Department.⁵⁴ His emphasis now was on inspection rather than examination, on the application of experience and expertise rather than mechanism.

⁵⁰ Parry, ‘Lowe’, in *ODNB*, vol. XXXIV, p. 579.

⁵¹ Lowe in House of Commons, 21 June 1858, *HC Debs*, CLI, 148–50.

⁵² For a balanced assessment, see D. Vincent, *Literacy and popular culture: England, 1750–1914* (Cambridge: Cambridge University Press, 1979), pp. 87–93.

⁵³ R. Lowe, *Primary and classical education* (Edinburgh: no publisher, 1867), pp. 1, 8–10.

⁵⁴ Parry, ‘Lowe’, in *ODNB*, vol. XXXIV, p. 579.

Lowe's contribution to national health was even greater and less ambiguous, mainly thanks to his 'intimate' and 'creative' relationship with Sir John Simon, who was Medical Officer to the General Board of Health (1855–59) and then of the Privy Council (1859–76), and was also closely linked with the SSA.⁵⁵ Lowe had not shown much interest in health previously, but according to the standard account by Royston Lambert, he 'underwent in the first few weeks of his contact with Simon, something of a sanitary conversion'.⁵⁶ Simon himself has been described as 'the personification of preventative medicine',⁵⁷ having been galvanised into action by the cholera outbreak of 1854. He was behind Lowe's Public Health Act of 1859, which *inter alia* provided for the compulsory vaccination of children, and sought to mitigate future epidemics by giving the government powers which his biographer claims would seem 'draconian' even today. In 1866 the two men combined to introduce 'the first primitive form of grants-in-aid to the local health authority for purely preventative purposes',⁵⁸ thereafter they fought to make the provisions of the same year's Sanitary Act compulsory rather than permissive. Likewise on issues such as water purification and waste disposal, 'Lowe entirely lost his anti-statist inhibitions'.⁵⁹ Later, as Chancellor, he overrode Treasury officials in acceding to Simon's request for five new permanent general health inspectors, and he also encouraged scientific research into the environmental and occupational causes of disease.⁶⁰

From 1868 to 1873 . . . most applicants for new appropriations trembled at the thought of confronting the terrible Lowe and his even more terrible subordinate, Ralph Lingen.⁶¹ But all was cordiality where Sir John Simon was concerned. Repeatedly the chancellor of the exchequer overruled the fanatical Lingen over Medical Office requests. Simon got in instalments most of what he wanted: more staff, more money, and more independence.⁶²

Indeed, it seemed to many of their contemporaries that Simon and Lowe were seeking to establish 'state medicine' at the taxpayers' expense.

Lowe's commitment to spending on health is beyond question, but even more important is the way in which he wished the money to be spent.

⁵⁵ Simon's previous political minder, Lord Morpeth, provides a link back to the 'Foxite Whiggism' of the Melbourne and Russell governments.

⁵⁶ R. Lambert, *Sir John Simon 1816–1904 and English social administration* (London: MacGibbon & Kee, 1963), pp. 277, 413–14.

⁵⁷ S. Sheard and Sir L. Donaldson, *The nation's doctor: The role of the Chief Medical Officer 1855–1998* (Oxford: Oxford University Press, 2005), p. 3.

⁵⁸ Lambert, *Sir John Simon*, p. 363. ⁵⁹ Winter, *Robert Lowe*, pp. 152–6.

⁶⁰ Lambert, *Sir John Simon*, pp. 448–52.

⁶¹ Permanent Secretary to the Treasury (1869–85) and formerly Permanent Secretary to the Education Department (1849–69).

⁶² Winter, *Robert Lowe*, p. 156.

A vital sub-plot in the story is the battle between Simon and the man who had preceded him in the role of 'archetypal public servant', Edwin Chadwick. There were personal reasons for their rivalry, since Simon's appointment as Medical Officer came on the back of Chadwick's dismissal from the post of Board of Health Commissioner in the previous year. But there were equally important policy differences as well. For although Chadwick was just as committed to the cause of public health as Simon, just as much of an environmentalist, just as preventative in his approach and just as centralising, he was also an arch-bureaucrat who believed in standardised rules and regulations which workers on the ground should simply apply, and he hated doctors because they were ground-workers whose scientific knowledge gave them a claim to interpret facts as they found them, and to bend their remedies accordingly. Resisting such claims, Chadwick insisted that drainage and sanitation rather than medical expertise was the high road to public health. He was confident that engineers, unlike self-opinionated doctors, would merely inspect, report and act in accordance with his detailed instructions and specifications as to how sewers should be constructed.

Lowe, by contrast, not only gave his Medical Officer money but gave him his head as well. On being appointed to the Privy Council in 1859, almost the first step he took was to make Simon's position permanent, defying a wave of penny-pinching opponents, many of whom wanted to close the General Board down altogether. It meant that Simon now had considerable freedom of action. He enjoyed what his biographer calls a position of 'privileged immunity' from his political masters,⁶³ he could ignore red tape and interest groups alike, he could appoint his own subordinates (thus by-passing the Government's normal patronage networks), he could 'initiate his own inquiries' and he was able to issue extra-parliamentary orders by taking advantage of the Privy Council's powers of delegated legislation. His underlying philosophy, moreover, was music to Lowe's ears but must have infuriated Chadwick. He argued that the sanitary problem 'should be submitted in its entirety to some single department of the executive, as a sole charge . . . There should be some tangible head, responsible not only for the enforcement of existing laws, such as they are or may become, but likewise for their progress from time to time to the level of contemporary science, for their completion where fragmentary, for their harmonisation where discordant.'⁶⁴ In consequence, as Lambert remarks, 'the three great strides of 1864–66

⁶³ Lambert, *Sir John Simon*, p. 283.

⁶⁴ J. Simon, *Reports of the Medical Officer of Health for the City of London* (1854), xxvii, quoted in Sheard and Donaldson, *The nation's doctor*, p. 4; Winter, *Robert Lowe*, p. 153.

had nothing systematic about them'. Simon was a supreme opportunist, his preference being for 'administrative rather than legislative means of realising policy'. Lowe himself described the Medical Officer's role as quasi-judicial.⁶⁵

As already indicated, Gladstone's cast of mind was more like Chadwick's than Simon's or Lowe's.⁶⁶ And while it would be going beyond the evidence to conclude that he *intended* to cut the Medical Officer down to size after becoming Prime Minister, that was certainly the consequence of his decision to appoint James Stansfeld to the post of Financial Secretary to the Treasury in 1869, and then President of the Poor Law Board in 1871. When the Local Government Board was established in August of that year, Stansfeld became its President, while John Lambert, formerly chief at the Poor Law Board, was its first Permanent Secretary. Both men were ferocious cost-cutters and, what was even worse from Simon's point of view, Stansfeld was advised by Chadwick, who now took his opportunity for revenge. With the 1871 Local Government Act the lay bureaucrats took charge once more, Simon's discretionary powers were clipped, he was increasingly 'marginalised' and public health was 'subsumed . . . within the wider – and longer established – ideology of the Poor Law Board'.⁶⁷ Lowe tried but failed to protect Simon's position, and eventually, in 1876, Simon resigned.⁶⁸

Goldman has related this struggle between 'medical specialists' and the bureaucrats of 'the lay secretariat' to doctors' concerns about their professional status, and more widely to the ongoing process of middle-class formation.⁶⁹ Meanwhile Lambert, Sheard and Donaldson have told Simon's story from the point of view of an incipient but thwarted national health service. The relevance here is what it says about Lowe. The latter still believed in the fundamental tenets of political economy and market choice, but like the 'Foxite Whigs' of an earlier generation, and unlike

⁶⁵ Lambert, *Sir John Simon*, pp. 279, 372–3; 19 July 1859, *HC Debs*, CLV, 15.

⁶⁶ Though it would be more accurate to say 'his *current* cast of mind'. Back in the 1830s Gladstone had also thought that governance should be in the hands of a clerisy of experts exercising discretion. However, he had since rejected that approach, and now conceived of 'the tone of the state' as 'mechanical'. D.C. Lathbury (ed.), *Correspondence on Church and Religion of William Ewart Gladstone* (London: John Murray, 1910), vol. I, p. 72.

⁶⁷ Sheard and Donaldson, *The nation's doctor*, p. 11; Lambert, *Sir John Simon*, pp. 518–23, 537.

⁶⁸ Harold Perkin has correctly identified Simon as one of several 'professional' administrators who trusted in 'factual enlightenment', 'feedback' and 'legislative theory'. However, he omits the link with Lowe, sees Simon as following in Chadwick's footsteps rather than diverging from them and is mainly concerned with the struggle (not touched on here) between centralisers and localists. H. Perkin, *The origins of modern English society 1780–1860* (London: Routledge & Kegan Paul, 1969), pp. 319–39.

⁶⁹ Goldman, *Science, reform, and politics*, pp. 182–9, 193.

the ideologues of the Anti-Vaccination Society, for example, he became convinced of the need for positive social reform. Yet how could the centre legislate effectively for such a geographically diverse society as the United Kingdom? Rather than making legislation ever more complicated to take account of varying local circumstances, and then leaving it to be interpreted by mindless bureaucrats, Lowe preferred that discretion should be delegated to scientists, professionals and other types of expert.

V

What then was really at issue between Prime Minister Gladstone and Chancellor Lowe, causing the latter to lose his job? It cannot simply have been a political battle, since Lowe had no ambition to be Prime Minister, the two men felt no personal animosity, and when the time came Gladstone handled Lowe's 'demotion' to the Home Office with compassion, his demission more sorrowful than angry.

I think the clearness, power and promptitude of your intellect are in one respect a difficulty and a danger to you. You see everything in a burning, almost a scorching light . . . [But] does not its intensity darken the surroundings? By the surroundings I mean the relation of this thing not only to other things, but to persons, as our profession obliges us constantly to deal with persons. In our profession flesh and blood are strong and real if extraneous elements, and we cannot safely omit them from our thoughts.⁷⁰

But this was so much Gladstonian dust in the eye. The implication was that Lowe was brilliant but hopelessly doctrinaire and unable to cope with the crooked timber of humanity. Yet in reality Gladstone was the greater ideologue of the two. More telling was Gladstone's comment to Granville that Lowe had been 'wretchedly deficient' in holding down public expenditure, the immediate cause of Gladstone's wrath being Lowe's reluctance to bear down on the defence and military budgets. This point became something of an obsession with Gladstone, but since both men believed in retrenchment it was a difference of degree rather than principle. More significant was the fact that Lowe was willing to spend money in such a way (for example, on health and education) as to preclude the need for citizens always to make their own life choices, to coddle them in other words and put at risk their 'manly independence'.

Gladstone's sensitivity on this point may explain a curiosity in his conduct of the *Alabama* affair. For three years his ministry was dogged by the United States government's claim for compensation for the fact that

⁷⁰ Gladstone to Lowe, 13 August 1873, Gladstone Papers, British Library Add. MS 44302 ff. 144-5, quoted in Winter, *Robert Lowe*, p. 295.

British officials had mistakenly allowed a British-built Confederate ship to escape from the port of Liverpool, from whence she had proceeded to inflict damage on the Union fleets.⁷¹ Most of the cabinet ministers (backed up by the Tories, the press and public opinion) wanted to send the Yankees packing. To their dismay, however, Gladstone from the outset and Lowe after a moment's hesitation resolved to submit to arbitration at Geneva, which effectively meant meeting the claim, even though they agreed that it was wholly unjustified. Then at a late stage in the negotiations, just when it looked as though all was settled, Gladstone exasperated the cabinet even further with a proposal 'to pay the whole *Alabama* indemnity out of this year's revenue' – faster, that is, than the Americans were asking for it. 'He was with difficulty persuaded out of this unseasonable display of financial puritanism', commented Kimberley drily.⁷² It might seem far-fetched to suggest that Gladstone would rather throw taxpayers' money at the Americans than give it to Lowe to give to Simon to give to medical officers to use in such a way as to prevent the necessity for individual citizens to stand on their own feet in matters of how to style their lives. But then Gladstone *was* far-fetched on such issues. Having appointed himself Chancellor of the Exchequer in Lowe's place, he chose to fight the 1874 election on a single issue: abolition of the income tax. No doubt there was a valid case to be made for shifting the balance of taxation, but since Gladstone neglected to make it, the voters could only conclude that major spending cuts would have to follow. The defence and military budgets were in the immediate firing line, but the subliminal message of Gladstone's abolitionist manifesto was that, if he were re-elected, there would be no nanny state.

This was undoubtedly the view from Gladstone's window, yet in hindsight it may be suggested that a still more significant difference between the two men was that Lowe was willing to delegate discretionary powers to suitably trained and expert state officials, whereas Gladstone believed in the rule of laws that merely had to be administered. This divergence illuminates a number of minor rows and failed initiatives that assailed Lowe as Chancellor. For example, there was a spat in 1869 when Gladstone proposed to allow evicted Irish tenants compensation for the 'improvements' they had made to their holdings over the years. Lowe very reluctantly accepted this breach of political economy in view of the urgent need to pacify Ireland,⁷³ but argued strongly for the appointment of judicial 'courts of conscience and conciliation', with retrospective powers

⁷¹ For the details, see Winter, *Robert Lowe*, pp. 279–82.

⁷² Kimberley, 'A journal of events', 37 [5 April 1873].

⁷³ Maloney, *Political economy of Lowe*, pp. 65–6.

to decide individual cases. Since they would follow no 'formal procedure' and be 'bound by no technical rules of evidence', such courts could examine every aspect of each case and award compensation on equitable grounds, not just for improvement but for any other circumstance that might help to decide 'what is fair and just between man and man'. To guide their decision-making they could be furnished with 'some good moral ideas, which . . . should yet be more general and more *plastic* than the rules of positive law'. '*I think this sort of judicial dictatorship very much preferable to any attempt to remodel the law.*' It does not shake the foundation of property, but broadly recognizes the rights of the landlords, while it controls their alleged abuses.⁷⁴ Even more striking were Lowe's proposals to relax the rigidly mechanical rules that Peel had devised in his Bank Charter Act of 1844 for tying the issue of paper money to the amount of bullion deposits. In 1870 he proposed to transfer control over issues to the Mint. The significant point was not the transfer of that privilege from an independent Bank of England to a government department, since Peel himself would have done the same if political circumstances had permitted, and Gladstone too was sympathetic to the idea; the significant point was rather that the Mint was to have discretion with regard to breaching the legal fiduciary limit, at least in moments of crisis. 'We should have the support of the currency doctors', Lowe promised.⁷⁵ The proposal ran into the sand, and two years later he suggested instead that the Bank directors should retain their privilege, but should themselves be permitted to breach the fiduciary limit when necessary. Both suggestions harked back to the managerial monetary policies of the earlier nineteenth century, before the reforms of Huskisson and Peel. Another more modest instance was Lowe's repeated wish to remove the responsibility for commercial negotiations with other countries away from Board of Trade officials, who he thought would act according to policy guidelines, or worse still at the behest of special interests, and hand it over instead to intellectually minded personnel in the Foreign Office, persons who could think at the margin, and who would act in the service of the national interest as they divined it.⁷⁶ Once again it exemplified his overriding belief in the disinterested application of intellect to problems, as against the Treasury-minded Gladstone's instinctive bureaucratism.

⁷⁴ Lowe to Gladstone, n.d. and 29 September 1869, Gladstone Papers, British Library Add. MS 44301 ff. 86–92; 44611 f. 93; Lowe to Kimberley, 14 October 1869, Kimberley Papers, MS Eng. b204, Bodleian, Oxford (italics added).

⁷⁵ Lowe to Gladstone, 28 October 1870, Gladstone Papers, British Library Add. MS 44301 f. 156.

⁷⁶ Lowe to Gladstone, 26 July 1869 and 17 February 1870, Gladstone Papers, British Library Add. MS 44301 ff. 58–9, 164–7.

This difference of approach could kick in even when the two men were on the same side in cabinet, as they were in agreeing to international arbitration on the *Alabama* affair. For Gladstone the important point was to establish 'a good prospective system [of] rules for international law in the future'. That way a humiliating concession of \$15 million in the short term would bring Britain long-term gains.⁷⁷ He was therefore greatly offended when Lowe, in a speech at Glasgow, castigated the British negotiator for rambling on about procedures and precedents. Lowe too approved of the arbitration on the grounds that an *ad hoc* exercise in mutual self-interest was exactly how international disputes ought to be settled, but he had no time for formal rules and procedures, describing the law of nations as 'no law at all', merely something that the arbitrators had dreamed up.⁷⁸

Though the difference was never articulated in so many words, Gladstone clearly thought that ministers and officials should be accountable for carrying out laws to the letter, whereas Lowe saw the need for a modicum of legislative 'plasticity'. The distinction had nothing to do with economic theory or policy, and its importance can only be understood in a wider intellectual context. A particularly pertinent guide to the latter was provided by Harold Perkin nearly forty years ago.⁷⁹ According to Perkin, what has here been called the 'political economy consensus' of the 1850s marked the final defeat of an older 'aristocratic ideal' (clerical, humanist, fundamentally paternalist) by a more bustling 'entrepreneurial ideal' based on bourgeois, scientific, utilitarian and individualistic values. Lowe was firmly in the entrepreneurial camp against the aristocrats, and that is where Perkin places him in a single reference, but his true significance is rather to have embodied another ideal, the 'professional'. According to Perkin, this third ideal emerged from within the 'entrepreneurial ideal' and helped to undermine it. However, it was at least as much an inheritance from the aristocratic and scientific 'Foxite Whigs' of the earlier nineteenth century. No wonder Gladstone and Lowe could not see eye to eye, despite so many economic ideas in common.

⁷⁷ Matthew, *Gladstone*, pp. 186–8. ⁷⁸ Winter, *Robert Lowe*, p. 282.

⁷⁹ Perkin, *Origins of modern English society*, pp. 218–339.

2 Political economy, the labour movement and the minimum wage, 1880–1914

James Thompson

In 1974 Peter Clarke published a celebrated paper on the progressive movement in England. The article began with the modest proposal that ‘American historiography can . . . suggest valuable lines of analysis which have not been fully applied to Britain’. In particular, it was claimed, the study of American progressivism disclosed the need to pay due attention to the role of ideas in the history of social reform. In characteristically mischievous fashion, the author noted that ‘it would not, perhaps, be fair’ to say ‘that in England we purposely write history with the ideas left out’.¹ The paper proceeded to address this lacuna through an examination of how British progressives defined their relationship with organised labour through their ideas. As such, it enunciated a developing interest in the place of ideas in political history; more specifically, it expressed a deep and enduring engagement with the politics of economics and the relationship between social democrats and the labour movement.²

This chapter shares these concerns. It focuses upon a political question that raised large economic issues and sparked a complex debate amongst progressives and the labour movement. It draws too upon the Anglo-American comparison highlighted by Clarke’s paper. As historians have increasingly recognised, transatlantic traffic played a significant role in the development of ideas about social policy in the pre-1914 period.³ In the case of the minimum wage, as Hart and Skocpol have noted, links between British and American reformers were manifold.⁴ This chapter is

¹ P. F. Clarke, ‘The progressive movement in England’, *TRHS* 24 (1974), 159.

² P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978); P. F. Clarke, *The Keynesian revolution in the making* (Oxford: Clarendon Press, 1988).

³ D. T. Rodgers, *Atlantic crossings: Social politics in a progressive age* (Cambridge, MA: Harvard University Press, 1998); M. Stears, *Pluralists, progressives and the state* (Oxford: Oxford University Press, 2002).

⁴ T. Skocpol, *Protecting soldiers and mothers: The political origins of social policy in the United States* (Cambridge, MA: Harvard University Press, 1992); V. Hart, *Bound by our constitution: Women, workers and the minimum wage* (Princeton, NJ: Princeton University Press, 1994).

primarily directed towards exploring British developments, but it does so in part by comparing and connecting the United Kingdom and the United States. The focus is firmly upon the political and economic debate, and especially the relationship between reforming political economists and organised labour.

The material below falls into four sections. The first traces the trajectory of arguments about the minimum wage amongst liberal intellectuals and political economists in Britain. Attention then turns to labour attitudes to the living wage. The third part develops the comparison with the United States. The final section deals with the Edwardian political debate about the minimum wage.

I

Debate within political economy about the viability and value of minimum wages must be located within the larger context of changes in thinking about distribution. By the middle of the nineteenth century, the wage fund doctrine was used as an argument against the efficacy of trade unions as much as a macro-economic claim about labour's overall share of the national product.⁵ The demise of the wage fund doctrine in the 1860s and 1870s led to a growing emphasis upon the indeterminacy of the wage bargain. Political economists increasingly stressed the role of higgling in shaping levels of pay. Institutional factors, notably the relative bargaining power of trade unions and employers' federations, played an important explanatory role. Accounts of industrial disputes also attributed considerable significance to 'public opinion' in the determination of outcomes.⁶

This kind of framework was widespread in British political economy in the last three decades of the nineteenth century. Acknowledgement of indeterminacy, most elegantly espoused by Edgeworth, was common.⁷ The analysis conferred legitimacy upon trade unions as a means of reducing the inequality in bargaining power between capital and labour, building upon older defences of the necessity of combination amongst workers. Granted a degree of contingency about remuneration, much emphasis was placed upon the economic advantage of high wages. The argument was made, often accompanied by an appeal to the authority of Adam

⁵ J. Vint, *Capital and wages: A Lakatosian history of the wage fund doctrine* (Aldershot: Edward Elgar, 1994).

⁶ J. Thompson, 'The idea of "public opinion" in Britain, 1870–1914', unpublished PhD thesis, University of Cambridge (2000), pp. 277–332.

⁷ F. Y. Edgeworth, *Mathematical psychics: On the application of mathematics to the moral sciences* (London: Kegan Paul, 1881), pp. 29–30, 44–5.

Smith and the empirical research of Thomas Brassey, that high wages resulted in enhanced productivity.

As Petridis has observed, high-wage theory commanded significant support in the last decades of the nineteenth century.⁸ In his early work especially, Marshall gave considerable credence to the role of higher wages in raising productivity.⁹ This was in part an argument based upon the brute physical need for greater food inputs, but it also reflected the belief that the mental stimulation afforded by greater leisure rendered workers better able to perform the supervisory tasks essential to an economy founded upon craft skill rather than assembly-line production.¹⁰ Claims about the intellectual benefits of high wages, and the importance of 'human capital', came to be combined with arguments about social justice and cohesion to defend the living wage. Activists who appealed to high-wage theory to defend minimum wages were thus drawing upon well-established argumentative resources.¹¹ As we shall see, some political economists, notably Pigou, challenged cruder forms of high-wage theory, but the importance of such considerations in debates over the minimum wage is clear.

Conventional wisdom about wage rates granted a role to trade unions, but it did so within limits. Profitability and the demands of superintendence circumscribed the scope for wage rises. Debate inevitably centred on the question of the level and explanation of existing wage rates. The discovery of poverty in the 1880s has been extensively discussed in the last thirty years.¹² Research into living standards, particularly that of Booth and Rowntree, undoubtedly had a significant impact. The existence of extremely low wage rates, particularly for homework, had been

⁸ A. Petridis, 'Brassey's law and the economy of high wages in nineteenth-century economics', *History of Political Economy* 24, 4 (1996), 583–606. For similar views among German Anglophiles, see J. Thompson, '“A nearly related people”: German views of the British labour market, 1870–1900', in D. Winch and P. K. O'Brien (eds.), *The political economy of British historical experience, 1688–1914* (Oxford: Oxford University Press, 2002), pp. 93–119.

⁹ A. Marshall, 'A fair rate of wages', preface to L. Price, *Industrial Peace* (London: Macmillan, 1887), reprinted in A. C. Pigou (ed.), *Memorials of Alfred Marshall* (London: Macmillan, 1925), p. 225.

¹⁰ For high-wage arguments, see A. and M. P. Marshall, *Economics of industry* (London: Macmillan, 1879), pp. 200–2.

¹¹ There is a lengthy discussion of attitudes to trade unions and high-wage theory in J. Thompson, 'The reception of Lujo Brentano's thought in Britain, 1870–1900', working paper, Centre for History and Economics, King's College, Cambridge.

¹² G. Stedman Jones, *Outcast London: A study in the relationship between classes in Victorian society* (Oxford: Clarendon Press, 1971); E. P. Hennock, 'Poverty and social theory in England: the experience of the eighteen-eighties', *Social History* 1 (1976), 67–91; E. P. Hennock, 'Concepts of poverty in British social surveys from Booth to Rowntree', in M. Bulmer (ed.), *The social survey in historical perspective* (Cambridge: Cambridge University Press, 1991), pp. 189–216.

highlighted in the 1840s and 1850s – in the work of Mayhew, amongst others – but the ‘discoveries’ of the 1880s reached a broader audience and achieved a higher profile. This was, in part, simply because they came later. Widely accepted narratives about working-class progress, deeply inscribed in the popular liberalism of the 1860s and 1870s, were challenged by the survival of industries paying so poorly.¹³ The elevation of the working-class standard of living and the growth of trade unionism were revealed as limited in scope. Discussion of ultra-low pay in the 1880s often focused upon the role of the middleman in driving down wages, indicting a traditional villain for radicals. This conception of sweating, as the survival of the eighteenth century into the contemporary world, as Tawney would later put it, did not disappear, but it was challenged by an increasing emphasis upon the modernity and obduracy of extreme low pay.¹⁴

Poverty surveys popularised the use of sample budgets to arrive at numerical definitions of the subsistence wage.¹⁵ The ‘plea’ for the living wage would draw heavily upon the authority of ‘scientific’ investigation in determining the required level of earnings.¹⁶ Revelations about the scale and severity of hard-working poverty required explanation. Debates about sweating in the 1890s and 1900s demonstrate sharp difference over its causes, character and scope.¹⁷ It is important to acknowledge, however, that growing recognition of its compatibility with industrial modernity extended into some conventional, even canonical, political economy. In his classic textbook of the science, Sidgwick took the persistence of extreme low pay as one example of how rational individual actions could produce enduringly suboptimal aggregate outcomes.¹⁸ Similarly, Pigou’s work acknowledged the persistence of sub-market wages, resulting from tradition and custom, which might require an externally imposed solution.¹⁹

¹³ On narratives of progress in popular Liberalism, see E. F. Biagini, *Liberty, retrenchment and reform: popular Liberalism in the age of Gladstone* (Cambridge: Cambridge University Press, 1992).

¹⁴ R. H. Tawney, *Studies in the minimum wage: The establishment of minimum rates in the chain-making industry under the Trade Boards Act of 1909* (London: G. Bell, 1914), p. 5.

¹⁵ For instance, M. Pember Reeves, *Round about a pound a week* (London: G. Bell, 1913).

¹⁶ For example, P. Snowden, *The living wage* (London: Hodder and Stoughton, 1912), p. 39.

¹⁷ The work of Sheila Blackburn is important here. See S. Blackburn, ‘Ideology and social policy: the origins of the Trade Boards Act’, *Hj* 34 (1991), 43–64; S. Blackburn, ‘Working-class attitudes to social reform: Black Country chainmakers and anti-sweating legislation, 1880–1930’, *International Review of Social History* 33 (1988), 42–69; S. Blackburn, ‘Employers and social policy: Black Country chain-masters, the minimum wage campaign and the Cradley Heath strike of 1910’, *Midland History* 12 (1987), 85–102.

¹⁸ H. Sidgwick, *Principles of political economy* (London: Macmillan, 1883), p. 407.

¹⁹ A. C. Pigou, ‘A minimum wage for agriculture’, *Nineteenth century and after* (1913), reprinted in *Essays in applied economics* (London: Frank Cass, 1965), p. 53.

The best-known argument of Sidgwick's *Principles* is perhaps his account of the redistributive implications of the law of diminishing utility. Predictably, Sidgwick argued there were many qualifying considerations, but more radical advocates of both progressive taxation and the minimum wage drew upon the utilitarian case for redistribution. It was Pigou in *Wealth and Welfare* who would develop Sidgwick's insight into a form of welfare economics. Pigou founded his analysis upon Marshall's notion of the national dividend, and argued that, in the normal course of things, the state of the national dividend, and that of the real earnings of the poor, would be equivalent. The distinction between wealth and welfare, allied to expectations of diminishing utility, implied the desirability of a more equal resource distribution.²⁰ The question Pigou analysed so carefully was whether and how this might be achieved. As we shall see, Pigou's interest in eliminating sub-market wages did not extend to support for an 'artificial' minimum wage. Direct transferences through taxation were better calculated to promote economic welfare than indirect transferences through wages.²¹ The point to note here, however, is the footholds offered by an embryonic welfare economics to those wishing to challenge market idolatry and to defend redistribution.

Opposition to wage floors reflected a variety of perspectives. Individualist objections to state interference in the market would recur, with diminishing frequency, throughout the period. The claim that some wages were unnaturally low aroused resistance from opponents of the doctrine that exchange might constitute robbery.²² Central to the dispute was the impact of raising wages upon employment. Edwin Cannan in the pages of the Oxford Christian Social Union's *Economic Review* summarised many of the key points in a sharply phrased review of A. J. Carlyle's study of *Wages*. Carlyle offered an account of wage levels in which enhanced efficiency resulted from improved remuneration.²³ Cannan suggested, however, that the ensuing increased output would reduce commodity prices. It was, he suggested, far from clear that an ensuing increase in sales would compensate for the fall in price. The only way round this was to restrict the numbers employed in low-wage industries so throwing some out of work.²⁴ In debates about the minimum wage, questions of prices and employment were crucial.

Concern about the impact on commodity prices of statutory minimum wages recurred throughout late nineteenth and early twentieth century

²⁰ A. C. Pigou, *Wealth and welfare* (London: Macmillan, 1912), pp. 293–4.

²¹ *Ibid.*, pp. 349–50.

²² For examples of this, see the discussion of Edwardian parliamentary debates in section IV.

²³ A. J. Carlyle, *Wages* (London: A. R. Mowbray, 1912), *passim*.

²⁴ E. Cannan, 'Dr Carlyle on wages', *Economic Review* 23 (1913), 189–90.

debates. Proponents of the minimum wage often pointed to profits as a possible source of greater earnings for workers. A more sophisticated version of this was to link the minimum wage to measures to restrict rental incomes.²⁵ It was also argued that productivity gains would eliminate the need for employers to raise prices. Price rises were, however, also sometimes defended in productionist terms. Perceived trade-offs between producer and consumer interests were integral to the developing debate about the minimum wage. Discussion was both protracted and involved. One line of argument was that the gains to very low paid producers outweighed the minor increase in costs to better-off consumers. Anti-sweating campaigners echoed older radical distinctions between the body of producers and the larger population of consumers which included, as Cadbury and Shann observed, 'both wage-earners and non-wage earners'.²⁶ The question of *who* would pay higher commodity costs received various answers. In the 1906 catalogue of the anti-sweating exhibition organised by the *Daily News*, contributors insisted that sweated goods were purchased by all classes of the community, even the richest.²⁷ By contrast, opponents of the minimum wage, notably Helen Bosanquet, suggested that sweated goods were bought only by the poorest, who would be hit hard by price rises.²⁸ Pigou, revealingly, drew heavily upon Bosanquet's views in his discussion of the issue.²⁹ However, Pigou also analysed the contribution of wages to production costs, concluding that, with the clear exception of coal-mining, this was often lower than commonly suggested.³⁰ Radical tariff reformers focused in particular on the position of exporters and the role of foreign competition, urging the necessity of excluding sweated imports and providing tariff support for industry.³¹

Economists like Pigou and Cannan recognised the need to assess elasticity of demand in gauging the impact of minimum wage laws. Given artificial wages, highly elastic product demand would increase the elasticity of the demand for labour. The danger was that the institution of

²⁵ This move was made in Land Enquiry Committee, *The Land – the report of the Land Enquiry Committee* (1913), vol. I: *Rural*, p. 62.

²⁶ E. Cadbury and G. Shann, *Sweating* (London: Headley Bros., 1907), p. 123.

²⁷ R. Mudie Smith (ed.), *Sweated industries: Being a catalogue of the 'Daily News' exhibition* (London: Burt, 1906).

²⁸ There is a useful discussion of Bosanquet's views in A. M. McBriar, *An Edwardian mixed doubles: The Bosanquets versus the Webbs: a study in British social policy 1890–1929* (Oxford: Clarendon Press, 1987), esp. p. 125.

²⁹ Pigou, *Wealth and welfare*, pp. 332–3. ³⁰ *Ibid.*, pp. 323–4.

³¹ See E. H. H. Green, *The crisis of Conservatism: The politics, economics and ideology of the British Conservative Party, 1880–1914* (London: Routledge, 1995), pp. 257–8; E. H. H. Green, *Ideologies of Conservatism: Conservative political ideas in the twentieth century* (Oxford: Oxford University Press, 2002), pp. 88–9, 91–3. For an example of this argument being made in Parliament, see *HC Debs*, 13 March 1913, col. 488.

minimum wages would increase unemployment. In examining the impact of productivity gains, Cannan noted the issue of demand elasticity, though here elasticity of demand would lead to an increase in sales resulting from a decrease in prices.³² Pigou and Cannan's concern about unemployment was exacerbated by their scepticism about the availability of productivity gains due to improved remuneration.³³ Many critics of minimum wage legislation, including a number on the political left, feared that less efficient workers would be unable to justify their earnings and would consequently lose their jobs.

Attitudes varied, however, to the prospective unemployed. Questions of gender and views of the poor were at the heart of such differences.³⁴ Fabians particularly insisted that workers unable to earn the minimum wage should be extracted from the labour market, where their presence served merely to depress the wages of the more able. A clearer separation was required between the (fully) employed and the unemployed, and a new approach needed to the latter. Throughout the debates, the intermittently employed male worker was castigated as a debased engine of reduced wages in the trade. Such views were apparent in analyses of dock labour in the 1880s, and firmly enshrined in the categories of Booth's massive study of London life and labour. Female homework was equally unwelcome to many on the left. For many Fabians and trade unionists, a male breadwinner model was apparent in the desire to secure a living wage to men and to exclude female homeworkers from the labour market. This was, however, a matter of considerable dispute. Pigou suggested that a 'fairly strong case' could be made out for so regularising the labour market, but other economists, and some on the left like Margaret MacDonald, emphasised the value of work, however poorly paid, to the individuals concerned.³⁵

In the analytical framework adopted by Pigou, poor remuneration amongst the 'lowest grades of casual and unskilled labour' reflected the operation of non-economic factors in producing a permanent excess in numbers assembled. In this peculiar segment of the labour force, normal wages were less than efficiency merited.³⁶ His diagnosis of low pay amongst agricultural labourers emphasised the tyranny of custom,

³² Cannan, 'Dr Carlyle on wages', 185.

³³ *Ibid.*, 190; Pigou, *Wealth and welfare*, pp. 342–3.

³⁴ Much important work on the history of minimum wages has focused upon the issue of gender. See Hart, *Bound by our constitution*, and S. Blackburn, "'No necessary connection with homework": gender and sweated labour, 1840–1909', *Social History* 22 (1997), 269–85.

³⁵ Pigou, 'A minimum wage for agriculture', p. 58; M. MacDonald, 'Sweated industries and wages boards', *Economic Journal* 18 (1908), 143.

³⁶ Pigou, *Wealth and welfare*, p. 331.

and the dominance of the extra-economic.³⁷ Whereas labour within the economy as a whole could be analysed in terms of perfect mobility, the same was not true of low-grade labour. This separation was fundamentally challenged by more heterodox economists, such as J. A. Hobson and the Webbs.

Hobson and the Webbs recommended different versions of the minimum wage, but the arguments they developed were often combined by its champions. At the anti-sweating conference organised in the wake of the *Daily News* exhibition, Sidney Webb summarised the sections of *Industrial Democracy* devoted to the national minimum. It was left to Hobson to illuminate the impact of the minimum upon employment.³⁸ Both offered analyses that departed in important ways from Cantabrigian convention; but where Hobson usually pointed up such differences, the Webbs, perhaps in keeping with the doctrine of permeation, rarely missed an opportunity to highlight common ground with economic authority.

Both Sidney Webb and J. A. Hobson participated in the extension of the theory of rent evident in the burgeoning Anglo-American economic journals of the late 1880s and early 1890s. In their earliest work, all factors in production were held to have a margin of cultivation and departures from this were explained as a form of rent or surplus.³⁹ Hobson's article outlining 'the law of three rents' was regarded as closely akin to the work of J. B. Clark, but he became an insistent critic of the trajectory of marginal productivity theory and especially its neglect of monopolistic considerations.⁴⁰ By the end of the 1890s, Hobson was examining the scope for bargaining offered by the monopoly rents of scarcity and highlighting differentials in negotiating power.⁴¹ In *Work and Wealth*, published in 1914, Hobson had identified marginalism as the modern mathematical incarnation of 'the simple system of natural liberty'.⁴² Where marginalist analysis rested upon mobility, divisibility and statical

³⁷ Pigou, 'A minimum wage for agriculture', p. 53.

³⁸ National Anti-Sweating League, *Report of conference on a minimum wage* (London: Co-operative Printing Society, 1906).

³⁹ S. Webb, 'The rate of interest and the laws of distribution', *Quarterly Journal of Economics* 2 (1888), 188–208; J. A. Hobson, 'The law of the three rents', *Quarterly Journal of Economics* 5 (1891), 263–88.

⁴⁰ 'The law of the three rents' was published alongside J. B. Clark's 'Distribution as determined by a law of rent'. The editor of the *Quarterly Journal of Economics* drew attention to their similarities. See R. E. Backhouse in his edition of J. A. Hobson, *Writings on distribution and welfare* (London: Routledge, 1992), p. vi.

⁴¹ J. A. Hobson, 'The element of monopoly in prices', *Quarterly Journal of Economics* 6 (1891), 1–24; J. A. Hobson, 'The economics of bargaining', *Economic Review* 9 (1899), 20–41.

⁴² J. A. Hobson, *Work and wealth: A human valuation* (London: Macmillan, 1914), p. 172.

equilibrium, Hobson detected the ubiquity of unproductive surplus. As with rent from land, all forms of surplus were both economically functionless and socially constituted.⁴³ Indeed, the scale and character of surplus led to irregularity of production and threatened the capacity of the economy even to cover the costs of maintenance, as the prevalence of sweating made clear. Hobson acknowledged the capacity of collective bargaining to raise wages, but drew attention to those outside its pale. Similarly, while he gave credence to high-wage theory, he insisted that it provided no magic solution to the problem of the profitability of sweating for some employers.⁴⁴

The Webbs famously scrutinised the origins of low pay in *Industrial Democracy*. Having dispensed with the wage fund and Malthusianism, modern conventional wisdom was summarised in terms of marginal productivity and rents. The main focus was upon the indeterminacy of the wage bargain, especially in the real economic world of combination rather than perfect competition.⁴⁵ In characteristic fashion, the Webbs urged economists to study industrial structure in order to understand the higgling of the market.⁴⁶ Close examination revealed, they suggested, the advantages of trade union methods. While workers were systematically disadvantaged *vis-à-vis* capitalists, the latter sought escape from the tyranny of the consumer in the creation of monopoly. Where the capitalist could not maintain prices, sweating offered the possibility of reducing wages. Those workers lacking the power of combination to maintain and elevate a definite standard of life faced the prospect of marginal wages.⁴⁷

The capacity of trade unions to establish the common rule played a key role in the regulated trades. In addition to augmenting the efficiency of workers, wage minima compelled employers to innovate in their use of capital, whether through new machinery or superior organisation. Higher wages placed greater demands on business talent, rewarding the able and penalising the inefficient employer. Potentially, rent would be appropriated by workers. Regulated industries attracted human capital away from the unregulated trades. Unregulated trades might become, as the Webbs put it, parasitic.⁴⁸

The notion of parasitism was perhaps the Webbs' most distinctive contribution to economic discussion of the minimum wage. It proved both influential and controversial. Parasitism was outlined by analogy with the bounty, whereby an industry was subsidised by the community. Trades that failed to meet the needs of the workforce were dependent upon

⁴³ Hobson, *Work and wealth*, pp. 180–9. ⁴⁴ Hobson, *Work and wealth*, pp. 179, 197.

⁴⁵ S. and B. Webb, *Industrial democracy*, 2nd edn (London: Longmans, 1911), pp. 618–53.

⁴⁶ *Ibid.*, p. 655, f2. ⁴⁷ *Ibid.*, pp. 658, 662, 676, 686. ⁴⁸ *Ibid.*, pp. 721–39.

other trades to sustain human capital. The Webbs cited Mill's account of American slavery, with its reliance upon replenishing the stock, which he compared to an industry in receipt of a bounty. The damage done by parasitism was said to far exceed that wrought by sugar bounties abroad. Parasitical trades were a warped expression of modern industrial arrangements which, unchecked, would grow, damaging self-supporting trades and reducing the national product. The only solution was to institute a minimum wage, so extending the remit of the common rule and eliminating sweating.⁴⁹

The arguments of the Webbs, particularly about parasitic industries, attracted criticism from the more orthodox. Writing in the *Economic Journal*, Lees-Smith argued that there was no supply of unpaid labour since 'the wage depends on the net product of labour'.⁵⁰ This was, however, precisely what the doctrine of the surplus denied; wages reflected marginal productivity modified by rent rather than net product. Marshall's own objections to the Webbs' use of his views were detailed in later editions of the *Principles*. He stressed the rarity of genuine rents of ability, and sought to clarify the conditions of irremediable scarcity and the absence of substitutes central to rent.⁵¹ Similarly, he sought to correct the Webbs' reading of marginalism, urging that the net product 'to which the wages of the normal worker approximate' was 'the net product of a worker of normal efficiency'. Generalisations from the least efficient worker misunderstood marginalism; the factors shaping normal wages were as well understood by taking the highly efficient worker as the marginal case. For Marshall, normal wages reflected 'net product graduated according to efficiency'.⁵² Nor was he enamoured of their 'faulty' doctrine of parasitism. Marshall's brief comments seem primarily concerned with female homework. He stressed that the family was often the unit of labour mobility and that the incomes of its members had to be viewed in the aggregate.⁵³ In his analysis of the impact of the common rule, he worried particularly that strict interpretations of its meaning would lead to the ejection of less efficient workers, such as elderly men, from the workforce. For the Webbs, however, this was precisely one of its virtues.⁵⁴

⁴⁹ *Ibid.*, pp. 749–66.

⁵⁰ H. B. Lees-Smith, 'Economic theory and proposals for a legal minimum wage', *Economic Journal* 17 (1907), 509.

⁵¹ A. Marshall, *Principles of economics*, 9th variorum edn (London: Macmillan, 1961), vol. I, pp. 577–9.

⁵² *Ibid.*, pp. 705–6. ⁵³ *Ibid.*, p. 715, fl.

⁵⁴ For Marshall on wages of elderly men, see *ibid.*, pp. 707–8. Contrast with S. and B. Webb, *Industrial democracy*, pp. 717–18 on 'sentimental' objections.

Marshall suggested that proponents of a minimum wage for the residuum underestimated its drawbacks, particularly its impact on employment. There was, however, much in Marshall that was grist to the Webbs' mill. Marshall emphasised the significance of sticky supply factors in fixing the price of labour, and discussed the growth of an unskilled residuum with its low standard of life.⁵⁵ Much attention was paid to the role of bargaining in determining wages, and the weakness of labour, particularly those without skill or organisation, was highlighted.⁵⁶ The approximation of market to normal price operated more gradually than for other factors. Combination and monopoly played a distinct role in the relations between capital and labour.⁵⁷ Recognising the limitations of static analysis, Marshall explored the operation of dynamic factors, repeatedly noting the generally beneficial impact of higher wages upon efficiency.⁵⁸

If parasitism was the Webbs' most influential heresy, then underconsumptionism was, of course, Hobson's equivalent. As Peter Clarke has shown, the causes and impact of underconsumption in Hobson's economics changed subtly over time.⁵⁹ The living wage was one means of addressing the demand deficiency in the economy. It has been rightly noted that support for Hobson's views was greater in the United States and on the left than amongst liberals.⁶⁰ Further support for this assessment is provided below. It is clear, though, that underconsumptionist doctrines played a genuine role in the extra-parliamentary debate about sweating after 1900.

Hobson and the Webbs endorsed different versions of the minimum wage. Hobson, like his fellow New Liberal L. T. Hobhouse, proposed a living wage, varying geographically and by occupation, set at a level to foster functional civic engagement.⁶¹ The Webbs advocated a lower subsistence minimum across the whole industrial field. All portrayed wage floors as both equitable and efficient. Minimum wages would redistribute part at least of the surplus towards workers.

The verdict of the economists upon the minimum wage was more complex than is sometimes recognised. There was undoubtedly stronger and wider support for solutions aimed at particular industries rather than

⁵⁵ Marshall, *Principles*, vol. I, pp. 714–15. ⁵⁶ *Ibid.*, pp. 559–69.

⁵⁷ *Ibid.*, pp. 573–4, 627–8.

⁵⁸ For reflections on high wages, see *ibid.*, pp. 510, 531, 550, 560.

⁵⁹ P. F. Clarke, 'Hobson and Keynes as economic heretics', in M. Freeden (ed.), *Re-appraising J. A. Hobson: humanism and welfare* (London: Unwin Hyman, 1990), pp. 100–16.

⁶⁰ Clarke, *Liberals and Social Democrats*, p. 48.

⁶¹ Compare the remarks of J. A. Hobson and S. Webb reported in National Anti-Sweating League, *Report of conference*, pp. 31, 57–8.

more general measures. Persistent problems of poor pay could result from low efficiency that weakened bargaining power, and so further depressed wages, and perhaps efficiency. Imperfect mobility, custom and differential bargaining power led to marked variations in market wages which might require adjustment to restore normal levels. Orthodox accounts offered important toe-holds for minimum wage advocacy. Reformers seized upon acknowledgement of deviations between market and normal wages, and capitalised upon suggestions about the relationship between higher wages and enhanced productivity. The last issue, in particular, was central to the developing argument. Would unsupervised spending lead to greater efficiency? And what about the efficiency of those who failed to make the new grade and so lost work? Differences over these questions often determined views about wage regulation.

Economists like Pigou regarded distortions in wage rates as relatively rare. He examined the impact of artificial wages, above natural levels, concluding that, in some instances, these could affect transfers from the better off. However, in general, such measures, by diverting the economy from its natural channel and reducing the wages of superintendence, would lower the national dividend, and so would not in the end benefit the poor.⁶² Those who advocated a wide-ranging wage regulation disagreed, and their disagreement reflected, as we have seen, fundamentally different views of the economy, according to which redistribution would substantially increase wealth as well as welfare.

II

Attitudes to the minimum wage within the labour movement were far from straightforward. State intervention continued to arouse suspicion in a movement that retained much radical scepticism about the motives and consequences of government action in the industrial sphere. Some unionists feared, for instance, that minimum wages would become maximum wages.⁶³ Support grew in the 1890s and 1900s for intervention in the case of sweated industries, but prominent voices reiterated their doubts about such schemes.⁶⁴ Real divisions were evident over the principle and form of minimum wage regulation. Snowden and MacDonald,

⁶² Pigou, *Wealth and welfare*, pp. 342–3.

⁶³ D. Tanner, 'Ideological debate in Edwardian labour politics: radicalism, Revisionism and socialism', in E. F. Biagini and A. J. Reid (eds.), *Currents of radicalism: Popular radicalism, organised labour and party politics in Britain, 1850–1914* (Cambridge: Cambridge University Press, 1991), p. 288.

⁶⁴ For Labour party support for action in sweated trades rather than a more general motion, see *Report of annual Labour party conference* (1908), p. 74.

sometimes treated as partners in revisionism, differed significantly on wage floors.

The politics of economics were very evident in labour discussions of state wage regulation. Speaking at the 1913 Labour party conference on a motion to distinguish between industrial and political questions, James O'Grady insisted that this was impossible, since issues like the minimum wage were both.⁶⁵ Much labour analysis of capitalism focused primarily upon the necessity of nationalisation, arguing that the emergence of trusts required public ownership in order to deliver decent wages without sweating the public. As Pat Thane has rightly observed, social reform within a predominantly free market framework proved controversial for parts of the Edwardian left.⁶⁶ Scepticism was directed to the scope, motives and consequences of legislation such as that creating labour exchanges. Reform could distract from the scale of social injustice and the need for wholesale change, particularly in the ownership of the means of production. It was, however, difficult for a party of the left to oppose legislation that alleviated the hardships of the labouring poor. Discussion of the party's purpose and performance in the Commons was persistent. Minimum wage legislation, categorised as inherently socialist by Hardie, could also be seen as a palliative, or worse.⁶⁷ Evidence of support by some employers for wage floors confirmed the views of those who argued that their primary effect would be to transfer work from factories to households.

The most developed defence of wide-ranging state regulation of wages was provided by Snowden, particularly in his 1912 study of *The Living Wage*.⁶⁸ Snowden argued the living wage was rooted in 'the natural right of a human being to live in this world', which required 'the command of the things which keep a human being alive'. He was explicit about the appeal of the living wage 'to the moral and Christian faith of the nation'.⁶⁹ The principle of the living wage as a 'first charge' on industry proved attractive to incarnationalist proponents of the social gospel in both Britain and the United States. Having narrated the growth of the demand for the living wage amongst trade unionists, Snowden contrasted

⁶⁵ *Report of annual Labour party conference* (1913), p. 103.

⁶⁶ P. Thane, 'The working class and state "welfare" in Britain, 1880–1914', *Hy* 27 (1984), 897.

⁶⁷ For Hardie's judgement, see P. Thane, 'The Labour party and state welfare', in K. Brown (ed.), *The first Labour party* (London: Croom Helm, 1985), pp. 183–207. For a contrasting view of the socialist credentials of the minimum wage, see Fred Henderson, quoted in Tanner, 'Ideological debate in Edwardian labour politics', p. 284.

⁶⁸ Snowden summarised many of the arguments of *The Living Wage* in a subsequent parliamentary speech: *HC Debs*, 13 March 1913, cols. 458–79.

⁶⁹ Snowden, *Living wage*, p. 6.

the unions' appetite for state regulation of working conditions with their anxieties over state intervention in wage rates. Snowden's statistical analysis of wage and price trends revealed the growing power of capital, apparent in the stagnation of wages and the rise in prices since 1900. Building on the precedent of developments abroad and the passage of the Trade Boards Act in 1909, Snowden portrayed the movement towards compulsion as a burgeoning trend that promised deliverance from 'the cost and futility of strikes'.⁷⁰

The Living Wage nicely embodies Snowden's complex ideological position. Prefaced by a recommendation by the radical H. A. Spender, Snowden's strictures on the wastefulness of strikes were a clear reprimand to industrial unionists, reflecting the tensions of the labour unrest of 1910–13. The purpose of the book, however, was to defend universal – occupationally and geographically flexible but gender-neutral – minimum wages. Snowden's diagnosis of the ills of contemporary capitalism was evident in the caveat that 'so long as the land and the great industrial monopolies are privately owned there will always be difficulty in getting any reform which will be more than a meagre benefit'. His appreciation of political realities was apparent in the recognition that labour agitation for a 30s a week minimum wage, while 'excellent propaganda', was 'open to destructive criticism'. In the long term it would be possible to surpass the 30s level, but this required 'gradual steps' to enable trades to adapt to changed circumstances.⁷¹

Correctly approached, the living wage would establish 'the economy of high wages'. Snowden's analysis bore a complex relationship to the species of radical argument explored earlier. He identified five possible sources of higher wages: profits, relief due to appropriation of rents, efficiency gains, economies and price rises. Snowden's primary emphasis lay upon efficiency gains. Higher wages enhanced the physical and mental capacity of workers.⁷² The latter was particularly important given the increasing demands imposed by technological progress, and enabled workers to operate more machines simultaneously. This understanding of economic change was common in the period.⁷³ Snowden further noted the incentive to innovation provided for employers by higher wages and the advantages of allocating labour to the most capable employers. In Fabian fashion, he claimed that the elimination of employers reliant upon paying starvation wages to 'subsidised labour' would aid the better class of employers and benefit the community.⁷⁴ Snowden accepted that the

⁷⁰ *Ibid.*, pp. 16, 59–69, 79–89. ⁷¹ *Ibid.*, pp. 139, 134, 139. ⁷² *Ibid.*, pp. 142, 145–53.

⁷³ See Thompson, 'The reception of Lujo Brentano's thought'.

⁷⁴ Snowden, *Living wage*, p. 147.

problem of unemployment would not be solved by wage floors. However, contrary to the views of a critic like Cannan, Snowden posited that ‘though the output of work per workman would be increased, there would be more and not less employment’. His explanation had a Hobsonian ring. Higher wages would increase demand, stimulate staple trades and thus enlarge employment. If those on ‘unearned incomes’ found their spending power reduced, this was all to the national good, ‘for it would be transferring some part of the national dividend from unproductive to productive uses’.⁷⁵

On the basis of his analysis of efficiency and employment, Snowden claimed that ‘as a rule’ higher wages would not come from profits. In the case of industries largely sheltered from foreign competition, like transport, coal-mining and construction, Snowden insisted that reducing profits and raising wages would beneficially shift expenditure from luxuries to necessities.⁷⁶ Nor would nominal wage gains be undermined by ensuing price rises. Outside of rings and corners, the potential for price rises was limited. Snowden found no correlation between movements in wages and prices at the overall level, and followed Marx’s contention that factors other than wages largely influence prices. Whilst the supply of gold had an impact on prices, Snowden attributed the bulk of Edwardian inflation to pressure on natural resources and the burdens of militarism.⁷⁷

In contrast to Snowden, Ramsay and Margaret MacDonald were leading sceptics about both trade boards in particular and statutory minimum wages more generally. On this question, their articles, while mostly separately authored, displayed a unity of argument comparable to that of the Webbs. The provenance of their doubts was complex. Both tended to identify sweating with some forms of homework. Margaret’s research into female homework had led her to advocate inspection as the best form of regulation. The preference for inspection over wage modification had its origins in a particular understanding of sweating, which emphasised conditions as much as pay and castigated wage regulation for its failure to grapple with the factors underpinning sweated female labour.⁷⁸ Ramsay MacDonald accepted that ‘an industry which can exist only on sweated labour is not good for the State’ and that high wages usually elevated efficiency. Sweated homework depended, however, upon the economy of low pay. Enforcing higher pay would eliminate disorganised labour: ‘the trade and the community would be enormously benefited, but “these poor people” would not be benefited’. Such philanthropy, he argued, was in

⁷⁵ *Ibid.*, p. 148. ⁷⁶ *Ibid.*, pp. 149, 152. ⁷⁷ *Ibid.*, pp. 150–1.

⁷⁸ M. MacDonald, ‘Sweated industries and wages boards’.

fact 'cruelty of a superfine character'.⁷⁹ Much of the MacDonaldis' criticism focused on the details of the machinery of wage regulation. They highlighted the administrative difficulties resulting from the disorganised and dispersed character of homework. Proposals to regulate homework alone threatened to extend pauperism, but attempts to regulate both home and factory work would require differential rates of pay to equalise earnings that were likely to lead to dependence on the Poor Law for many homeworkers.⁸⁰

Much of the MacDonaldis' quarrel with wage boards reflected technical challenges in regulating homework, and their pessimistic reading of the evidence from Victoria and New Zealand. There were, however, larger issues at stake. Like the Bosanquets, the MacDonaldis argued that sweated goods were primarily sold cheaply to poor consumers.⁸¹ Wage rises might consequently prove to be nominal rather than real. The conditions of homework so disadvantaged its practitioners in their competition against factory labour that its tenuous profitability was always likely to depend upon minimal wages. The Webbs, of course, anticipated that their subsistence minimum would be combined with state action to deal with the fate of the unemployable. In keeping with their focus on the particular problems of female homework, the MacDonaldis approached the question from the other side: reducing the need to work, rather than enhancing its reward, was the remedy for 'the worst suffering in sweated home industries'.⁸² Pensions, child maintenance and the right to work offered the way forward by addressing the various and distinct causes of sweating. By contrast, trade boards were a mechanical panacea, unfitted to the organic interdependence of the industrial system.⁸³

There was, of course, considerable overlap between Ramsay MacDonald's and Snowden's economic views. Introducing a Labour amendment to the Address in 1913, Snowden insisted that the minimum wage, while desirable, was 'a temporary palliative' since substantial progress demanded an assault upon private ownership.⁸⁴ In parliamentary debates on the Poor Law and tariff reform, MacDonald argued that unemployment was a chronic condition under the competitive system.⁸⁵ Tackling it required action on a number of fronts. Maldistribution was fundamental to these difficulties. Legislation to enforce the right to work would increase home demand. Other measures, amongst which land reform and nationalisation were prominent, were needed to rectify the fluctuating

⁷⁹ JRM, 'Sweating and wages boards', *Nineteenth Century* 64 (1908), 750–1.

⁸⁰ *Ibid.*, 752. ⁸¹ *Ibid.*, 753; M. MacDonald, 'Sweated industries and wages boards'.

⁸² *Ibid.*, 145. ⁸³ JRM, 'Sweating and wages boards', 761–2.

⁸⁴ *HC Debs*, 13 March 1913, col. 466.

⁸⁵ D. Marquand, *Ramsay MacDonald* (London: Jonathan Cape, 1977), pp. 104–5, 453–4.

and inadequate demand that resulted from the prevailing distribution of resources.⁸⁶ It is not, perhaps, surprising that critics like Maddison contrasted MacDonald's advocacy of the right to work with his scepticism about trade boards.⁸⁷ MacDonald stressed, though, the limited wage benefits implied by labour proposals and noted the complex origins of unemployment.⁸⁸ Organic interdependence was a leitmotif of MacDonald's evolutionary socialism; strategic vision and tactical requirements conventionally coincided in the emphasis upon gradualism.

Approaches to wage regulation varied significantly within the labour movement.⁸⁹ Trade boards did not command universal acclaim. Those who supported them might have different conceptions of their role. Henderson's parliamentary advocacy was firmly cast in terms of the need to ensure market wages prevailed.⁹⁰ Will Crooks and Thorne, amongst others, rooted the demand for a 30s minimum in the moral right to a living wage and the impact of inflation. Lansbury cited the views of Bishop Gore and John Ruskin in advocating the minimum wage as a requirement of human dignity.⁹¹ Part of the attraction of a uniform rate to its advocates was the propaganda value of a headline figure. While many socialists agreed that the living wage for all would come, disagreement was evident over whether its achievement would precede the advent of socialism or result from its arrival.

Amongst trade unionists, differences were also apparent. Attitudes ranged from strong support for the minimum wage to scepticism about the very principle. Disagreement could be found within a single industry. North-Eastern miners' attachment to the link between prices and wages was not shared by South Wales miners committed to the national minimum.⁹² Many unionists distinguished sharply between the desirability of securing living wages through trade union action and the consequences of their enactment by statute. Evidence of Conservative interest in wage regulation – particularly apparent amongst Chamberlainites – did little to reassure the suspicious. Statutory protection for the non-unionised was often contrasted with the collective self-help appropriate for the organised. Motions supporting trade boards fared better than broader measures. Those who favoured trade boards did so for a variety of reasons. Some were evidently attracted to wage regulation precisely as a means of ending competition from female homework. As Sheila Blackburn has

⁸⁶ *HC Debs*, 23 February 1910, cols. 265–8. ⁸⁷ *Ibid.*, 13 March 1908, col. 32.

⁸⁸ *Ibid.*, cols. 23–4.

⁸⁹ D. Tanner, *Political change and the Labour party 1900–18* (Cambridge: Cambridge University Press, 1990), pp. 58, 75–7, 174, 176–7, 209–11.

⁹⁰ *HC Debs*, 26 March 1909, col. 2083. ⁹¹ *HC Debs*, 15 February 1912, col. 87.

⁹² Tanner, *Political change*, pp. 209–11.

shown, trade unionists within the chain-making industry were prepared to emphasise the supposed moral costs of female labour, in accord with a male breadwinner model of the family economy. As Blackburn further notes, while it is wrong to exclude trade union action from accounts of the origins of trade boards, it is important to recognise the complex motives at work.⁹³

III

In 1912 the Dean of Manchester gave the sermon at the TUC, taking Matthew 13 as his starting point. Bishop Welldon found the key to the relationship between labour and religion in the person of Jesus Christ. In becoming incarnate, He chose the life of a labourer, He knew the toil of manual labour. The dignity of labour partook of the divine, and vice versa. In the parable of the labourers in the vineyard, the preacher found the authority for the living wage, observing that ‘the householder was no sweater’.⁹⁴

Snowden was right to note the importance of religion in fuelling demands for and shaping conceptions of the living wage. In Britain, this was evident in the pages of the Oxford Christian Union’s *Economic Review* and in the publications of the Catholic Social Guild.⁹⁵ In the United States, it was best encapsulated in John A. Ryan’s eulogy of *A Living Wage*, published in 1912. Based at the Catholic University in Washington, Ryan located the basis of the living wage in Catholic doctrine, as loudly proclaimed in recent Papal encyclicals. Ryan’s full title identified his subject as ‘ethical and economic aspects’. Ryan was typical of many, in both Britain and the United States, in linking the two. His arguments demonstrated the lively transatlantic trade in ideas in these years; and suggested a healthy balance of payments on the British side. Ryan’s discussion drew heavily upon the Webbs’ *Industrial Democracy* for its English evidence, and urged, with acknowledgement of Hobson, that ‘we save too much and consume too little’.⁹⁶

Ryan’s primary debt was to his doctoral supervisor, the Wisconsin institutionalist Richard T. Ely. Like his fellow presidents of the American Association for Labour Legislation – Farnham and Seager – Ely had trained in Germany. The influence of German historicism was, of course, a significant factor in the development of American institutionalism.

⁹³ Blackburn, ‘Working-class attitudes’. ⁹⁴ *Annual report of TUC* (1912), pp. 38–9.

⁹⁵ T. Wright and George Milligan, *Practical Social Reform* (London: Catholic Truth Society, 1912).

⁹⁶ J. A. Ryan, *A living wage: Its ethical and economic aspects* (New York: Macmillan, 1912), pp. 37, 168.

Ewen Green has charted the contribution of historicist assumptions to the formation of a conservative national economics in Britain which, in the hands of Joseph Chamberlain or Arthur Steel-Maitland, could embrace minimum wage legislation.⁹⁷ As Mary Furner has emphasised, American institutionalism assumed a variety of forms, which displayed marked differences in their conception of the state. Voluntarists like Hadley or Jenks accorded institutions a crucial role in their work; but, in contrast to Ely or Henry Adams, they stressed the functionality of social evolution and deprecated state interference.⁹⁸ The more statist brand of institutionalism did, particularly through the legacy of Ely, produce some key advocates of minimum wage legislation, most notably John R. Commons in his Wisconsin phase.

Championing gender-neutral minimum wage legislation in Wisconsin, Commons portrayed wage rates as a function of unequal bargaining power. While combination might enable some to approach market wages, weak bargainers required the statutory protection of a minimum wage.⁹⁹ Minimum wages would also encourage employers to compete through innovation rather than by paying workers less. Fabian arguments about parasitism were familiar to American economists, and received considerable support. Prominent minimum wagers like Arthur Holcombe and Henry Seager characterised sweating as parasitic in the Webbs' sense.¹⁰⁰ The charge of parasitism perhaps received a warmer welcome in American than British academia. Explicit criticism, such as that of Frank Taussig, was in scarce supply.¹⁰¹ High-wage theory exercised a similarly broad appeal, as the work of Seager and Commons testifies.

It has been suggested that the minimum wage was more popular amongst economists in the United States than in Britain. In particular, Robert Prasch has argued that leading academic marginalists like John Bates Clark and Frank Taussig were more favourably disposed

⁹⁷ Green, *Ideologies*, pp. 88–9, 91–3.

⁹⁸ M. O. Furner, 'The republican tradition and the new liberalism: social investigation, state building and social learning in the gilded age', in M. J. Lacey and M. O. Furner (eds.), *The state and social investigation in Britain and the United States* (Cambridge: Cambridge University Press, 1993), pp. 183–4.

⁹⁹ M. O. Furner, 'Knowing capitalism: public investigation and the labor question in the long Progressive era', in M. O. Furner and B. Supple (eds.), *The State and economic knowledge: The American and British experiences* (Cambridge: Cambridge University Press, 1990), p. 272; D. A. Moss, *Socializing security: Progressive era economists and the origins of American social policy* (Cambridge, MA: Harvard University Press, 1996), pp. 102–3.

¹⁰⁰ A. Holcombe, 'The legal minimum wage in the United States', *American Economic Review* 2, 1 (1912), 35; Moss, *Socializing security*, p. 106.

¹⁰¹ F. W. Taussig, 'Minimum wages for women', *Quarterly Journal of Economics* 30, 3 (1916), 414–19.

towards the minimum wage than counterparts in Britain like Marshall and Pigou.¹⁰² This runs counter to the distinction often drawn between the welfarist focus on diminishing utility shared by Marshall and Pigou, and the primacy accorded to diminishing returns in Clark's account of distribution.¹⁰³ Whereas Taussig was careful not to identify marginalist analysis with social justice, Clark claimed they were theoretically convergent. However, Clark argued that in the real world ever-larger firms, aided by the existence of unemployment, were able to enforce sub-normal wages upon the unorganised. As well as compulsory arbitration, Clark supported an industry-specific minimum wage, but tied its level to 'that a normal market would itself yield' and explicitly rejected a needs-based living wage.¹⁰⁴ This was closely akin to Pigou's position on rural wages. Pigou was sympathetic to the operation of trade boards in agriculture, so long as they acted to ensure rather than exceed normal wages.¹⁰⁵ Taussig similarly suggested that trade boards might play a role in standardising the wages of women whose labour was characterised by lack of mobility and bargaining power.¹⁰⁶ The bulk, however, of Taussig's analysis was devoted to questioning the standard justifications for wage floors. He argued, not unlike Marshall, that parasitism misunderstood the family economy. His scepticism about the scope and scale of efficiency gains from high wages would have been familiar to readers of Pigou. Taussig also had his doubts about the prevalent institutionalist emphasis upon systemic differentials in bargaining power, and denied that excess profits were ubiquitous in the sweated industries, noting instead that 'low wages are . . . concomitant with the low prices of the product'.¹⁰⁷

Some American advocates of wage floors, notably Ely and Ryan, were sympathetic to Hobson's focus on underconsumption.¹⁰⁸ There is evidence to suggest underconsumptionism made a greater impact on economic debate in the United States than in Britain. John R. Commons came to be critical of Hobson's explanation of cyclical unemployment in terms of persistent inequalities of wealth; but acknowledged the significance of his insistence upon the existence and importance of

¹⁰² R. E. Prasch, 'Retrospectives: American economists in the Progressive era on the minimum wage', *Journal of Economic Perspectives* 13, 2 (1999), 222.

¹⁰³ Furner, 'The republican tradition', pp. 179–80.

¹⁰⁴ J. B. Clark, 'The minimum wage', *Atlantic Monthly* 132 (1913), 297, quoted in R. E. Prasch, 'John Bates Clark's defense of the mandatory arbitration and minimum wage legislation', *Journal of the History of Economic Thought* 22 (2000), 258.

¹⁰⁵ Pigou, 'A minimum wage for agriculture', p. 53.

¹⁰⁶ Taussig, 'Minimum wages for women', 441–2. ¹⁰⁷ *Ibid.*, 419, 426–7, 428–9.

¹⁰⁸ Ryan, *Living wage*, p. 168.

oversaving.¹⁰⁹ In Britain, underconsumptionist doctrines attracted support from some anti-sweating campaigners and Labour politicians. Snowden's defence of the living wage contained elements of an underconsumptionist analysis; Clementina Black's condemnation of sweated labour cast greater working-class demand as the solution to unemployment.¹¹⁰ Whilst underconsumptionist theories secured a measure of academic allegiance in the United States, some of its staunchest proponents came from within the ranks of the labour movement. Ira Steward adopted an underconsumptionist analysis in propounding the necessity of the living wage.¹¹¹ As in Britain, disparate conceptions of the living wage were present in labour discourse. Some proponents regarded the living wage, along with reduced hours, as a means of bringing capitalism to its knees; others aimed to moralise rather than eliminate the competitive system.

However, like their British counterparts, many key US labour organisations were sceptical towards state interference in wage bargaining. Under Samuel Gompers, the American Federation of Labor adopted an increasingly market-oriented approach and distanced itself from the inheritance of labour republicanism.¹¹² Whilst at the state level the AFL could look more favourably upon intervention, both national and local leaders opposed minimum wages for men. Fears that minima would swiftly become maxima, also evident in Britain, were prevalent in the United States.¹¹³ By the turn of the twentieth century, labour activists in both countries were deeply hostile to 'judge-made law'. While in Britain, Parliament provided a route around judicial intransigence, the constitutional position of the Supreme Court obstructed similar action in the United States.

The Court played a crucial part in determining policy from *Muller v. Oregon* in 1908 to *West Coast Hotel Co. v. Parrish* in 1937. Judicial interpretation of the fifth and fourteenth amendments had, according to Oliver Wendell Holmes, imported Spencer's *Social Statics* into the Constitution.¹¹⁴ Appeals to the police power had the potential to override

¹⁰⁹ J. R. Commons, 'Hobson's "economics of unemployment"', *American Economic Review* 13, 4 (1923), 643–4.

¹¹⁰ Snowden, *Living wage*, p. 148; National Anti-Sweating League, *Report of conference*, p. 38.

¹¹¹ L. B. Glickman, *A Living wage: American workers and the making of consumer society* (Ithaca, NY: Cornell University Press, 1997); L. B. Glickman, 'Workers of the world, consume: Ira Steward and the origins of labor consumerism', *International Labor and Working Class History* 52 (1997), 72–86.

¹¹² L. Fink, 'Labor, liberty and the law: trade unionism and the problem of the American constitutional order', *Journal of American History* 74 (1987), 914–15.

¹¹³ Skocpol, *Protecting soldiers and mothers*, pp. 210–13.

¹¹⁴ Quoted in Holcombe, 'The legal minimum wage in the United States', 28.

such considerations, but only for those deemed the weaker sex. Gender was integral to discussions over the minimum wage in Britain; in the United States its importance was paramount.¹¹⁵ The importance of the institutional context is clearly revealed by an examination of parliamentary debates around the minimum wage. It is with these Edwardian encounters that we conclude.

IV

Historical explanation of the revival of statutory wage regulation in Britain has focused principally upon the outcry against sweating. Growing consciousness of poverty, reflected in the appointment in 1889 of the Select Committee on the Sweating System, combined from the 1890s with an increasing recognition of the potential for state action in determining wages. Awareness of the iniquities of underpaid homework developed further in the 1900s; the *Daily News* anti-sweating exhibition and subsequent conference served to fuel an indignation that found statistical confirmation in the results of the 1907 census of production. After outrage came the inevitable parliamentary investigation in the form of the 1908 Select Committee on Homework. Under the auspices of a reforming Liberal government, remedial legislation soon followed.

This narrative has much to commend it, not least its acknowledgement of the role of ideology in explaining the contrasting conceptions of sweating evident in the two Select Committee reports.¹¹⁶ The 1890s functioned as the period of transition in which the chief justifications for wage floors were developed. Liberal victory at the polls in 1906 renewed the energy of reformers and ensured their arguments were warmly received. Ewen Green has supplemented this account by drawing attention to the existence of Conservatives committed to wage minima, and noting that government action on the issue owed much to the pressures of party competition in an era witnessing the rise of social politics.¹¹⁷

The intention here is not to offer an alternative account of the passage of minimum wage legislation, but rather to re-examine the relevant parliamentary debates in the light of the developments in political economy outlined above. The institution of trade boards to set minimum wages in particular industries was predicated upon an analysis of bargaining that emphasised the power of employers to dictate pay to unorganised and immobile workers. Instead of a uniform or banded minimum applied universally, trade boards set industry-specific minima in a small number

¹¹⁵ Skocpol, *Protecting soldiers and mothers*; Hart, *Bound by our constitution*.

¹¹⁶ See the important article, Blackburn, 'Ideology and social policy'.

¹¹⁷ Green, *Crisis of Conservatism*, pp. 257–8.

of sweated occupations. The composition of the boards combined representatives of workers and employers with independent members. As the system expanded, Hobhouse was to take a prominent role in chairing boards and later in defending their performance before the Cave Committee.¹¹⁸ The construction of trade boards ensured that the circumstances of the trade received ample consideration. This approach proved compatible with an emphasis upon the virtues of fixing wages at the level paid by the better employers within the industry. Recommending the extension of trade boards in 1912, Ensor distinguished between a trade and a physiological minimum rate, and urged that the need for flexibility and the dangers of unemployment necessitated the adoption of the former. He argued, however, that trade minima had to accommodate the objective of attaining the physiological minimum: a happy marriage of gradualism and efficiency gains would ensure the physiological minimum was reached without disrupting the functioning of the economy.¹¹⁹ Similar, though less developed, considerations reverberated through the parliamentary debates of the period.

As a number of historians have noted, relatively few Edwardian parliamentarians straightforwardly rejected wage regulation. The chief naysayer was the staunchly individualist Sir Frederick Banbury. Conservatives focused primarily upon the need to prohibit imports of sweated goods and to protect against the export of capital by the creation of tariff walls. Debate about the economic consequences of minimum wages addressed the question of employment.¹²⁰ Fears were expressed that the deleterious impact of job losses would outweigh the benefits of higher wages. This was, however, a minority view.¹²¹ Advocates of wage minima mobilised many of the arguments forged in the economic debates of the 1890s. Much use was made of high-wage theory.¹²² Trade boards would produce the efficiency gains consequent upon better remuneration in industries that were inhospitable to trade unionism. This argument recurred throughout the debates of 1909, and reappeared in discussions of the principle of the minimum wage in 1911 and 1912. Its appeal lay in part in its apparent hard-headedness. Snowden put the case succinctly: 'it pays'. The supposed impact of high wages on productivity could

¹¹⁸ See J. A. Hobson and M. Ginsberg, *L. T. Hobhouse, his life and work* (London: Allen and Unwin, 1931), pp. 56–7.

¹¹⁹ R. C. K. Ensor, 'The practical case for a legal minimum wage', *Nineteenth Century* 71 (1912), 268, 276.

¹²⁰ For instance, W. R. W. Peel in *HC Debs*, 26 March 1909, col. 2109.

¹²¹ For concerns about unemployment and the need for tariff reform, see H. Marks, *HC Debs*, 28 April 1909, cols. 260–4.

¹²² The arguments were clearly set out by H. J. Tennant, *HC Debs*, 28 April 1909, cols. 342–51.

also be recommended in the language of national efficiency: M'Curdy claimed it made sense to improve stock, whether human or equine.¹²³ Embodying the supposed wisdom of the good employer, high-wage theory was presented as empirically well founded. Introducing the Trade Boards Bill, Churchill praised the protection from undercutting offered to the 'good employers' by the establishment of a minimum.¹²⁴ The Fabian emphasis upon its incentivising impact on the employer was imparted through speakers like Sir Thomas Whittaker, who had chaired the Select Committee on Homework.¹²⁵ The charge of parasitism was levelled by both Churchill and H. J. Tennant.¹²⁶ Denunciation of parasites was a hallmark of radicalism. Indeed, the term itself along with its explication in terms of bounties and slavery seemed calculated to appeal to radical sensibilities. However, the appearance of distinctly Fabian leitmotifs should not distract from the prevalence of an older form of high-wage theory, allied to an essentially institutional analysis of the persistence of sweated labour.

The extent of sweating was a matter of dispute, particularly as the politics of the minimum wage developed after 1909. Liberal enthusiasts for land reform portrayed agricultural labour as a form of sweating. The report of the Land Committee, whose membership included the radical land reformer E. G. Hemmerde and the poverty researcher B. S. Rowntree, was forthright in its claim that 'the position [of agricultural labourers] . . . is extremely like that of those employed in the trades . . . under the Trade Boards Act'. A vicious circle of low wages and low productivity prevailed, which, 'economists are agreed', could endure despite the growing prosperity evident by 1913 in British agriculture.¹²⁷ The establishment of wage floors promised a solution to market failure. In some of its conclusions, the report departed, as Pigou noted, from Fabian presuppositions.¹²⁸ The establishment of male wage floors was intended to discourage female labour, but a reduced minimum was proposed for the labour of the elderly. As befitted a report owing much to Rowntree, the proposed level of the minimum wage was a living wage, which acknowledged that the development of new wants both reflected and advanced the march of civilisation. Limits to efficiency gains from

¹²³ On national efficiency, see G. R. Searle, *The quest for national efficiency: A study on British politics and political thought, 1899–1914* (Oxford: Blackwell, 1971); *HC Debs*, 13 March 1913, col. 481.

¹²⁴ *HC Debs*, 24 March 1909, col. 1792.

¹²⁵ Whittaker in *HC Debs*, 6 March 1909, cols. 2114–15.

¹²⁶ Tennant in *HC Debs*, 28 April 1909, col. 344; Churchill in *HC Debs*, 28 April 1909, col. 387.

¹²⁷ Land Enquiry Committee, *The Land*, vol. I, pp. 43, 39.

¹²⁸ Pigou, 'A minimum wage for agriculture', p. 58.

higher pay were accepted, but used to highlight the need for a body able to adjust rents in order to shift the burden of greater costs on to the landlord.¹²⁹ This extension of regulatory powers to a 'judicial body' was nicely calibrated to satisfy the desire to tackle the unearned increment through an apparently objective instrument. Encouraged by the reception of wage floors for agricultural labour, the report on urban land duly suggested a minimum wage for all low-paid labour.¹³⁰

Proposals for a generally applicable minimum emanated from Labour parliamentarians, who sought to capitalise upon the precedent of the 1909 Act. Labour's preference for wages over welfare has been much noted in discussions of the pre-1914 period. This was most evident in its advocacy of the right to work, but also underpinned many speeches on the government's duties as an employer and the advantages of statutory regulation of remuneration. Responding to the Royal Commission on the Poor Law, MacDonald married his insistence upon the primacy of employment with a frankly underconsumptionist analysis of its causes.¹³¹ Explicit deployment of underconsumptionism was fairly scarce in the parliamentary arena. Speaking against Labour's Unemployed Workmen Bill, the Lib-Lab Vivian accepted that maldistribution exacerbated the impact of unemployment on consumer demand but denied that public works offered a solution.¹³² Few Liberals embraced a heresy that many collectivists, including Beveridge, firmly rejected.¹³³ Chiozza-Money was unusual in his conviction that chronic overproduction was a consequence of inadequate wages.¹³⁴ Whereas a number of prominent Liberals adopted the language of parasitism, underconsumptionist logic proved less popular within the party, and was most likely to feature in Labour speeches. It is, however, worth recalling that more established arguments, based upon high-wage theory, appeared more frequently than the nostrums of Hobson or the Webbs.

Concern over casual labour, so prominent in discussions of labour exchanges, recurred in minimum wage debates. This was, undoubtedly, the aspect of Fabian argument that most closely matched contemporary morality. Even so punctilious an opponent of artificial wages as Pigou considered that a 'fairly strong' case could be made out for excluding the irredeemably inefficient from the labour market.¹³⁵ In Boothian fashion,

¹²⁹ Land Enquiry Committee, *The Land*, vol. I, pp. 25, 50, 61.

¹³⁰ Land Enquiry Committee, *The Land*, vol. II: *Urban*, pp. 161–2.

¹³¹ *HC Debs*, 19 May 1909, cols. 495–9. ¹³² *HC Debs*, 13 March 1908, cols. 46–7.

¹³³ J. Harris, *William Beveridge: A biography*, 2nd edn (Oxford: Clarendon Press, 1997), p. 167.

¹³⁴ *HC Debs*, 29 April 1911, col. 1912; *HC Debs*, 13 March 1913, cols. 507–8.

¹³⁵ Pigou, 'A minimum wage for agriculture', p. 58.

many feared the ability of the weakest to depress the wages of the more able. There was widespread acceptance that wage minima could help moralise the labour market. Doubts were voiced about whether aggregate rather than time or piece minima could be successfully enforced, and thus whether underemployment would be eliminated; reformers claimed that a smaller, more regular workforce would be more attractive to employers. Ethical assumptions, especially about 'character', strongly favoured the propagation of the latter position.¹³⁶

The institution of minimum wages for miners in 1912 owed a great deal to the political pressures generated by the coal dispute. Labour MPs argued that a minimum wage was needed to protect miners who were unable to earn a decent wage on account of the difficulties of the seams they worked. It was difficult, given the strength of the unions and variations in pay, to claim that mining was in general a sweated industry. Unlike some of the regulated trades, mining was not confined to a single area. Regional diversity was enshrined in an Act that accorded better with the perspectives of miners in North-East England than South Wales. Labour combined its support for a national minimum with a concerted attack on owners for exploiting the consuming public.¹³⁷ Parliamentary discussion of the minimum wage in coal-mining, shaped by the preceding dispute, reflected the significance to industry and consumers of the price level, as well as fears amongst some over the survival of the trade.

The most developed expression of the plea for the living wage emerged after the First World War, in the ILP's 1926 proposal for *The Living Wage*. Produced by a committee including Brailsford and Hobson, *The Living Wage* provided a more systematic approach to controlling the price level than was evident in most pre-war discussion. Under current conditions, the competitive system inclined to excessive production, while maldistribution constrained consumer demand. Insisting upon the need to increase 'mass purchasing power' the authors suggested that raising wages was the key.¹³⁸ The state was to create the conditions to support trade unions in achieving the living wage. Alert to the danger that wage rises would prove purely nominal, considerable attention was devoted to stabilising prices. Referring the reader to 'the well-known books by Mr Keynes and Mr Hawtrey' detailing the quantity theory of money, the

¹³⁶ S. Collini, 'The idea of character: private habits and public virtues', in *Public moralists: Political thought and intellectual life in Britain 1850–1930* (Cambridge: Cambridge University Press, 1991), pp. 91–121.

¹³⁷ These debates are discussed at length in J. Thompson, 'Representing labour: the labour movement, politics and the public', unpublished paper.

¹³⁸ H. N. Brailsford, J. A. Hobson, A. Creech Jones and E. F. Wise, *The living wage* (London: ILP Press, 1926), p. 11.

report recommended credit control, but argued that more direct price co-ordination would also be required. A state Buying Agency, acting as a national importer of food and raw materials, would play a key part in regulating prices. Export trades would benefit from efficiency gains resulting from better-paid workers and better incentivised managers, but the report detected a role for international trade agreements.¹³⁹

Over time, *The Living Wage* became increasingly identified with opposition to both Ramsay MacDonald and gradualism; not least by MacDonald. It was not, consequently, to provide the basis for Labour party policy, whether in opposition or government. Its significance here lies in its argument and authorship: both contain echoes of pre-war debates reconstituted under changed circumstances. In particular, its title illustrated the enduring resonance of a moralised conception of the wage bargain that had its greatest impact before 1914.

The debate over the minimum wage embodies the complex relationship between the ethical and the economic in late Victorian and Edwardian Britain. Arguments about regulating wages were inescapably political; whether driven by Pigou's identification of welfare with the national dividend, or by Hobson's Ruskinian approach to work and wealth. Attitudes to wage regulation illuminate the complex relationship between Liberal and Labour intellectuals in this period. Debate over the minimum wage tends to reveal the politics of economics: in Britain and America before 1914, it casts particular light upon the limits to and meanings of progressive politics.

¹³⁹ Ibid., pp. 13, 42, 48–9.

3 Economic interpretations of war: American liberals and US entry into World War I

John A. Thompson

‘Do you want to know the cause of war?’, Henry Ford asked newspapermen in 1915. ‘It is capitalism, greed, the dirty hunger for dollars.’¹ In this instance, as more generally, Ford can hardly be seen as a typical American businessman. At the time he delivered this judgement, he was chartering a ‘peace ship’ in an effort to mediate an end to the European war.² Nevertheless, his comment reflects the wide currency in the United States of an economic interpretation of the causes of World War I. Ford’s peace venture had brought him into contact with radical activists in the peace movement and it may well have been to these that he owed his diagnosis of the root of the trouble. An economic interpretation of all political phenomena was, of course, axiomatic for socialists in the Marxist tradition. But with respect to international conflict such an approach was common among a much wider spectrum of American progressives and reformers. In common with related ideas derived from English liberal circles, it helped to shape the view of the European war and of the elements of a lasting peace adopted by President Woodrow Wilson during the period of American neutrality. However, when Wilson led the United States into the war in response to the German submarine campaign, it was progressive opponents of this intervention who attributed it to economic interests. This interpretation gained wider currency in the inter-war period, laying the basis for the neutrality laws of the 1930s, but was discredited thereafter. A later generation of American radicals in the Cold War era developed a rather different economic interpretation of US policy, but this, too, was vulnerable to criticism. A broader view of the role of economic factors, if less supportive of radical prescriptions, may be more historically persuasive.

¹ Quoted in E. F. Goldman, *Rendezvous with destiny: A history of modern American reform* (New York: Knopf, 1952), p. 184.

² For more details on Ford’s ‘peace ship’ venture, see B. S. Kraft, *The peace ship: Henry Ford’s pacifist adventure in the First World War* (New York: Macmillan, 1978) and, on its treatment by the press, D. L. Lewis, *The public image of Henry Ford: An American folk hero and his company* (Detroit: Wayne State University Press, 1976), pp. 78–92.

I

When the European war broke out in the summer of 1914, American politics still seemed to be dominated by the progressive movement that had become a force on the national scene following Theodore Roosevelt's accession to the Presidency in 1901. As President, Roosevelt had promoted measures that enhanced the power of the federal government to regulate the actions of private business. In 1912, running as the candidate of the 'Progressive Party', he had stood on a platform that included a comprehensive system of national insurance. In doing so, he had inspired many intellectuals, social workers and publicists to believe that the United States was on its way to creating a welfare state of the kind that was emerging in the industrial countries of Europe. Roosevelt was defeated in the election by the Democratic candidate, Woodrow Wilson, but Wilson had also identified himself with the progressive movement since leaving Princeton University to run for the governorship of New Jersey in 1910 (although when running against Roosevelt and in his first years in the White House he favoured a less statist approach than his great rival).

As Daniel Rodgers's magisterial work *Atlantic Crossings* shows in detail, American progressive reformers were highly conscious of intellectual and political developments elsewhere. There was much interchange between them and reformers in other countries, particularly Great Britain.³ In November 1914, a new weekly, the *New Republic*, was launched, committed to the furtherance of Roosevelt's 'New Nationalist' variant of progressivism; it quickly achieved a reputation for incisive analysis in educated circles not only in the United States but also in Britain (from which country it drew several contributions).⁴ Not surprisingly, perhaps, given the country's foreign policy tradition of non-involvement, there had been little indigenous American writing before 1914 on international relations, and what little there was had been mostly of a conservative character, advocating naval and imperial expansion and stressing the inexorably Darwinian character of world politics.⁵ Such an approach had little appeal to American progressives, who generally viewed the European war as a catastrophe which showed that international affairs were in need of reform at least as urgently as domestic society. It was natural for them to seek guidance as to the nature of the problem and what should be done about

³ D. T. Rodgers, *Atlantic crossings: Social politics in a progressive age* (Cambridge, MA: Harvard University Press, 1998).

⁴ C. Forcey, *The crossroads of liberalism: Croly, Weyl, Lippmann and the progressive era, 1900–1925* (New York: Oxford University Press, 1961), pp. 170–7, 230–1.

⁵ On the writings of such figures as A. T. Mahan, Brooks Adams, H. H. Powers and D. L. Einstein, see R. E. Osgood, *Ideals and self-interest in America's foreign relations: The great transformation of the twentieth century* (Chicago: University of Chicago Press, 1953), pp. 32–41, 63–6, 98–100.

it from writers in the British liberal tradition such as Norman Angell, G. Lowes Dickinson, J. A. Hobson and H. N. Brailsford.⁶

It was particularly from Hobson's *Imperialism* (1902) and Brailsford's *War of Steel and Gold* (1914) that American progressives derived their understanding of the economic origins of the war.⁷ One who explicitly acknowledged his debt to both these authors was Frederic C. Howe, who had made his name as an authority on municipal reform but whose appointment by Wilson as Commissioner of Immigration in New York in no way stanchd the flow of his writings on the issues of the day. In a series of articles in liberal periodicals and a book, *Why War?* (1916), he argued that the war was the product of the search for investment opportunities in the undeveloped world which were more profitable than those available at home. Because of the pernicious doctrine 'that the flag follows the investor and backs up his private contracts', this had led to competition among the states of Europe for exclusive spheres of influence, and ultimately to conflict. 'Surplus wealth seeking privileges in foreign lands is the proximate cause of the war just as wealth seeking monopoly profits is the cause of the civil conflicts that have involved our cities and states', Howe concluded. 'It is the struggle of high finance bent on the exploitation of weaker peoples that has turned Europe into a human slaughter-house and arrayed 400 million people against one another in a death-struggle.'⁸

The *New Republic*, which printed some of Howe's articles, commented editorially that 'Mr Howe's main thesis, that competition for investment opportunities is at bottom responsible for most of the aggression and international strife that have occurred since 1880, will be disputed by hardly anyone who has made a realistic study of recent history.'⁹ The lofty tone, as well as the substance, of this unsigned comment suggests that it was penned by the twenty-five-year-old Walter Lippmann who, along with Herbert Croly and Walter Weyl, set the journal's political course. From the first days of the war, when Lippmann had been caught

⁶ For a more general discussion of the response of American progressives to the European war, see J. A. Thompson, *Reformers and war: American progressive publicists and the First World War* (Cambridge: Cambridge University Press, 1987), pp. 83–116.

⁷ J. A. Hobson, *Imperialism: A Study* (London: James Nisbet, 1902); H. N. Brailsford, *The War of Steel and Gold* (London: G. Bell & Sons, 1914). For an excellent analysis of the evolution of Hobson's theory and its various facets, see P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978), pp. 90–9.

⁸ F. C. Howe, *Why War?* (New York: Charles Scribner's Sons, 1916), pp. 80, 107, viii, *passim*. Howe cited Hobson in his 'The flag and the investor', *New Republic* 7 (17 June 1916), 170–1, and Brailsford in his *The only possible peace* (London: T. F. Unwin, 1919), pp. 111, 235n. His other articles along these lines included 'Reservoirs of strife: the distribution of wealth in relation to the invisible causes of war', *The Survey* 33 (6 March 1915), 614–15; 'Responsibility for war', *The Public* 18 (25 June 1915), 622–3; 'Democracy or imperialism – the alternative that confronts us', *Annals of the American Academy of Political and Social Science* 66 (July 1916), 254–7.

⁹ *New Republic* 7 (17 June 1916), 161.

in Europe on his way to an Alpine walking holiday, he had felt that ‘my own part in this is to understand world politics’.¹⁰ In London a month later, Lippmann had ‘a long talk’ with Hobson, and Hobson’s influence is clearly apparent in Lippmann’s 1915 book, *The Stakes of Diplomacy*. The ‘stakes’ in question were the undeveloped parts of the world, where indigenous governments were too weak or corrupt to provide the order that investors and traders needed. ‘Out of the clash of imperialist policies modern war arises’, Lippmann confidently asserted, adding that generally it was ‘fought not for specific possessions, but for that diplomatic prestige and leadership which are required to solve all the different problems’ on one’s own terms. But, Lippmann insisted in response to a critic, ‘if the world consisted of nothing but Germany and France, rivalry would disappear as it has between New York and New Jersey. It is the prizes outside of both Germany and France which set them at each other’s throats.’¹¹

As Peter Clarke has pointed out, Hobson’s was at first glance a strikingly narrow interpretation of the economic factors that were responsible for imperialism and – as Brailsford developed the argument – for the rivalry between European states that had led each of them to seek to muster a ‘preponderance of power’ on their side. Neither Hobson nor Brailsford saw international trade as the problem; indeed, Brailsford held the Cobdenite view that it was a force for peace while Hobson emphasised that only a very small proportion of British exports went to the newly acquired colonies. Gaining more colonies and protectorates benefited neither the exporter nor the nation as a whole. It was only from the point of view of the overseas investor that exclusive imperialism was economically rational, and it was such people who brought it about. They were able to do so because of their influence over the press (which had the ability to generate popular fears and jingoism) and their close links with the elites who controlled foreign policy, and because they had the support of munition-makers – who also had a direct financial stake in aggravating international tensions.¹²

It is easy to see how an industrial capitalist like Henry Ford might find nothing threatening in such an analysis. However, such men might have been less happy with the domestic remedy that both Hobson and Brailsford prescribed – and which was eagerly taken up by Howe and other American progressives. If the problem of ‘surplus’ capital seeking

¹⁰ Walter Lippmann, *US foreign policy: Shield of the republic* (Boston: Little, Brown, 1943), pp. x–xii; Diary, 5 August 1914, Lippmann papers, Yale University.

¹¹ Diary, 14 September 1914, Lippmann Papers; Walter Lippmann, *The stakes of diplomacy* (New York: Henry Holt, 1915), pp. 93–105, 166, 108; *New Review* 4 (1 January 1916), 21–2.

¹² Clarke, *Liberals and Social Democrats*, pp. 96–8; Hobson, *Imperialism, passim*; Brailsford, *War of Steel and Gold, passim*, quotation on p. 29.

investment opportunities in the undeveloped world was the product of both 'oversaving' and the low rate of return on domestic investment, the solution was to redistribute the nation's income in a way that increased consumption and hence both reduced oversaving and provided better returns for capital at home. It followed, Walter Weyl pointed out, that

the demand of the workman for higher wages, shorter hours and better conditions is, whether the wage-earner knows it or not, a demand for international peace. Progressive income and inheritance taxes, the regulation of railroads and industrial corporations, the conservation of natural resources are all opposed to an imperialistic policy leading to war. In short the entire democratic struggle against the narrow concentration of wealth, by increasing the demand for capital within the country, tends to preserve us from a meddlesome, domineering, dangerous imperialism.¹³

Not all Americans, of course, or even all progressives, took this view of the causes of the war. Many laid the blame on German militarism, seeing the Allied cause as a defence of civilised values and democracy. Roosevelt himself felt this strongly and the war brought him closer to his conservative Republican friends like Henry Cabot Lodge than to most of his former supporters. Many of these, including the editors of the *New Republic*, began gravitating towards Wilson – who adopted a more neutral perspective in which responsibility lay with the whole European system of power politics. 'Have you ever heard what started the present war?' the President asked an audience during his re-election campaign in 1916:

If you have, I wish you would publish it, because nobody else has. So far as I can gather, nothing in particular started it, but everything in general. There had been growing up in Europe a mutual suspicion, an interchange of conjectures about what this government and that government was going to do, an interlacing of alliances and understandings, a complex web of intrigue and spying, that presently was sure to entangle the whole of the family of mankind on that side of the water in its meshes.¹⁴

In taking this position, Wilson was in line with the long-standing American suspicion of the ways of the Old World. From the beginning, the young nation had contrasted its open, unpretentious, 'republican' diplomacy with that which issued from corrupt monarchical courts,

¹³ Walter Weyl, *American World Policies* (New York: Macmillan, 1917), pp. 188–9. Howe observed that 'the countries of widely distributed wealth are the peaceful countries' and argued that 'no single measure would do more to promote peace and disarmament than the placing of taxes on wealth, incomes, and inheritances, so that the cost would be felt directly by the classes that rule in the warring nations of the world'. *Why War?*, pp. 300–1, 307–8.

¹⁴ Luncheon address to women, Cincinnati, 26 October 1916, cited in A. S. Link *et al.* (eds.), *The papers of Woodrow Wilson* [hereafter *PWW*] (Princeton, NJ: Princeton University Press, 1966–94), vol. XXXVIII, p. 531.

dynastic ambitions, and the vested interest in militarism and war of an aristocratic caste. In August 1914, many American commentators had blamed this essentially feudal system for the war, often holding the hereditary monarchs personally responsible. 'It is autocracy that is at bay,' declared George Creel in *Harper's Weekly*, 'the whole infamous theory of the divine right of kings that now has the sword at its throat.'¹⁵ Others concurred. 'Mad with the lust of power, drunk with their own egotism, the Head Devils have signed their own doom', thundered *The Independent*. 'The monarchs must go – and go they will.'¹⁶ This republican perspective shared with the economic interpretation the characteristic of placing responsibility for the war on elites rather than on popular nationalist sentiment. 'It matters little whether militarism, monarchism or commercialism is most to blame', *The Independent* observed after two years of war. 'The cardinal fact never to be forgotten is this: The war was precipitated by a handful of captains, kings, and cabinet officers. It was not a people's war.'¹⁷

This was the bedrock of most of the proposals for reforming international relations that emerged in progressive circles during the period of American neutrality. Here again, much was owed to the ideas of British liberals, particularly those (including Angell, Brailsford, Dickinson and Hobson) who were associated with the Union of Democratic Control, founded in London soon after Britain declared war. The UDC's 'cardinal points' for an enduring peace were self-determination for contested territories, parliamentary control over treaty-making, the replacement of the alliance and 'balance of power' system with an international concert and court, the reduction of armaments and government ownership of all munition manufacturing, and the principle of the Open Door in all international commerce. Other organisations on both sides of the Atlantic promoted the idea of a post-war league of nations to provide collective security.¹⁸

It was in speaking to the most substantial of these organisations, The League to Enforce Peace, in May 1916 that Wilson boldly broke with the

¹⁵ 'The ghastly swindle', *Harper's Weekly* 59 (29 August 1914), 197.

¹⁶ 'Whom the gods would destroy', *The Independent* 79 (10 August 1914), 195.

¹⁷ *The Independent* 87 (31 July 1916), 143.

¹⁸ For a brief account of these developments, see T. J. Knock, *To end all wars: Woodrow Wilson and the quest for a new world order* (New York: Oxford University Press, 1992), pp. 36–8, 50–8. On the Union of Democratic Control in its British context, see M. Swartz, *The Union of Democratic Control in British politics during the First World War* (Oxford: Clarendon Press, 1971), K. Robbins, *The abolition of war: The 'peace movement' in Great Britain, 1914–1919* (Cardiff: University of Wales Press, 1976) and A. J. P. Taylor, *The trouble makers: Dissent over foreign policy, 1792–1939* (London: Hamish Hamilton, 1957), pp. 95–131.

traditional American policy of non-involvement in European politics and diplomacy. Declaring that 'henceforth alliance must not be set up against alliance', he proclaimed the willingness of the United States 'to become a partner in any feasible association of nations' that would 'prevent any war begun either contrary to treaty covenants or without warning and full submission of the causes to the opinion of the world'. America believed, the President stated, 'that every people has a right to choose the sovereignty under which they shall live' and 'that the small states of the world have a right to enjoy the same respect for their sovereignty and for their territorial integrity that great and powerful nations expect and insist upon'.¹⁹ This stand helped Wilson to secure the support of most articulate progressives in his re-election campaign, including many of those who had voted for Roosevelt in 1912.²⁰ The President consolidated this support through his Address to the Senate on 22 January 1917 calling for 'a peace without victory'. In this, he again echoed the demands of the UDC and American progressive publicists by stressing the need for 'a concert of power' to replace 'competitions of power', for 'government by the consent of the governed' and for the limitation of naval and military armaments.²¹ US policy now reflected ideas that had originated with British liberals and been propagated by American progressive publicists.²²

II

On 2 April 1917, Wilson went before Congress to ask for a declaration of war against Germany. This was a response to the fact that, having announced an unrestricted submarine campaign at the beginning of February, the Germans had sunk a number of American ships in March.²³ Not surprisingly, not all of those who had responded enthusiastically to the President's call for 'peace without victory' a few weeks earlier were able to follow him in this new direction; indeed, some regarded it as a betrayal and never forgave him. However, Wilson was able to carry the majority of progressive commentators with him, largely because he was able to persuade them that America's entry into the war would be the best way to establish a peace settlement based on liberal principles. 'I have

¹⁹ Address to the League to Enforce Peace, Washington, 27 May 1916, *PWW*, vol. XXXVII, pp. 113–16.

²⁰ A. S. Link, *Wilson: Campaigns for progressivism and peace, 1916–17* (Princeton, NJ: Princeton University Press, 1965), pp. 124–6.

²¹ Address to the Senate, 22 January 1917, *PWW*, vol. XL, pp. 533–9.

²² On this point, see Knock, *To end all wars*, pp. 36–8, 50–8, 65–8, 108–15.

²³ For a detailed account of the process by which Wilson came to decide on war, see Link, *Campaigns for progressivism and peace*, pp. 290–431. The crucial role of the sinking of American ships in this process emerges clearly from this account.

exactly the same things in mind now that I had in mind when I addressed the Senate on the twenty-second of January', he assured Congress. 'Our object now, as then, is to vindicate the principles of peace and justice in the life of the world as against selfish and autocratic power and to set up amongst the really free and self-governed peoples of the world such a concert of purpose and of action as will henceforth ensure the observance of those principles.'²⁴ Some weeks earlier, Wilson had said to a delegation of peace activists including Jane Addams, that 'as head of a nation participating in the war, the President of the United States would have a seat at the Peace Table, but that if he remained the representative of a neutral country he could at best only "call through a crack in the door"'.²⁵ Many progressives, like Addams, followed Wilson with a heavy heart, hoping that the character of the peace would redeem the inevitable sacrifices of war. Some, including the editors of the *New Republic*, had been ahead of the President in favouring intervention, welcoming the opportunity to throw America's full weight onto the side of liberalism in world politics.²⁶

Liberal opponents of intervention quickly advanced an economic interpretation of it. 'We are going into war upon the command of gold', the progressive Republican George Norris of Nebraska declared in the Senate debate following Wilson's address. 'I feel that we are about to put the dollar sign upon the American flag.' Norris and others argued that the United States had not pursued a neutral policy, contrasting its accommodation to the illegalities of the British blockade (including the mining of the North Sea) with its fierce opposition to the retaliatory German use of submarines against merchant ships. They attributed this differential response to the influence of Wall Street bankers who had been profiting so greatly from Allied war purchases and who, to finance this trade, had made large loans which now gave them a material stake in the Allied cause. Like Hobson, Norris laid great weight on the influence of financial interests on the press:

Through this instrumentality and also through the instrumentality of others who have not only made millions out of the war in the manufacture of munitions, etc., and who would expect to make millions more if our country can be drawn into the catastrophe, a large number of the great newspapers and news agencies of the country have been controlled and enlisted in the greatest propaganda that the world has ever known, to manufacture sentiment in favor of war.²⁷

²⁴ Address to a Joint Session of Congress, 2 April 1917, *PWW*, vol. XLI, p. 523.

²⁵ Jane Addams, *Peace and bread in time of war* (New York: Macmillan 1922), p. 64.

²⁶ For a full discussion of the different attitudes of progressive publicists to US entry into the war, and the reasons for these, see Thompson, *Reformers and war*, pp. 150–76.

²⁷ United States, *Congressional Record*, 65th Congress, First Session – Senate, 1917, vol. LV, part 1, pp. 212–14. See also the speech by Senator Robert La Follette (Republican, Wisconsin), pp. 223–34.

This kind of explanation of American involvement was common among those against it, who came very largely from the left side of the political spectrum. The American Socialist Party officially opposed the war, as did the radical labour union the Industrial Workers of the World ('the Wobblies'). Both naturally portrayed it as a capitalist enterprise. Of the more mainstream politicians and publicists who opposed intervention, most were progressives like Norris and Senator Robert La Follette. In such circles, the belief that the United States had been led into the war by Wall Street (and by the associated British propaganda) only strengthened as time went on. It gained greater currency as US intervention came to be more widely viewed as a mistake in the 1920s and 1930s. In the mid 1930s, the Senate committee chaired by Senator Gerald P. Nye, another progressive from the Midwest, gave impetus to this movement of opinion when it documented the huge profits made by American munitions-makers and Wall Street bankers during the war. This helped to lay the ground for the neutrality laws of 1935–7, the last (and most extreme) of which was aptly described by the *New York Herald Tribune* as 'An Act to Preserve the United States from Intervention in the War of 1917–1918'.²⁸

The climate of opinion was changed by World War II. This second war with Germany led to a more positive view of US intervention in 1917 among both historians and the general public. The economic interpretation of these events fell out of favour.²⁹ Indeed, the argument of Norris, Nye and others that the United States entered the war to ensure that the Allies were in a position to repay the large sum (almost two billion dollars) that they had borrowed from American bankers and bond purchasers was always vulnerable to criticism.³⁰ In the first place, most of the loans were backed by collateral in the form of gold or British holdings of American and other overseas assets.³¹ It is true that this did not apply to the \$500 million Anglo-French loan of 1915, more than a third of which

²⁸ Quoted in S. Adler, *The isolationist impulse: Its twentieth century reaction* (New York: Collier, 1961), p. 242. See also W. S. Cole, *Senator Gerald P. Nye and American foreign relations* (Minneapolis: University of Minnesota Press, 1962), M. Jonas, *Isolationism in America 1935–1941* (Ithaca, NY: Cornell University Press, 1966) and R. A. Divine, *The illusion of neutrality: Franklin D. Roosevelt and the struggle over the arms embargo* (Chicago: University of Chicago Press, 1962).

²⁹ For the evolution of historiography on the subject, see R. W. Leopold, 'The problem of American intervention, 1917: an historical retrospect', *World Politics* 2 (1950), 404–25 and D. M. Smith, 'National interest and American intervention, 1917: an historiographical appraisal', *Journal of American History* 52 (1965), 5–24.

³⁰ For the details of these loans, see C. C. Tansill, *America goes to war* (Boston: Little, Brown, 1938), pp. 660–3.

³¹ J. M. Cooper, Jr, 'The command of gold reversed: American loans to Britain, 1915–1917', *Pacific Historical Review* 45 (1976), 214.

had ended up in the hands of the underwriters, J. P. Morgan and Co.³² The partners of this firm would undoubtedly have faced heavy losses had the British government been unable to meet its obligations; they were also aware in 1916–17 that the Allies were running out of gold and dollar assets with which to back further loans to finance their purchases in the United States.³³ The Morgan partners certainly favoured intervention in 1917. But most of them had been passionately pro-Allied in their sympathies before any loans had been advanced; they had wanted the United States to declare war on Germany at the time of the *Lusitania* crisis in May 1915.³⁴ In this they were representative of much of the East Coast upper-middle class, and their pro-Allied and implicitly interventionist point of view did find expression in some metropolitan newspapers. But there is little evidence that this had a wider influence on public opinion. The election of 1916 was generally taken to have demonstrated the strong desire of the majority of Americans to keep out of the war.³⁵ Wilson was well aware of this, and it certainly would have weighed more with him in the spring of 1917 than the interests and views of the Morgan partners, several of whom had campaigned openly for his Republican opponent in the recent election.³⁶

There is, however, a less conspiratorial and more persuasive way of attributing American intervention to economic interests, as some historians pointed out in the 1930s.³⁷ This is by focusing not on the sinister influence of vested interests but on the natural concern of policy-makers with the general prosperity of the country, and the extent to which this became dependent on exports to the Allies. It was on these grounds that both Secretary of the Treasury William G. McAdoo and Secretary of State Robert Lansing argued in 1915 for a more permissive official attitude towards the raising of Allied loans on the American market.³⁸ Nor

³² A. S. Link, *Wilson: The struggle for neutrality 1914–1915* (Princeton, NJ: Princeton University Press, 1960), pp. 625–8.

³³ Link, *Campaigns for progressivism and peace*, pp. 200–4, 379–80; K. Burk, *Britain, America and the sinews of war, 1914–1918* (Boston: Allen and Unwin, 1985), p. 27.

³⁴ P. M. Roberts, 'The American "Eastern Establishment" and World War I: the emergence of a foreign policy tradition', unpublished PhD thesis, University of Cambridge (1981), pp. 162–81.

³⁵ The British Ambassador reported to London: 'The United States does not want to go to war, and the elections have clearly shown that the great mass of Americans desire nothing so much as to keep out of the war. It is undoubtedly the cause of the President's re-election.' C. Spring Rice to E. Grey, 24 November 1916, cited in Link, *Campaigns for progressivism and peace*, p. 162.

³⁶ Burk, *Britain, America and the sinews of war*, p. 89.

³⁷ Notably, P. Birdsall, 'Neutrality and economic pressures, 1914–1917', *Science and Society* 3 (1939), 217–28.

³⁸ Link, *The struggle for neutrality*, pp. 132–6, 616–25.

is there any doubt that the almost 8 per cent growth in real GNP that the United States enjoyed in 1916 owed much to the great increase in exports due to Allied purchases.³⁹ In March 1917, the US ambassador to Britain, Walter Hines Page, warned Washington that the German submarine campaign was likely to have an adverse impact on the American economy. 'The immediate danger', he wrote, 'is that Franco-American and Anglo-American exchange will be so disturbed that orders by all the Allied governments will be reduced to the lowest minimum and there will be almost a cessation of transatlantic trade. This will, of course, cause a panic in the United States.'⁴⁰

However, there is little reason to believe that the decision to respond to Germany's submarine campaign in 1917 with a declaration of war was motivated by the desire to maintain this profitable trade. In the first place, Wilson never gave any indication that for him this was an important consideration. Indeed, during the latter part of 1916, he had taken two steps which implied that he was prepared himself to restrict this trade in pursuit of diplomatic objectives. In September, he had obtained from Congress legislation empowering him to deny use of American ports to the ships of those nations which infringed the legal rights of American vessels – as the Allied blockade measures did. It is true that he had not put these powers into effect. Most British officials believed that their boomerang effect upon the American economy would prevent his ever doing so; 'their only weapons against us are too big for them to use', the Foreign Office concluded in October.⁴¹ This confident assessment was shown to be over-sanguine a month later when Wilson took a second step towards restricting the war trade. This was when he not only approved but actually strengthened a warning issued by the Federal Reserve Board to its member banks against investing in renewable short-term treasury notes issued by foreign governments. Although the American authorities did not yet appreciate the extent of Britain's imminent financial predicament, they recognised that this warning would curtail Allied purchases in the United States. But this was thought desirable even from the point of

³⁹ US Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970* (Washington, DC: Bureau of the Census, 1975), pp. 903, 224. Exports to the United Kingdom and France constituted more than half of America's total exports in 1916.

⁴⁰ Page to Secretary of State, 5 March 1917. In this and a later telegram, Page (who, of course, reflected what he had been told by British authorities) stressed that the danger presented by German submarines made it impossible to send further large shipments of gold to America rather than that the reserves were almost exhausted (which was the real problem). US Department of State, *Foreign Relations of the United States: 1917*, Supplement 2, I (Washington, DC: Government Printing Office, 1931), pp. 516–18.

⁴¹ Link, *Campaigns for progressivism and peace*, pp. 70–80, 180–1.

view of America's own economic well-being. By its nature, the export of munitions and other supplies to the European belligerents could produce only a temporary prosperity, and the members of the Federal Reserve Board took the reasonable view that 'it was better to let this extraordinary trade gradually go down to more nearly normal proportions than to have it stop with a vengeance'.⁴²

Even had retaining the Allied market for US exports been a higher priority for Wilson than it apparently was in 1916–17, it would not provide a persuasive explanation for his decision to lead his nation into the war. For the Allies' need for US goods was clearly so great that Britain and France would undoubtedly have continued to buy those goods in the United States, even if Washington had failed to challenge the German submarine blockade. (In October 1916, John Maynard Keynes, then a Treasury official, estimated that almost two-fifths of British war expenditure was being made in North America.)⁴³ Nor would a refusal of American-owned ships to enter the combat zone have much reduced the volume of goods that could be transported since such ships carried only a small proportion of the Atlantic trade.⁴⁴ The impending exhaustion of their reserves of gold and dollars remained a much greater potential obstacle to the Allies' continued acquisition of American supplies, but the United States could alleviate this problem without becoming a belligerent. Indeed, after the German resort to submarine warfare but before the United States entered the war, the Federal Reserve Board reversed its position not only on short-term treasury notes but also on unsecured long-term loans to the Allies.⁴⁵ But this was a case of economics being modified in the service of policy rather than vice versa.

III

Nonetheless, belief in the explanatory power of economic interest retained its appeal to critics of US foreign policy. In the era of the Cold War and Vietnam, historians associated with the New Left developed an economic-based interpretation of US involvement in World War I that operated at a rather different level. They were influenced by the historian William Appleman Williams's thesis that US foreign policy had been

⁴² P. M. Warburg to B. Strong, Jr, 23 November 1916. Quoted in Link, *Campaigns for progressivism and peace*, pp. 200–1.

⁴³ Link, *Campaigns for progressivism and peace*, pp. 179–84.

⁴⁴ American-registered tonnage constituted just under 12 per cent of the world's shipping in 1914, but 87 per cent of it operated on the Great Lakes and rivers or in coastal trade. See Link, *The struggle for neutrality*, pp. 81–2.

⁴⁵ On the changes in the Federal Reserve Board's position in February–March 1917, see Link, *Campaigns for progressivism and peace*, pp. 380–2.

shaped by a long-term expansionist dynamic, ultimately motivated by a search for overseas markets and investment opportunities. In Williams's view, the key to what American policy-makers had sought to achieve was to be found in the Open Door Notes of 1899 and 1900 which called upon other nations to respect the principle of equal commercial opportunity in China. Confident of the superior efficiency and power of their economy, Americans were sure that given 'a fair field and no favour', they could achieve predominance in the markets of the world. 'The philosophy and practice of secular empire that was embodied in the Open Door Notes became the central feature of American foreign policy in the twentieth century.' The United States was thus hostile to any system or ideology that threatened this objective, whether it be the exclusive imperialism of the European powers, socialism and/or communism, Nazism with its autarkic trading practices, or revolutionary nationalism in the Third World. In the last analysis, this was the explanation for American involvement in both world wars, US policy in the inter-war period (which Williams insisted was not 'isolationism'), the origins of the Cold War, and the global interventionism of subsequent decades.⁴⁶ It will be noted that the principle of the 'Open Door', which Hobson had seen as the remedy for war-producing imperialism, becomes in this interpretation the root of the problem.

As an explanation of US entry into World War I, this thesis rests on two assumptions. The first is that Wilson's peace programme was ultimately motivated by a desire to universalise and secure 'the commercial freedom needed by an expanding American economic system' – that, in the words of the historian Samuel F. Wells, 'the man behind the rhetoric on self-determination, the open door, and international cooperation was at heart the secular evangelist of American political economy'.⁴⁷ However, there is little reason to believe that the basic inspiration for Wilson's calls for a new world order was a concern with American economic interests. Although he had emphasised the need to export when advocating the Democratic party's programme of tariff reduction before the war, he recognised the overwhelming extent to which America's prosperity was self-generated, and does not seem to have anticipated that her

⁴⁶ This account of Williams's thesis is based mainly on his most influential work, *The tragedy of American diplomacy*, rev. edn (New York: Dell, 1962), esp. pp. 80–2, 106–8, 123–7, 183–4, 186–7, 190, 206, 229–33, 258, 275–6. There is now an extensive literature on Williams and his work. See, in particular, B. Perkins, "'The tragedy of American diplomacy": twenty-five years after', *Reviews in American History* 12 (1984), 1–18.

⁴⁷ N. Gordon Levin, Jr, *Woodrow Wilson and world politics: America's response to war and revolution* (New York: Oxford University Press, 1968), pp. 52, 4–5, 14–22, 24–6, 84, 126; S. F. Wells, Jr, 'New perspectives on Wilsonian diplomacy: the secular evangelism of American political economy', *Perspectives in American History* 6 (1972), 389–419.

trade would be much impeded by political obstacles in normal conditions.⁴⁸ His call in the Fourteen Points address for ‘an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance’ originated with the recommendation by those who prepared the memorandum on which the speech was based that Germany be pressured to ‘democratise’ by the threat that otherwise it would be commercially excluded from ‘the outer world’ after the war; the point was also directed against plans the Allies had adumbrated at a conference in 1916 for a post-war economic bloc that would discriminate against German trade.⁴⁹ Equality of trade conditions hardly figured in the many other statements Wilson made (both before and after America entered the war) about the requirements of the peace; and it was far from being a major goal of his diplomacy. At the Paris peace conference in 1919, his negotiating priorities were clearly the establishment of the League of Nations and the making of treaties with the defeated nations that he could present as being in accordance with the principles of self-determination and ‘impartial justice’. It is true that in 1919 he claimed that if the United States failed to join the League of Nations, foreign markets would be closed to her traders, but this was only one of the many arguments he made as he desperately sought to rally public support in the bitter fight to gain Senate approval of the treaty.⁵⁰

The second premise on which the thesis rests is that Wilson’s desire to achieve his peace programme explains his decision to go to war. Williams makes this connection by asserting that Wilson believed that the world order he sought ‘would be impossible if Germany won’ and that he favoured an Allied victory.⁵¹ However, given that Wilson had just called for ‘a peace without victory’, this argument depends upon the

⁴⁸ In 1916, Wilson actually understated the proportion of GNP that was exported when he asserted that ‘you will find that the foreign commerce, even upon the most modest reckoning of our domestic commerce, does not equal four per cent of the total’. Luncheon address to women, Cincinnati, 26 October 1916, *PWW*, vol. XXXVIII, p. 528. In fact, in 1916, exports had risen to 11.5 per cent of GNP, almost double the pre-war proportion (as a result mostly of Allied purchases but also of the doubling of exports to other parts of the Western Hemisphere). US Bureau of the Census, *Historical Statistics of the United States*, pp. 887, 903.

⁴⁹ Wilson actually drafted several of the points in shorthand on the typescript of the memorandum (which was largely written by Walter Lippmann). In his Annual Message to Congress, 4 December 1917, Wilson had himself indicated that if a post-war Germany retained ‘ambitious and intriguing masters’, it might be excluded both from ‘the partnership of nations which must henceforth guarantee the world’s peace’ and from ‘free economic intercourse’, *PWW*, vol. XLV, pp. 459–85, 198.

⁵⁰ Address in Sioux Falls, South Dakota, 8 September 1919, *PWW*, vol. LXIII, pp. 115–16; J. A. Thompson, *Woodrow Wilson* (London: Longman, 2002), pp. 193–4, 196–213, 227–31.

⁵¹ Williams, *The tragedy of American diplomacy*, p. 80.

assumption that the German submarine campaign had suddenly induced a fear that the Allies would be defeated if the United States did not assist them. There is no evidence that this was the case. Once the Germans had failed in the first weeks of the war to crush France, the great majority of American commentators on the European conflict seem to have envisaged only two possible results – an Allied victory or a stalemate. In February 1917, Frank H. Simonds, the most authoritative of such commentators, reported after a visit to the battlefields in France that the British army was superior to its foe in *matériel* and morale and was finally advancing after two years of holding the line. Nor did Americans see the unrestricted submarine campaign as a winning weapon. Figures published at the beginning of March showed only slight increases in Allied tonnage losses. Indeed, some of the strongest supporters of intervention, such as Senator Henry Cabot Lodge, feared that the British navy would defeat the campaign before it had produced the desired effect of bringing the United States into the war.⁵² Lacking any sort of foreign intelligence service, Wilson and the administration were no better informed about the seriousness of the threat which the U-boats constituted – or, indeed, about any other aspects of the military situation.⁵³ Certainly, there was no indication of any concern with the fate of the Allies in the way the US government responded to the submarine campaign. On 3 February 1917, Wilson broke diplomatic relations with Germany but, in reporting this to Congress, he said that ‘only actual overt acts’ would lead him to go further and made it clear that he had in mind attacks on ‘American ships and American lives’.⁵⁴ Three weeks later, to counter the apprehension of shipowners, he sought authority from Congress to put naval guns on merchantmen, stating that ‘there may be no recourse but to *armed neutrality*’.

However, on the broader proposition that Wilson’s decision to intervene arose out of his desire to shape the peace, revisionists can claim the support of several other historians, including the doyen of Wilson scholars, Arthur S. Link. ‘The most important reason for Wilson’s decision’, Link writes, ‘was his conviction that American belligerency now offered the surest hope for early peace and the reconstruction of the international community.’ In the first place, Link suggests, Wilson was moved by a belief ‘that American participation, as decisive as possible, would

⁵² Osgood, *Ideals and self-interest*, pp. 253–4; E. R. May, *The world war and American isolation 1914–1917* (Cambridge, MA: Harvard University Press, 1959), p. 426; Link, *Campaigns for progressivism and peace*, pp. 302–3; *New Republic* 10 (17 February 1917), 57.

⁵³ For more details on this point, see Link, *Campaigns for progressivism and peace*, pp. 410–11.

⁵⁴ Address to Congress, 3 February 1917, *PWW*, vol. XLI, pp. 108–12.

hasten the end of the ghastly carnage'.⁵⁵ This would seem to imply that, once it had become clear that his effort to secure a 'peace without victory' had failed, Wilson would have led the United States into the conflict as the only way to avoid a protracted military stalemate – even had the Germans not begun their submarine campaign. But it is surely inconceivable that Wilson would have considered entering the war in such circumstances. The election of 1916 had demonstrated the strong desire of most Americans to stay out of the war, and the uncertain and incremental nature of Wilson's response in February and March 1917 to Germany's U-boat campaign and the Zimmermann note shows how reluctant he was to lead a divided country into the conflict.

More persuasive is Link's further argument that Wilson wanted to influence the peace settlement, and this made US participation necessary. Here it is possible to make a connection with the German adoption of unrestricted submarine warfare, in the manner most fully and clearly set out by the British jurist, Patrick Devlin, in his well-researched study of Wilson's policy. Wilson, Devlin argues, 'was under the control of an ideal . . . To translate his ideal into action Wilson needed a place, and a dominating one, at the Peace Conference.' He had endeavoured to secure such a place from a position of neutrality by promising that the United States would commit its power to the upholding of a peace settlement that was in accordance with its principles. However, any leverage to be gained by this promise depended upon a credibility that would have been shattered if America had failed to go to war when Germany assaulted rights and interests upon whose importance Wilson himself had frequently and vehemently insisted: 'What weight could anyone attach to guarantees given by a nation which quaked at the thunder of the guns?'⁵⁶

Logical though this argument is, it rests on an assumption about Wilson's priorities that does not accord with the way his policy actually evolved. The historical record makes it clear that, somewhat paradoxically, Wilson was led to commit himself to US participation in a post-war League of Nations by his desire to *avoid* involvement in the European war. The connection between an early end to the war and an American commitment to European security was originally made in London. It was in the winter of 1914–15 that the British Foreign Secretary, Sir Edward

⁵⁵ Link, *Campaigns for progressivism and peace*, p. 414. See also, for a slightly different formulation, A. S. Link, *Woodrow Wilson: Revolution, war, and peace* (Arlington Heights, IL: Harlan Davidson, 1979), p. 71. Ernest R. May and Patrick Devlin also attribute Wilson's decision to his desire to establish a lasting peace. See May, *World war and American isolation*, p. 432, and P. A. Devlin, *Too proud to fight: Woodrow Wilson's neutrality* (London: Oxford University Press, 1974), pp. 678–81.

⁵⁶ Devlin, *Too proud to fight*, pp. 678–81.

Grey, first suggested that, if the United States were prepared to help guarantee the post-war settlement, Britain would be more ready to accept a peace that did not involve crushing German power. At that time the suggestion had been rebuffed by Colonel House on behalf of Wilson as contrary to 'not only the unwritten law of our country but also our fixed policy not to become involved in European affairs'.⁵⁷ When, in September 1915, House suggested that the President might now call for a peace 'upon the broad basis of the elimination of militarism and navalism and a return, as nearly as possible to the status quo', Grey again sought to draw the United States in further. He replied by asking directly: 'How much are the United States prepared to do in this direction? Would the President propose that there should be a League of Nations binding themselves to side against any Power which . . . refused, in case of dispute, to adopt some other method of settlement than that of war?'⁵⁸

Grey's letter seems to have been designed to fend off an American peace move, but it prompted a very different response than his previous enquiries along the same lines. This was clearly because the submarine dispute with Germany had in the meantime raised the possibility of American involvement in the war. Wilson, believing that 'the people of this country rely upon me to keep them out of war', argued that 'the worst thing that could possibly happen to the world would be for the United States to be drawn actively into this contest – to become one of the belligerents and lose all chance of moderating the results of the war by her counsel as an outsider'.⁵⁹ It was the desire to avoid this outcome by bringing the war to an early end that induced the President to go along with an elaborate plan concocted by Colonel House. This involved Wilson calling for peace when the Allies thought the moment was opportune and then forcing Germany, if necessary by war, to accept reasonable terms. In this connection, Wilson privately gave Grey, through House, the assurance he had sought that the United States would participate in a post-war League of Nations.⁶⁰ After the *Sussex* crisis in the spring of 1916 had brought the United States to the brink of war, Wilson's anxiety to bring the European conflict to an early end had intensified. House had obtained Grey's signature on a memorandum embodying his scheme,

⁵⁷ Link, *The struggle for neutrality*, pp. 218–19; House diary, 10 February 1915, in C. Seymour, *The intimate papers of Colonel House* (London: Ernest Benn, 1926), vol. I, p. 375.

⁵⁸ Sir E. Grey to E. M. House, 22 September 1915, *PWW*, vol. XXXV, pp. 71n–72n; A. S. Link, *Wilson: Confusions and crises 1915–1916* (Princeton, NJ: Princeton University Press, 1964), pp. 102–3.

⁵⁹ Wilson to Edith Bolling Galt, 19 August 1915; Wilson to House, 21 August 1915, *PWW*, vol. XXXIV, pp. 261, 271.

⁶⁰ House to Wilson, with enclosure, 10 November, 1915; Wilson to House, 11 November, 1915, *PWW*, vol. XXXV, pp. 186–7; Link, *Confusions and crises*, pp. 101–7.

but the Allies, who did not want peace at this time, had resisted pressure to activate the procedure which it set out. Wilson sought to encourage them to do so by making his commitment to a post-war League of Nations public, and thereby more credible.⁶¹ When the Allies failed to respond to this inducement, the President made a unilateral attempt to end the war with his public appeal to the belligerents to state their peace terms in December 1916. In following this up in his Address to the Senate in January 1917, he made his offer to guarantee the settlement conditional on the war ending before either side had decisively prevailed. Stressing that 'no covenant of cooperative peace that does not include the peoples of the New World can suffice to keep the future safe against war', he declared that 'a peace without victory' was the 'only sort of peace that the peoples of America could join in guaranteeing'.⁶²

As of February 1917, then, Wilson's promises to lead the United States into a post-war league had been made – first privately, then publicly, then conditionally – in the service of efforts to bring about an early end to the war. So for Wilson to have decided to intervene in order to ensure that a League of Nations was created would have represented not so much a different means to the same end as the surrender of the end to achieve a means. Wilson himself was to make a distinction between the 'objects' of American intervention and the 'reasons' for it. The former were the kind of peace goals he had set out in his Address to the Senate and War Message to Congress; the latter were 'the very serious and long-continued wrongs which the Imperial German Government has perpetrated against the rights, the commerce, and the citizens of the United States'.⁶³ The debates in Congress indicated that the great majority of the Senators and Representatives who supported the war resolution did so to uphold the nation's rights, rather than to promote the League of Nations or even the cause of democracy.⁶⁴

⁶¹ As he prepared to draft his address to the League to Enforce Peace, he asked House 'to formulate what you would say, in my place, if you were seeking to make the proposal as nearly what you deem Grey and his colleagues to have agreed upon in principle as it is possible to make it . . . The only inducement we can hold out to the Allies is one which will actually remove the menace of Militarism.' Wilson to House, 18 May 1916, *PWW*, vol. XXXVII, pp. 68–9.

⁶² Address to the Senate, 22 January 1917, *PWW*, vol. XL, pp. 535–6.

⁶³ Wilson to Representative James Thomas Hefflin (Democrat, Alabama), 22 May 1917. A few weeks later, Wilson reiterated that 'we were forced into the war. The extraordinary insults and aggressions of the Imperial German Government left us no self-respecting choice but to take up arms in defense of our rights as a free people and of our honor as a sovereign government.' A Flag Day address, 14 June 1917, *PWW* vol. XLII, pp. 370–1, 499. See also Osgood, *Ideals and self-interest*, pp. 266–8.

⁶⁴ See the analysis in Osgood, *Ideals and self-interest*, pp. 259–61.

This, though, raises the question of whether Wilson had much choice in the spring of 1917 about taking America to war. His peacemaking ambitions could only form an essential part of the explanation for American intervention if he did. So it is natural that those who stress this factor argue that Wilson could indeed have acted otherwise. While recognising that there is no sure way of gauging the balance of mass opinion in this pre-Gallup poll era, Link observes 'that articulate Americans were profoundly divided up to the very end of American neutrality, and that organized peace activity and visible signs of peace sentiment were nearly as strong, if not fully as strong, as organized war activity and signs of war sentiment'.⁶⁵ This led Devlin to conclude that 'Wilson was the weight that would bring down either scale. He was not only the President: he was the casting vote of the nation.'⁶⁶

Yet this picture of a man subject to equal and opposite pressures, and thus free to choose his own course, does not accord with what we know of how Wilson came to his decision. He was by his own account thrown off balance by receiving the German announcement of submarine warfare at a time when he was not only absorbed by his efforts to bring an end to the war but apparently hopeful of their imminent success.⁶⁷ In remarks to House and the Cabinet, he made plain his great reluctance to involve the United States in the war. He decided to break diplomatic relations with Germany only after fourteen of sixteen Democratic Senators had urged this upon him as the sole course consistent with the nation's dignity and likely to meet with their constituents' approval.⁶⁸ Thereafter, Wilson waited for Germany to make real its threat through 'actual overt acts', continuing to pursue the possibility of a negotiated end to the war in communications with the British and Austrian governments, and seeking to defend American rights without full-scale belligerency by placing naval guns on merchant ships.⁶⁹ 'He does not mean to go to war', Henry Cabot Lodge observed on 2 March, 'but I think he is in the grip of

⁶⁵ Link, *Campaigns for progressivism and peace*, p. 419. ⁶⁶ Devlin, *Too proud to fight*, p. 660.

⁶⁷ Link, *Campaigns for progressivism and peace*, pp. 293–4. See also pp. 250, 255–61, 277–81.

⁶⁸ According to Link, 'what the senators said to him in the evening conference was apparently the thing that tipped the scales in his mind toward the decision to break relations' (*ibid.*, pp. 297–9). Earlier Wilson had said to House 'that it would be a crime for this Government to involve itself in the war to such an extent as to make it impossible to save Europe afterward' and to the Cabinet 'that, if he felt that, in order to keep the white race or part of it strong to meet the yellow race – Japan, for instance, in alliance with Russia, dominating China – it was wise to do nothing, he would do nothing, and would submit to anything and any imputation of weakness or cowardice', *ibid.*, pp. 294, 296.

⁶⁹ For Wilson's communications with London and Vienna in February 1917, see *ibid.*, pp. 314–18, 385–7. See also pp. 300–1, 310–13, 340–2, 346–53, 372–7.

events.⁷⁰ On 18 March, news reached Washington that German submarines had sunk three American ships, two without warning. On 20 March, all members of the Cabinet (including the pacifically inclined Josephus Daniels) agreed in the course of a long and solemn meeting that such action in effect constituted an attack upon the United States that had to be met by war. The day before, Wilson himself had said to the newspaper editor Frank Cobb ‘that he couldn’t see any alternative, that he had tried every way he knew to avoid war’.⁷¹

There seems no reason to take issue with Wilson’s testimony in this regard.⁷² For the United States to have acquiesced in the German campaign, either by keeping its ships and citizens out of the war zone or by treating its losses as the subject of post-war claims, would have been generally regarded as a national humiliation. Not only would it have cost the President his credibility abroad and thus all possibility of diplomatic leverage but it would also have opened him up to tremendously damaging criticism from his political opponents at home. ‘I am as yet holding in’, Theodore Roosevelt wrote to Lodge on 13 March, ‘but if he does not go to war with Germany I shall skin him alive.’⁷³ Reluctant though he was to enter the war, Wilson never contemplated paying such a price for peace. After an interview with him in mid-February, Herbert Hoover ‘came away convinced that the President earnestly, and even emotionally, intended to avail himself of any device to keep out, short of sacrifice of national honor’.⁷⁴ Wilson must already have been clear, Arthur Link has concluded, that ‘the American people would tolerate neither submission to the German so-called blockade nor indiscriminate destruction of helpless American ships’.⁷⁵ In his War Message, he was emphatic that ‘there is one choice we cannot make, we are incapable of making: we will not choose the path of submission and suffer the most sacred rights of our nation and our people to be ignored or violated’.⁷⁶ Wilson recognised that such nationalist rhetoric would not appeal to many of the anti-war progressives who had supported him in the previous two years, which

⁷⁰ Lodge to Theodore Roosevelt, 2 March 1917, in H. C. Lodge (ed.), *Selections from the Correspondence of Theodore Roosevelt and Henry Cabot Lodge* (New York and London: Scribner, 1925), vol. II, p. 500.

⁷¹ Link, *Campaigns for progressivism and peace*, pp. 396–408. Cobb later remembered having this conversation with Wilson on 2 April, just before the President delivered his War Message to Congress, but Link has persuasively re-dated it.

⁷² House as well as Cobb reports the President as saying that he could see no other way out, *Intimate papers*, vol. II, p. 467.

⁷³ T. Roosevelt to H. C. Lodge, 13 March 1917, in E. E. Morison *et al.* (eds.), *The letters of Theodore Roosevelt* (Cambridge, MA: Harvard University Press, 1954), vol. VIII, p. 1162.

⁷⁴ H. Hoover, *The ordeal of Woodrow Wilson* (New York: McGraw, Hill, 1958), p. 7.

⁷⁵ Link, *Campaigns for progressivism and peace*, p. 340.

⁷⁶ Address to Congress, 2 April 1917, *PWW*, vol. XLI, p. 521.

gave him an incentive to expatiate upon the 'objects' as well as the 'reasons' for which he was asking America to fight. But the real causes lay with the latter.

IV

In the end, then, any explanation of US entry into World War I has to centre on the submarine issue. Is it possible for an explanation stressing economic factors to do so successfully? I think it may be, but not by focusing, as liberal and radical theories have done, upon economic *interests*. It is certainly the case that the American economy as a whole benefited from the great growth in exports to Britain and France as a result of the war, and that certain sectional interests profited very handsomely from this trade. But, as we have seen, these benefits and profits were not in fact seriously threatened by Germany's use of submarines against merchant shipping. Moreover, concern with them played no discernible part in causing the Wilson administration to resist this practice so strongly in 1915–16. It was the sinking of passenger ships – the *Lusitania*, the *Arabic* and the *Sussex* – that provoked outrage and led the United States implicitly to threaten war. And in 1917, it was the sinking of American ships with the loss of American lives that was intolerable – it was not a matter of dollars and cents.

However, the sheer scale to which the American economy had grown *was* a crucial factor. By 1913, the United States was producing more manufactured goods than its two nearest rivals (Germany and Great Britain) combined – almost a third of the total world output. In the context of war, steelmaking capacity was of particular relevance. In 1913, Germany manufactured more steel than Britain, Russia and France combined (which must help to explain its military performance in the following years) – but the US output was almost double Germany's.⁷⁷ In addition, the United States was a great exporter of agricultural products, particularly wheat and cotton. These facts structured the situation in a way that made it much more likely that the United States would be involved in the war. The extent to which the different belligerent countries had access to America's great productive resources would have a major effect on the balance of forces in Europe, and this inevitably made the United States a player in the contest. In practice, the Allies' monopoly in this regard became an essential element in their war effort. This naturally produced great

⁷⁷ P. Bairoch, 'International industrialization levels from 1750 to 1980', *Journal of European Economic History* 11 (1982), 296, 304; P. Kennedy, *The rise and fall of the great powers* (London: Unwin Hyman, 1988), p. 200.

resentment in Germany, and served to give moral justification for their submarine campaign (though the 1917 campaign was aimed less at the munitions trade than at cutting off Britain's food imports). But for the United States to ban the export of arms or restrict Allied purchases would be to strike a major blow at the Allied cause. This was the background to Wilson's statement in 1916 that 'we are participants, whether we would or not, in the life of the world'.⁷⁸

Wilson's awareness that the great growth of the American economy had transformed the position of the United States in the international balance of power underlay his desire to break with the isolationist tradition. 'We must play a great part in the world, whether we choose it or not', he told an audience of businessmen in July 1916. 'Do you know the significance of this single fact – that, within the last year or two we have, speaking in large terms, ceased to be a debtor nation and become a creditor nation . . . We have got to finance the world in some important degree, and those who finance the world must understand it and rule it with their spirits and with their minds.'⁷⁹ Wilson's expansion of US foreign policy goals was rooted, then, in a consciousness of the nation's great economic and financial strength, and this surely helps explain the ambitiousness of his programme. To this extent, US policy may be seen as a product of the power structure of the international system, and of the economic realities that shaped this.

Wilson's consciousness of American power may also be seen as influencing the position he took on submarine warfare. Following the sinking of the *Lusitania* in May 1915, the United States government demanded that Germany disavow the act, 'make reparation so far as reparation is possible for injuries which are without measure' and take immediate steps to prevent any recurrence.⁸⁰ The tone of the notes sent to Berlin at this time implicitly threatened war, which is why William Jennings Bryan resigned as Secretary of State. In April 1916, after the torpedoing of a French cross-channel steamer, the *Sussex*, the ultimatum had been explicit: 'unless the Imperial Government should now immediately declare and effect an abandonment of its present methods of submarine

⁷⁸ Address to the League to Enforce Peace, 27 May 1916, *PWW*, vol. XXXVII, p. 114.

⁷⁹ Address to the World's Salesmanship Congress, Detroit, 10 July 1916. *PWW*, vol. XXXVII, p. 384. In an article in *Atlantic Monthly* in January 1901 (shortly after the United States' acquisition of an overseas empire), Wilson had observed that 'the impulse of expansion is the natural and wholesome impulse which comes from a consciousness of matured strength'. See 'The reconstruction of the Southern states', *PWW*, vol. XI, pp. 459–79 – quotation at p. 479.

⁸⁰ Secretary of State to Ambassador in Germany, 13 May 1915. *Foreign Relations of the United States* [henceforth *FRUS*], 1915, Supplement *The World War* (Washington, DC: Government Printing Office, 1928), pp. 393–6.

warfare against passenger and freight-carrying vessels, the Government of the United States can have no choice but to sever diplomatic relations with the German Empire altogether'.⁸¹ Yet at this time, as we have seen, Wilson knew that the American public wanted to keep out of the war and also believed that it was important for the world that the United States remain neutral so that it could mediate and moderate the peace. As he explained to Bryan, the President felt this created a dilemma: 'I wish with all my heart that I saw a way to carry out the double wish of our people, to maintain a firm front in respect of what we demand of Germany and yet do nothing that might by any possibility involve us in the war.'⁸² Yet in a letter to a friend a little later, Wilson indicated that he did not see the dilemma as insoluble: 'The opinion of the country seems to demand two inconsistent things, firmness and the avoidance of war, but I am hoping that perhaps they are not in necessary contradiction and that firmness may bring peace.'⁸³ In the last analysis, the position Wilson took over submarine warfare rested on a confidence that he could force Germany to back down without going to war. This confidence was surely another product of his sense of America's great power.⁸⁴

Somewhat more speculatively, it is also possible to see this sense as crucial in the spring of 1917. No theme was more prominent in press and Congressional reaction to the German submarine campaign, the Zimmermann note and the sinking of American ships than the imperative of maintaining what Wilson called 'the dignity and honor of the United States'.⁸⁵ Sensitivity about the nation's honour and the rights of its citizens had, of course, been a feature of US policy since the early days of the republic.⁸⁶ Nevertheless, the growth of American power did widen the saliency of this value. Questions of honour are intrinsically related to perceptions of power. For nations as for individuals, not resisting injury or insult because of impotence is less dishonourable than failing to do so when one has the capacity. It has been generally recognised that for this reason the position of the United States in 1917 was different from that of the European neutrals. 'Such small seafaring states as Denmark and the

⁸¹ Secretary of State to Ambassador in Germany, 18 April 1916, *FRUS*, 1916, Supplement *The World War*, pp. 232–4.

⁸² Wilson to Bryan, 7 June 1915, *PWW*, vol. XXXIII, p. 349.

⁸³ Wilson to M. W. Jacobus, 20 July 1915, *PWW*, vol. XXXIII, p. 535.

⁸⁴ And, of course, from the summer of 1915 until January 1917, Wilson's confidence was basically vindicated.

⁸⁵ Address to Congress, 3 February 1917, *PWW*, vol. XLI, p. 111.

⁸⁶ See, for example, N. K. Risjord, '1812: conservatives, war hawks and the nation's honor', *William and Mary Quarterly*, 3rd series, 18, 2 (1961), 196–210; W. R. Mead, *Special providence: American foreign policy and how it changed the world* (New York: Knopf, 2001), pp. 231–2, 250–1.

Netherlands suffered extensive losses from submarine warfare, and yet these governments did not feel themselves honor bound to declare war', the historian Ross Gregory has pointed out. 'Interpretation of national honor varies with national economic and military strength. The more powerful the nation, the more the world expects of it and the more the nation expects of itself.'⁸⁷

Despite the scale of its power, the United States did not enter World War I until 1917. It was restrained from doing so not only by its long tradition of non-involvement in European conflicts, and in power politics generally, but by the revulsion of most Americans from the horrors and apparent irrationality of modern warfare. Many, particularly progressives and radicals, blamed this evil, like so many others, on capitalist interests. When Wilson justified America's intervention as the way to extirpate this evil, most progressives followed him, but the dissident minority saw America's war, too, as the product of economic interests. Such interpretations have always appealed to the critics of American interventionism, and they were the basis of the neutrality laws of the 1930s. But the fate of these laws confirms that the interpretation oversimplified (and underestimated) the pressures drawing the United States into international conflicts. In the final analysis, these were the product of the nation's power, and both the objective and the subjective consequences of that power.

⁸⁷ R. Gregory, *The origins of American intervention in the First World War* (New York: Norton, 1971), pp. 135–6. See also May, *World war and American isolation*, p. 427; Link, *Campaigns for progressivism and peace*, pp. 411–12. In an article arguing that the values of a code of honour underlay the decisions for war of European countries in 1914, Avner Offer observes that 'a sequence of insults also provoked the United States into the war, by means of unrestricted submarine warfare', 'Going to war in 1914: a matter of honor?', *Politics and Society* 23, 2 (1995), 213–41, quotation at 234–5.

4 Political leadership, intellectual debate and economic policy during the second Labour government, 1929–1931

Duncan Tanner

The events leading up to the formation of the National Government in 1931 have always been the subject of controversial interpretations. In the immediate aftermath of the devastating 1931 election defeat, Labour constructed myths of betrayal by its leaders which cast a long and influential shadow.¹ The first academic interpretations of the 1929–31 Labour government's policies were products of the 1960s and 1970s. For Robert Skidelsky, writing at a time when Keynesian ideas were widely accepted, it was the Labour party's limited engagement with such ideas in 1929–31 (and its preoccupation with trade union interests and with socialism) which created its downfall.² Economic historians subsequently debated the influence of Keynesian ideas on the Labour party and others.³ More recent work on Labour's financial and taxation policies has added considerably to our understanding of 1929–31, whilst reinforcing Ross McKibbin's defence of Labour's decisions as neither ultra-orthodox nor out of step with practice in other countries.⁴ This work sits comfortably alongside studies which reveal the policy limitations imposed by the

I am grateful to Andrew Thorpe and David Howell for perceptive comments on this chapter.

¹ The formation of this myth is discussed in J. Lawrence, 'Labour – the myths that it has lived by', in D. Tanner, P. Thane and N. Tiratsoo (eds.), *Labour's first century* (Cambridge: Cambridge University Press, 2000), pp. 351–4. For a rather different exploration of the basis of this myth, see N. Owen, 'MacDonald's parties: the Labour party and the "aristocratic embrace", 1922–31', *TCBH* 18(2007), 1–53.

² R. Skidelsky, *Politicians and the Slump* (London: Macmillan, 1967). See also the earlier but less academic study, R. Bassett, *Nineteen thirty-one: Political crisis* (London: Macmillan, 1958).

³ See, for example, G. C. Peden, 'Sir Richard Hopkins and the "Keynesian revolution" in employment policy, 1929–45', *EcHR*, 2nd series, 36 (1983), 281–96, and his 'The "Treasury view" on public works and employment in the inter-war period', *EcHR*, 2nd series, 37 (1984), 167–81. See also J. Tomlinson, 'Was there never a "Keynesian revolution" in economic policy?', *Economy and Society* 10 (1981), 72–87, and R. C. Middleton, *Towards the managed economy. Keynes, the Treasury and fiscal policy debate of the 1930s* (London: Methuen, 1985).

⁴ R. I. McKibbin, 'The economic policy of the second Labour government', *Past & Present* 68 (1975), 95–123. More recent works include M. Daunton, *Just taxes: The politics of*

international financial context.⁵ The definitive biography of MacDonald has defended the party leader from the myths constructed by the party after the event.⁶ By the 1980s, while no one would call the government a success, stressing the context had made it seem less of a disaster. By contrast, later studies of the Labour *party* during the 1929–31 government have been implicitly more critical, recognising that whatever the economic advice, politicians were not ciphers.⁷ They did not have to accept Treasury orthodoxy. They had options. Their choices helped to shape events. Such works have been less concerned with ‘the leaders’ than with understanding the labour movement’s reactions to events, and with minimising its responsibility for the Labour government’s decisions.

The analysis presented here does not contest the invaluable work of economic historians on the constraints imposed by economic crisis. However, it builds more evidently on the work of recent political historians by showing how the party’s institutional structure and culture influenced party *leaders* during the events of 1929–31 – and permeated their way of seeing the economic world.⁸ In doing so, it draws on two particular conceptual approaches. Institutions, many now recognise, can help shape political values and influence political actions; they have cultures which structure both the reception and generation of ideas.⁹ However, the politicians operating within those cultures are also influenced by socially constructed values. As cultural historians have shown, ‘rational’ analysis – logic – was not everything, even for sophisticated thinkers like Keynes.¹⁰

taxation in Britain 1914–1979 (Cambridge: Cambridge University Press, 2002), pp. 145–60. For a similar but less positive view, see R. Whiting, *The Labour party and taxation: Party identity and political purpose in twentieth-century Britain* (Cambridge: Cambridge University Press, 2000), pp. 42–50. Both of these later works utilise a thesis supervised by Peter Clarke: M. Short, ‘The politics of personal taxation: budget-making in Britain 1917–1931’, unpublished PhD thesis, University of Cambridge (1985).

⁵ R. W. D. Boyce, *British capitalism at the crossroads 1919–1932* (Cambridge: Cambridge University Press, 1987).

⁶ D. Marquand, *Ramsay MacDonald* (London: Cape, 1977).

⁷ A. Thorpe, *The British general election of 1931* (Oxford: Clarendon Press, 1991); N. Riddell, *Labour in crisis: The second Labour government, 1929–31* (Manchester: Manchester University Press, 1999); D. Howell, *MacDonald’s party: Labour identities and crisis 1922–1931* (Oxford: Oxford University Press, 2002); M. Worley, *Labour inside the gate: A history of the British Labour party between the wars* (Ashgate: London, 2005).

⁸ For institutional values as an influence on the discussion of policy and strategy, see D. M. Tanner, ‘Constructing the constructors: institutional cultures, associational life and their impact on inter-war politics’, Pacific Coast Conference on British Studies, University of California, Berkeley, 2004.

⁹ For the ‘new institutionalism’ within political science, see the summary in D. Judge, *Political institutions in the United Kingdom* (Oxford: Oxford University Press, 2005), chap. 1.

¹⁰ P. F. Clarke, *The Keynesian revolution in the making, 1924–1936* (Oxford: Clarendon Press, 1988) and his essay in P. Mandler and S. Pederson (eds.), *After the Victorians* (London:

Other ‘political intellectuals’ from the period were even more explicitly promoting policies based on a particular blend of values.¹¹ Some have already recognised that MacDonald and Snowden were predisposed to look in particular ways at policy advice. However, if accumulated ideas and orientations are seen as generally significant, their impact has seldom been traced through and studied in detail.¹² If it is mistaken to see thinkers purely as the mouthpiece for ideas, to take away the person and the context (as is still often the case in studies of political and economic thought), so it is even stranger to forget the primarily political and managerial function of party leaders. Appreciating how and why political animals act in a particular way is a complex business, even when the politician is a reflective figure. In this study of Philip Snowden’s and Ramsay MacDonald’s actions, the process is complicated in the first case – made easier in the second – by the sources available and the characters involved.¹³

The policy of the second Labour government was structured by a *political* and *personal* and not simply an *economic* crisis. As a result of the works noted above, we know far more about the party context in which it operated, about the constraints – and opportunities – facing the party and about the actions and influence of the opposition parties during the period of crisis.¹⁴ These studies still (rightly) note the problems of creating an effective Labour economic and political policy in 1929–31, at a time when an economic whirlwind created enormous problems which governments across the world could not withstand. They also demonstrate that sections of the political world – and a variety of economists – were willing to consider alternative ideas, and hint that there were varying

Routledge, 1994). More generally, see P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978) and S. Collini, *Public moralists: Political thought and intellectual life in Britain, 1850–1930* (Oxford: Oxford University Press, 1991).

¹¹ J. Stapleton, *Political intellectuals and public identities in Britain since 1850* (Manchester: Manchester University Press, 2001). See also Collini below, chap. 8.

¹² N. Thompson, *Political economy and the Labour party* (London: UCL Press, 1996), esp. chap. 6. See also J. Tomlinson, ‘Labour and the economy’, in Tanner *et al.* (eds.), *Labour’s first century*, esp. p. 73.

¹³ Snowden’s papers were destroyed at his request when he died; perhaps as a result, there is no fully convincing biographical treatment. MacDonald was very different. There are many introspective reflections in his diary (held in the National Archives at JRM PRO 30/69/1753), and although these need to be seen as private musings, they are still revealing. They are augmented by often very personal letters, including a little-used collection of his papers deposited at the University of Manchester and cited here as RMD/1/14.

¹⁴ Thorpe, *1931*, esp. chaps. 1 and 4. See also Riddell, *Labour in crisis*; Howell, *MacDonald’s party*. For the opposition, P. Williamson, *National crisis and National Government: British politics, the economy and Empire, 1926–1932* (Cambridge: Cambridge University Press, 1992); S. Ball, *Baldwin and the Conservative party: The crisis of 1929–1931* (New Haven, CT: Yale University Press, 1998).

ways of managing the political consequences. Nonetheless, through their focus on the party rather than the leaders, they do not explain why Labour failed to take this advice, limiting itself to policies which, whilst not rigidly orthodox, appeared dwarfed by the scale of the problems. To party critics, and many voters, Labour seemed to provide no resistance to an economic crisis which eventually turned into a political disaster – reducing the Labour party to a shattered remnant in the process. Of course, there was no easy economic (or political) ‘solution’, but there were ways to manage the crisis which might have helped the party to present a better face to the electorate, especially during the first eighteen months of the government’s life, before the crisis became quite so acute. This chapter is concerned with the incapacity of Labour’s leaders to pick their way through the maze of expert advice, overcome their own predilections and minimise the damage to the party, rather than with their understandable inability to find answers to economic problems which were so deeply rooted.

Was this ‘a question of leadership’? Whilst new forms of biography have raised questions about the techniques of political leadership, little has been written by historians that addresses the issue directly.¹⁵ Party management or leadership is perhaps neglected because scholars are embarrassed by the way popular biography and discussions of contemporary British politics exaggerate its significance. Yet concern with ‘leadership’ has a very respectable academic pedigree.¹⁶ At least since the 1960s, British political parties have themselves recognised that leadership matters, developing institutional structures to ensure that their leader’s ideas prevail over Whitehall mandarins or party dissidents.¹⁷ In 1929–31, by contrast, the Labour party was far less supportive. Its schizophrenic views on leadership placed the Prime Minister under enormous pressure.

The chapter argues that the government was not just hampered by its limited understanding of economics or by an overwhelming economic problem (although these created the framework). The inability to minimise the impact of this challenge is explained by examining the unresolved tensions, perceptions, prejudices and structural weaknesses

¹⁵ For partial exceptions, P. Williamson, *Stanley Baldwin* (Cambridge: Cambridge University Press, 1999) and R. Toye and J. Gottlieb (eds.), *Making reputations: Power, persuasion and the individual in British politics* (London: I. B. Taurus, 2005).

¹⁶ The classic text is Max Weber, ‘Politics as a vocation’, reprinted in H. H. Gerth and C. Wright Mills (eds.), *From Max Weber: Essays in sociology* (London: Routledge & Kegan Paul, 1998).

¹⁷ See, for example, K. Theakston, ‘The 1964–70 Labour governments and Whitehall reform’, Working Paper no. 2, POLIS, University of Leeds (2004). Of course, these structures did not always work. See J. Haines, *The politics of power* (London: Cape, 1977) and *Glimmers of twilight* (London: Politicos, 2003).

within the Labour party itself. These became evident in the early 1920s, as the party's preparations for government meant establishing new institutional procedures and practices. The chapter shows how party leaders' own orientations hardened within the crisis period, mixing with elements of Labour's institutional culture in ways which made decisive political action less likely. When wise counsel might have opted for an election, the sacrificial axing of Cabinet ministers, or a pragmatic shift towards policies with a less widely supported economic rationale, Labour's leaders held to an approach which had a vicious logic and a dramatic conclusion.

I

The way in which the Labour party developed and planned policy prior to the 1929 government had a marked impact on its actions thereafter. Its economic policy in the 1920s is regularly dismissed as unimaginative or inadequate. Seen as neither radically socialist nor proto-Keynesian, it has seldom been judged in its own terms. The core of the party programme was based on pre-war economic views which stressed the importance of state intervention, newly legitimised by the way that wartime Britain had extended its activities to produce a more efficient economy.¹⁸ Labour leaders felt that international competition had become so intense that prices and wages were squeezed to ridiculous levels. Capitalistic reactions to this process – including the formation of price-fixing arrangements and the concentration of production in a few dominant companies – justified nationalisation as a means of protecting the public and ensuring appropriate use of monopoly power. The party's main long-term aims were laid down in *Labour and the New Social Order* (1918) and refined to meet the challenges of the later 1920s in *Labour and the Nation* (1928). Key features were the creation of an effective and competitive economy and a national minimum standard of life, utilising both limited nationalisation and state-aided rationalisation of production, graduated taxation and extended social provision.¹⁹ It has been famously claimed that in government Philip Snowden, Labour's main financial expert, abandoned this emphasis and embraced the economic views of the Establishment. As Churchill put it, 'The Treasury mind and the Snowden mind embraced each other with the fervour of two long-separated lizards.' However, in the early 1920s, MacDonald and Snowden seemed firmly committed to their

¹⁸ For those views, D. M. Tanner, 'The development of British socialism, 1900–1918', in E. H. H. Green (ed.), *An age of transition: British politics 1880–1914* (Edinburgh: Edinburgh University Press, 1997).

¹⁹ For the broad position, A. Thorpe, 'The industrial meaning of "gradualism": the Labour party and industry, 1918–1931', *Journal of British Studies* 35 (1996), 84–113.

and Labour's established policies, including nationalisation (although they were less keen on the party's newest idea, a capital levy on higher incomes and accumulated profits).²⁰ Whilst problems within the world financial and monetary system were seen as important influences on what could be achieved, leading trade unionists and party members agreed that Labour could not depend on these economic difficulties resolving themselves. They supported intervention – both to improve trade and to reorganise industry. In this respect they differed from many businessmen – and made those differences clear.²¹

Reactions to the party's first spell in government were mixed. They demonstrate some of the tensions which hampered later policy debate. There was some satisfaction at a first effort successfully completed,²² but many of the party's middle- and upper-class recruits felt deprived of a chance to make a difference. Josiah Wedgwood expressed a broader discontent when complaining about the formation of a Labour policy committee on land reform. If this had been an issue close to the heart of a prominent working-class Labour figure, he wrote to MacDonald, 'you would have consulted them on the composition of the committee, Chairman and terms of reference. I am Vice-Chairman of the party, though I sometimes fancy that you regret the fact, and I do not like being put on a different footing to the other leaders. It does not help to show your colleagues that you consider them to be either negligible or fools.'²³ Trade union leaders felt equally aggrieved about limited consultation on policy. In return, MacDonald felt unfairly attacked, especially by his old allies in the ILP.²⁴ After the government fell, individuals from across the labour movement pushed ahead with policy development, determined to ensure that future ministers were in a better position to challenge ideas presented by the Civil Service when Labour next took office.

In economic policy, the main constructive and fresh initiatives were (consecutively) the capital levy and the surtax, being different and (differently) progressive forms of taxation which were meant to fund Labour's welfare measures. These were serious economic proposals. By the mid 1920s progressive Liberal economists found nothing fundamentally

²⁰ Cited in Skidelsky, *Politicians and the Slump*, p. 69. For the leaders' early economic views, D. Tanner, 'Philip Snowden', *New Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), vol. LI, pp. 504–5 and J. R. MacDonald, 'The general case for nationalisation', n.d. [c.1924], MacDonald MS JRM PRO 30/69/1074, TNA.

²¹ Contrast the majority and minority reports of the Final Report of the Committee on Trade and Industry (1929), Cmd 3282. The minority report was signed by the Labour nominees.

²² See examples in Worley, *Labour inside the gate*, pp. 81–2.

²³ J. Wedgwood to JRM, 23 May 1923, JRM PRO 30/69/1167.

²⁴ Howell, *MacDonald's party*, pp. 194–5. See also below, pp. 127–8.

wrong with the economic principles which Labour economists deployed to sustain their arguments. Indeed, whilst Keynes found Snowden's (orthodox) attitude to the Gold Standard in 1925 'disgraceful' and 'hard-boiled', he supported the surtax proposals as a better option than the capital levy, which had ceased to be a valid economic idea once post-war inflation had been addressed by other means.²⁵ The nature of these proposals has been discussed in several studies. They were certainly 'radical' compared with orthodox economic policy, threatening the financial position of the middle classes and hence levels of investment (a concern of both Treasury officials and Philip Snowden).²⁶ This radicalism had a moral as much as an economic appeal to activists, ensuring that the party embraced such ideas with enthusiasm, even if some of its leaders did not.

The party leaders' less enthusiastic response was not simply a result of economic orthodoxy or political calculation (although the latter had influenced MacDonald's attitude to the capital levy in particular). It also reflected the extent to which they heard and trusted the party's thinking. Ideas emanating from party intellectuals were treated no more seriously in the later 1920s than they had been during the first Labour government. This was a recurrent feature of Labour politics, not a temporary consequence of a Liberal influx.²⁷ Understanding this consequence of the leaders' views, and of party culture, helps to explain Labour's deficiencies as a vehicle for policy ideas during the second Labour government.

Labour's Finance and Trade Advisory Committee included some serious economists, for example Dalton, Pethick-Lawrence, Lees-Smith and G. D. H. Cole. It was the only formal Labour mechanism for developing policy ideas until the New Fabian Research Bureau was formed by Cole in 1930.²⁸ Party leaders largely ignored it, and were allowed to do so by senior figures within the labour movement. A culture developed in which intellectuals were seen either as impractical and ignorant of the 'real world' or as dangerously radical.²⁹ The problem was hardly confined to economic policy, but the Finance and Trade Advisory Committee was still

²⁵ J. M. Keynes to F. W. Pethick-Lawrence, 10 May 1925, Pethick-Lawrence MS 2 fo. 202, Trinity College, Cambridge.

²⁶ Daunton, *Just taxes*, pp. 152–7. For the capital levy, which was seriously discussed across several parties in the post-war period, M. Daunton, 'How to pay for the war: society and taxation in Britain, 1917–1924', *EHR* 111 (1996), 882–919, and R. Whiting, 'Taxation and the working class, 1915–24', *HJ* 33 (1990), 895–916.

²⁷ For this reoccurring perception, P. F. Clarke, 'Crossman and social democracy', *London Review of Books*, 16 April–6 May 1981.

²⁸ A. Smith, *The New Statesman: Portrait of a political weekly 1913–1931* (London: Frank Cass, 1996), chap. 10.

²⁹ See below, p. 147.

convened less frequently than most other Labour advisory committees. Although it met to discuss the capital levy, the result was so uncomfortable for Snowden that he made little further use of it. His relations with party intellectuals were poor, since he saw them as rivals and intruders. He was told by MacDonald that the Colwyn Committee, established to investigate the capital levy, should involve Labour advocates of the levy for reasons of party unity. In fact, the Committee was stacked with Establishment figures. Its minority report (which was the basis of Labour's surtax policy) was passed over. Even Snowden's former Treasury colleague, Willie Graham, felt ignored in areas which were within his remit, whilst George Lansbury found Snowden 'stiff and difficult' over the surtax proposals. Snowden saw the surtax (like its predecessor) solely as a means of repaying the war debt and not as a means of redistributing wealth.³⁰ He appeared not to know of the party committee established to examine the proposal, nor the extension of its remit to include banking.³¹ MacDonald accepted blame for this lack of communication, but Snowden had clearly been informed. He simply took little interest in Labour policy committees or in the opinions of his 'subordinates'.³² Nor was this the only instance of such problems. Laski felt similarly marginalised when Snowden largely appointed people from outside the party to serve on a commission investigating the Civil Service.³³ If Snowden remained popular with some backbench MPs, it was because of his symbolic status as an accepted (working-class) financial expert, an anti-war campaigner and a figure of moral rectitude.

When he took an interest in party policy debates, Snowden was a fierce opponent. When details of Labour's surtax discussions appeared in the press, he slated those who had developed the policy in letters to MacDonald. He also published articles attacking Labour's statistics, publicly condoning the Treasury analysis used to suggest they were unrealistic. 'We cannot defend the scheme, and I shall make no attempt to do so', he told MacDonald. Dalton reported that when Labour economists went to see him (not the other way around) he dismissed party policy decisions, noting 'he didn't care a rap for the party conference. What did

³⁰ W. Graham to JRM, 13 August 1926, JRM PRO 30/69/1171; G. Lansbury to Graham Pole, 15 December 1927, Pole MS UL5/1, Borthwick Institute, University of York.

³¹ P. Snowden to JRM, 18 October 1927, JRM PRO 30/69/1172. For MacDonald's communication with the other economists, JRM to W. Graham, 7 July 1927, JRM PRO 30/69/1172.

³² JRM to PS, 15 October 1927, JRM PRO 30/69/1753/4. See also Whiting, *Labour party and taxation*, p. 38.

³³ B. Pimlott, *Hugh Dalton* (London: Macmillan, 1985), pp. 142–4, Harold to Frieda Laski, 12 April 1924, Laski MS DLA 38, University of Hull.

they know about finance'.³⁴ Whatever the merits of the case (and Labour's calculations were certainly suspect) his response lacked any sense of collective effort. MacDonald found his action 'unfair', 'quite wrong' and 'mischievous in its effect'.³⁵ A year later, as the surtax policy unfolded, the Finance and Trade Advisory Committee reported it had been 'unnecessarily overlooked in connection with the preparation of this policy'.³⁶

Snowden's interest in international discussions on currency, reparations and trade also created difficulties, partially because this was the Foreign Secretary's responsibility, partially because of his perceived orthodoxy. During the first Labour ministry he had supported the Bank of England on such issues. 'It is a mistake', MacDonald had told Snowden at the time, 'for us to urge the bankers' views. Nothing is more easily misunderstood.'³⁷ After 1924 Snowden attacked the party in the *Manchester Guardian* over its attitude to the financial aspects of the Geneva Protocol. Arthur Henderson, who was responsible for Labour's policy, was not amused: 'he is somewhat lacking in loyalty to his colleagues to take the time he has in the public press without giving us any opportunity of explaining the position we are in and the difficulties we are up against'. MacDonald thought that writing to the *Manchester Guardian* had been 'foolish'. He was surprised at Snowden's reaction because he had 'never said one word to me about it' nor previously taken an interest in the issue.³⁸ These public incursions into the preserves of the party's foreign policy team carried on into the second Labour government and were met with reciprocal venom. Caricatured as the bitter cripple by Dalton, Snowden was described at one overseas conference 'waving his crutches round and round his head and yelling insults at foreigners amidst rapturous applause from all the worst elements in England'.³⁹

Other party intellectuals felt Snowden was unimaginative. Small expert groups, included one centred on Philip Noel-Baker and David Mitrany, both academics at the London School of Economics, were meeting to try and influence policy. As a pacifist, Noel-Baker opposed military

³⁴ PS to JRM, 14 October 1927, JRM PRO 30/69/1753/4. When discussing the 1929 manifesto *Labour and the Nation*, Snowden claimed not to have heard of Tawney. This was evidently untrue, and was probably a statement of his views on party intellectuals generally. I owe this point to Andrew Thorpe.

³⁵ JRM to T. Johnston, 27 September and 28 October 1927, JRM PRO 30/69/1172.

³⁶ NEC minutes, 7 February 1928, LPA.

³⁷ Boyce, *Capitalism at the crossroads*, p. 57; JRM to PS, 14 August 1924, JRM PRO 30/69/1753/4.

³⁸ A. Henderson to JRM, 19 September 1927, JRM to G. Murray, 16 September 1927, JRM PRO 30/69/1172.

³⁹ Dalton Diary, 10–19 August 1929, in B. Pimlott (ed.), *The political diary of Hugh Dalton* (London: Macmillan, 1986), p. 63. Snowden had been disabled for some years, and walked with the aid of either one or two sticks.

expenditure on moral grounds. However, he also saw disarmament as a means to free up money for social purposes and had perceptive views on international confidence, banking, credit and the Gold Standard.⁴⁰ As an internationalist, he saw free trade as a moral as well as an economic system. Unlike protection, it did not defend economic interests. It treated people equally. Like many party intellectuals, Noel-Baker was desperate to be heard in policy circles and for Labour's policy to be intellectually sustainable. He supported activities designed to create informed backbench opinion and action, and especially to expand the various party research services (like many intellectuals, he felt such things were important).⁴¹ Like Dalton and Mitrany, he also felt that Snowden's negative populism was bound to 'cheapen' the reputation of the party. Snowden built no bridges, even to party intellectuals who broadly agreed with him (perhaps because of his class sensitivities). There was no formal mechanism through which party intellectuals could operate unless Snowden was willing to listen. His manner – and party structures – did nothing to create a body of agreed and involved expert opinion.

Snowden's views on free trade were challenged more directly and completely by others within the party, albeit with little effect. The most vocal dissidents were a small group of ILP radicals, who felt that a preoccupation with the relative merits of free trade and protection in the past had structured a debate which should have looked ecumenically at the case for socialism. They wanted to nationalise the banking system and use import control boards to plan the economy. This argument became embroiled with calls for Imperial preference and unity, which limited its appeal, but free trade was being questioned more generally.⁴² When Brailsford, Wise and Wheatley attacked Snowden on this issue, they used arguments which had strong Labour roots and attracted support even from moderates. Before 1914, many Labour figures had seen free trade as a contributory factor to the low wages which were a major cause of poverty. They did not see competition as good in its own right. It was simply that one consequence of free trade – cheaper food – had positive benefits for ordinary families.⁴³ This qualified support for free trade was expressed publicly by a variety of Labour figures, including MacDonald. Some Labour economic advisors in the 1920s, notably Pethick-Lawrence

⁴⁰ There is a series of lengthy memoranda outlining his views in the Noel Baker MS, NBKR 3/61, Churchill College, Cambridge.

⁴¹ Noel-Baker – like Mosley – was active in the Labour Candidates' Association, formed in 1927, which had this as one of its aims (see Noel-Baker MS, NBKR 2/2).

⁴² Boyce, *Capitalism at the crossroads*, pp. 84–90.

⁴³ F. Trentmann, 'Wealth versus welfare: the British left between free trade and national political economy before the First World War', *Historical Research* 70 (1997), 70–98.

(a former Liberal) also expressed doubts about the continuing rationality of supporting a ‘Liberal’ version of free trade in such an altered economic climate. MacDonald tried to mask these differing views, not to address them.⁴⁴ Snowden took no interest.

Whilst support for free trade was rooted in the culture of the party and was not easily eroded, doubts about its continued relevance spread rapidly during the later 1920s given its pronounced impact on particular areas of the economy. Agriculture was one of several areas where party policy debate was fractious and disorganised as a result. Nonetheless, a series of broad orientations emerged. There was a clear desire to keep people on the land, both to prevent greater unemployment in the towns and also because vibrant, independent, rural communities were often contrasted favourably with dehumanising industrial squalor. Co-operative organisation of production and marketing was also widely supported in the 1920s, notably by Christopher Addison (Labour’s Minister of Agriculture from 1930).⁴⁵ Other common suggestions – especially land nationalisation and the introduction of import control boards and quotas – were more controversial. In both areas, Snowden inhibited policy debate. When the party set up a committee on land reform in 1923, Snowden submitted no memoranda and attended no meetings. His fellow land reformer, Josiah Wedgwood, complained that Snowden avoided speaking to him on the matter. Despite Snowden’s later criticisms of Labour ideas as ‘impractical’, it was the committee which complained ‘that Mr Snowden’s Bill for Land Nationalisation was chiefly of a propagandist character and would need considerable amplification if put forward by the Labour party’. Dalton further commented that it would ‘excite widespread opposition among large numbers of small owners’, the very people Snowden later wished to consider so carefully.⁴⁶

Agricultural import boards were designed not just to keep out foreign produce, but to help organise production in ways that would deliver efficient farming. Stable prices for the farmer and good wages for agricultural labourers would undermine rural poverty and servility – and prevent the rural depopulation which threatened to decimate the countryside. The most articulate advocate of this idea was E. F. (Frank) Wise, the ILP economist, but others also took up the cudgels. As Labour’s Secretary

⁴⁴ Boyce, *Capitalism at the crossroads*, p. 83; F. W. Pethick-Lawrence to J. M. Keynes, 4 October 1926, Pethick-Lawrence MS 2 fo. 241.

⁴⁵ K. O. and J. Morgan, *Portrait of a Progressive: The political career of Christopher, Viscount Addison* (Oxford: Clarendon Press, 1980), pp. 166–72.

⁴⁶ Minutes of the Special Advisory Committee on Land, 25 June 1923 and Dalton ‘memorandum’ for the above, July 1923, LPA; J. Wedgwood to JRM, 14 May 1923, JRM PRO 30/69/1167.

of State for Agriculture (the former Liberal MP Noel Buxton) had written to MacDonald in 1924, they would soon need to make a choice 'between a feasible policy and a fine Labour policy and the Free Trade question'. MacDonald was cautious but not uninterested. Snowden was unequivocally opposed. Further policy development along these lines was consequently avoided, frustrating party reformers. This debate inevitably reoccurred, in heightened form, once Labour took office in 1929.⁴⁷

The development of economic policy was also hampered by the relationship between MacDonald and Snowden. In the later 1920s, Snowden's public criticisms of MacDonald were accompanied by private attacks on his 'aloofness'. This was certainly a problem; but MacDonald felt – probably rightly – that Snowden's motives were suspect. Snowden had privately described the 1924 government as one of 'great opportunities . . . wantonly and recklessly thrown away by the most incompetent leadership which ever brought a government to ruin'. Ethel Snowden's similar comments were widely reported in the press. Snowden himself was reportedly interested in replacing MacDonald as leader, as he had been since before the war. His periodic attempts to voice party criticisms of MacDonald had always seemed like opportunism to some members of the party.⁴⁸ This hardly assisted the policy process.

Given the problems of this relationship, MacDonald's limited use of party advisors is initially surprising. It is doubly surprising because of his experiences during the first Labour government. 'I begin to see how officials dominate Ministers', he had written at that time. 'Details are overwhelming and Ministers have no time to work out policy.' Most civil servants were 'admirable', responding well to being treated 'like gentlemen' – but they could think 'in grooves'.⁴⁹ To break out of this, he observed, as Labour faced office again in 1929, the country needed a Prime Minister who could 'coordinate the State policy of the various departments. This has never been done properly. I want to create a real advisory committee for the PM, a body that will work out schemes, watch developments, conduct investigations and, generally, keep the machinery of government running steadily'.⁵⁰ His time had to be managed more effectively. He needed to find people who were dependable to absorb these pressures and to protect him from endless committee meetings.

⁴⁷ N. Buxton to JRM, 2 February 1924, JRM PRO 30/69/668 and below, pp. 137–44.

⁴⁸ This section is based on C. Cross, *Philip Snowden* (London: Rockliff, 1966), p. 213; PS to JRM, 14 October 1927, 'Diary papers', JRM PRO 30/69/1753/4; JRM Diary, 16 September 1927; and letters between Snowden and MacDonald from September and October in JRM PRO 30/69/1172. More generally, Tanner, 'Philip Snowden', pp. 502–9.

⁴⁹ JRM Diary, 23 January and 26 July 1924. ⁵⁰ *Ibid.*, 30 January 1929.

However, his inability to trust people was evident when he continued that such meetings required his attendance ‘to prevent all sorts of silly things being said and done’.⁵¹ The co-ordinating role he envisaged would mean less time for party activities, such as opening Labour clubs or dealing personally with individual backbenchers and people whose attacks disturbed him: ‘I really must be protected not against people who come and shake hands and do ordinary things that friends do, but against those who desire an interview . . . (and) continue to badger and to blaspheme if they cannot get one’.⁵² All this suggested the need to incorporate and utilise a range of people, who would thus also become part of MacDonald’s support system.

Despite these comments, ‘constructive critics’ – like the self-confessed ‘loyal grouser’ G. D. H. Cole and other people who helped reconstruct Labour policy after 1931 – strained to catch the leaders’ attention once in office. MacDonald’s actions did not match his ideas.⁵³ During the first Labour government even chairs of Labour’s advisory committees had limited formal contact with ministers, let alone with the party leader. Indeed, the NEC and TUC had conspired to limit such contacts.⁵⁴ As Foreign Secretary in 1924, MacDonald had kept the relevant advisory committee at arm’s length, subsequently rejecting its criticisms of the Foreign Office and attacking the idea of a larger role for political advisors.⁵⁵ Thereafter he was no more co-operative. In 1926 the International Advisory Committee toned down a policy paper on reform of Foreign Office procedures at MacDonald’s request. He reaffirmed his opposition a year later.⁵⁶ He ‘suggested’ something ‘a little more advisory and a little less mandatory’ in response to an advisory committee memorandum on the foreign policy measures to be taken by the next Labour government.⁵⁷ This reflected his broader dissatisfaction with Labour’s

⁵¹ JRM to P. Noel Baker, 27 January 1927, JRM PRO 30/69/1172.

⁵² JRM to G. Shepherd, 7 March 1927, JRM PRO 30/69/1172. See also JRM to E. Wake, 16 January 1928, JRM PRO 30/69/1173/2.

⁵³ See below, pp. 133, 136, 146–7.

⁵⁴ W. Milne Bailey to F. Bramley, and reply, 26 and 27 May 1924, TUC MSS 292.30/7, Modern Records Centre, University of Warwick; NEC minutes, 24 April 1924, Joint Research and Information Committee minutes, 17 June 1924, LPA.

⁵⁵ See esp. JRM to A. Greenwood, 4 March 1925, critically dissecting a series of Advisory Committee memoranda on the Foreign Office, JRM PRO 30/69/1266.

⁵⁶ JRM to Leonard Woolf, secretary of the International Advisory Committee, 8 and 9 February 1926, and critical comments from Bertrand Russell on the committee’s subservient attitude to MacDonald, 18 May 1925, Leonard Woolf MS ID6, University of Sussex. For the following year, JRM to Susan Lawrence, 14 September 1927, JRM PRO 30/69/1172. See also JRM to G. Young, 16 November 1928, JRM PRO 30/69/1173.

⁵⁷ Response to memorandum, November 1928, in F. Spotts (ed.), *The letters of Leonard Woolf* (San Diego, CA: Harcourt Brace Jovanovich, 1989), p. 378.

back-room intellectuals. He was 'perfectly appalled' at the party's limited intellectual resources in areas such as finance and banking. Nor did his disquiet stop there. The whole advisory committee system, he commented, 'which we trusted so much' has 'let us badly down by having recommended schemes so inadequately considered. Our bad staff work in opposition is likely to doom us as a government.'⁵⁸

MacDonald felt unable to lean on party structures. Nor did he form an inner group of trusted party allies to protect him in 1929. There had been a small queue of people seeking this role in 1924. Wheatley, a Clydesider but also Minister of Housing, stated it was his 'duty to keep you advised' and to 'make your path smooth'. C. P. Trevelyan offered to form a group around MacDonald which would protect and support him.⁵⁹ MacDonald was unmoved. He responded well to loyalty, but disliked the lobbying for office which surrounded Cabinet formation.⁶⁰ Instead, by the mid 1920s he rested heavily on pre-war political friends from outside the higher circles of the party. The pacifist and ILP journalist Clifford Allen, for example, shared MacDonald's critical view of party dissidents – and shared MacDonald's confidence in return.⁶¹ MacDonald also drew on old trade union allies, notably Ben Turner and Stephen Walsh.⁶² Wealthy party recruits (especially women) who understood his pressurised position lent positive support. By contrast, some party members expected leaders to behave like the travelling propagandists which they had indeed been before 1914.⁶³ Whilst MacDonald claimed that their criticism of his actions made no 'difference in my personal relations', he was sensitive, depressive and unhappy about the public expression of critical views.⁶⁴ He did not lack loyalty to those who were themselves loyal. On the contrary, feeling a lack of positive reassurance from the party, he was quick to

⁵⁸ JRM to W. Graham, 15 July 1927, JRM PRO 30/69/1172; JRM Diary, 25 September 1929.

⁵⁹ J. Wheatley to JRM, 2 February 1924, JRM PRO 30/69/66, C. Trevelyan to JRM, 6 January 1924, RMD/1/14/79, University of Manchester.

⁶⁰ It was 'the most horrible job of my life', and made him 'suspect human nature' (JRM Diary, 19 January 1924).

⁶¹ C. Allen to JRM, 24 September and 2 November 1925, JRM PRO 30/69/1170; JRM to C. Allen, for example 25 June and 6 October 1926, JRM PRO 30/69/1171.

⁶² Both wrote to him as 'Ramsay', which was unusual. For their supporting role, see, for example, B. Turner to JRM, 24 July 1928 (condemning Maxton as 'dotty') and JRM to S. Walsh, 22 September 1927, asking Walsh to keep a 'sharp eye' on a vote at the Miners' Federation of Great Britain (MFGB) conference vote which might go against the party (JRM PRO 30/69/1172).

⁶³ See, for example, B. Ayrton Gould to JRM, 9 October 1927, JRM PRO 30/69/1172. By contrast, Bevin asked MacDonald to present prizes at a trade union convalescent home gala and sports day in Middlesbrough, just a month after he had spoken in the constituency (E. Bevin to JRM, 19 March 1929, JRM PRO 30/69/1174).

⁶⁴ JRM to H. Laski, 21 November 1927, Laski MS DLA 32.

praise those whose quiet effectiveness went unnoticed or who gave loyal (meaning uncritical) support. His private advisory and support system was limited to those who agreed with him.⁶⁵

II

The structures and attitudes outlined above created a series of problems once Labour was in government because they contributed to MacDonald's growing isolation from the party and his hostility towards it. Again, this had grown over time. In a party where leaders were expected to remain humble, MacDonald often spent his 'free' afternoons during the first Labour government seeing disgruntled activists or writing articles to supplement his income. Subsequently, he developed a siege mentality, in which limited faith in much of his own organisation was hardened into anger by bitter experience. The main irritants were the Clydeside MPs and 'difficult' trade unionists. MacDonald rounded on both. Maxton and the 'vain and empty-headed Neil McLean' were the main targets in the ILP. The miners' leader A. J. Cook, who supported them, was branded 'utterly incompetent for his job and with enough vanity to go round the whole of our Empire'.⁶⁶ His relationship with the ILP had worsened during the first Labour government. For MacDonald, the aim of the first ministry had been 'moderation and honesty', and his role was to 'keep the Govt out of ruts and confused squabbling'. The ILP Conference in 1924 produced criticisms from people 'whose sense of duty and rectitude is satisfied by showing the "head ones" how much better things would have been if the critics had been in power'. Some of the left, he concluded, 'do no work but much talking and wish to turn (the) floor of the House into a sort of national street corner soap box. They are encouraged by our own press, which is in bad hands and we must fight them.'⁶⁷ The Labour press *had* identified weaknesses. It was part of Labour culture to assume that no one was above critical analysis (and that leaders should take such criticisms gracefully). As the *Daily Herald* wrote of the first Labour government:

The chief fault of the Ministry was a tendency to be more official than the politicians of the Old Parties and an anxiety on the part of a good many to prove that a Labour Government was no different to any other. That was certainly a mistake. A Labour Government must be different, or there is no need for it to

⁶⁵ For example, JRM to C. R. Attlee, 5 January 1927, JRM PRO 30/69/1172. Attlee was praised as 'one of the best men of the team' (JRM to Lord Birkenhead, 20 July 1927).

⁶⁶ JRM Diary, 30 September and 1 October 1924.

⁶⁷ JRM Diary, 11 April, 23 January and 3 December 1924.

exist. More individuality in matters of minor importance would have fully made up for Ministerial impotence, imposed by the conditions under which they took office.⁶⁸

In addition to attacking Brailsford as editor of the ILP's *New Leader*, MacDonald wished to 'control' both the *New Statesman* and the *Daily Herald*. The latter, he argued, showed nothing but 'incapacity from beginning to end'. He continued, 'instead of being a great party organ giving us spirit and uplift, it is a miserable, cantankerous, narrow visioned and pettifogging propaganda sheet'.⁶⁹

These tensions were reinforced by two major challenges from the left – the ILP's 'Living Wage' campaign and the General Strike in 1926. The Living Wage campaign was essentially propagandist. J. A. Hobson – who supplied the economic rationale for the proposal – disagreed with the use made of his ideas by Maxton and later Cook and was unsure whether the programme was 'financially practical'.⁷⁰ MacDonald felt this was another example of irresponsible behaviour. He already felt that 'too many in the ILP think that by a few Acts of Parliament they are to move from Capitalism to Socialism in their own time'. The extravagant use made of the 'Living Wage' idea by Brailsford and others in the press was 'really deplorable'.⁷¹ Critics 'masquerading' as friends had received a hearing from him and the party 'under the cloak of allegiance'.⁷² They were not 'pulling together', but 'sniffing about for excuses for quarrelling'. The ILP's leaders had formed a 'pettifogging, self-advertising, irritating clique'.⁷³ Like Snowden, he resigned from the organisation. The support which ILP members gave to the 'pose and drama' of Wheatley and Maxton, he told Clifford Allen, suggested the ILP had 'no useful purpose to serve'. MacDonald had been profoundly insulted when not renominated as ILP treasurer.⁷⁴

A second tension is also evident within this process. The decline of the ILP was a 'calamity' for MacDonald because it left the Labour party dependent on the unions. This was unhelpful, because of the unions' perceived short-sightedness: 'I am not at all certain that the Trade Union antagonism to capitalism may not deteriorate into an opposition which will mean social suicide', he wrote. The General Strike reinforced

⁶⁸ Cited in H. Richards, *The bloody circus: The Daily Herald and the left* (London: Pluto Press, 1997), p. 81. The *New Statesman* claimed MacDonald was an 'utter failure' (Smith, *The New Statesman*, p. 171).

⁶⁹ JRM to C. Allen, 27 November 1925, RMD/1/7/2.

⁷⁰ J. A. Hobson to JRM, 7 October 1926, JRM PRO 30/69/1171.

⁷¹ JRM Diary, 20 June 1926; JRM to Hobson, 8 October 1926, JRM PRO 30/69/1171.

⁷² JRM to P. F. Pollard, 2 February 1927, JRM PRO 30/69/1172.

⁷³ JRM to J. H. Round, 8 April 1927, JRM PRO 30/69/1172, and JRM to A. Fenner Brockway, 17 February 1926, JRM PRO 30/69/1171.

⁷⁴ JRM to C. Allen, 3 November 1925, RMD/1/14/88.

this emphasis. Whilst MacDonald felt the mine-owners' behaviour was 'absurd', he sought compromise not confrontation during the crisis and wanted to heal wounds. If the miners' executive objected to such an aim, he commented, 'they could go hang. They have misled the men so grossly and have been so incompetent in negotiation that they are only matched by government.' He felt party leaders were falsely restricted by 'the fear of doing something of which the Miners' federation may not approve'.⁷⁵ Cook was treated bluntly in a dismissive personal letter: 'In all my experience of Trade Union leadership . . . I have never known one so incompetent as yourself'.⁷⁶

In the years after the General Strike, and with Labour gaining popular support and looking like a potential government, more effort was made to resolve policy differences. The TUC's response to the Living Wage proposals shows how party culture and internal suspicions influenced this process. The TUC and Labour party had set up a joint policy commission to examine the Living Wage proposals in 1927. However, the remit was immediately widened because the 1927 Labour conference requested TUC/Labour discussions which would be 'a basis to the future policy of the whole labour movement and the next Labour Administration'. It was suggested that the discussions should embrace minimum wage rates, the reorganisation of industry, import boards and the introduction of family allowances – as proposed by the ILP.⁷⁷ As the secretary of the TUC Research Department put in, 'we are really asking the Unions to tell us their views as to the proper economic policy of the Trade Union and Labour movement to pursue in the immediate future – as well as their views on the more remote objectives of the movement'.⁷⁸ However, under Margaret Bondfield's chairmanship, the main focus became the possible introduction of family allowances (just one aspect of the ILP programme but a proposal with wider support outside the party). Although the rejection of this proposal has been used to suggest the male-centred nature of the labour movement, a number of Labour figures – including Dalton – were attracted to the idea because of its economic and social implications. The commission also debated whether general expenditure on social services was better and more effective than targeting welfare payments at a specific group.⁷⁹

⁷⁵ JRM Diary, 23 June and 4 July 1926.

⁷⁶ JRM to A. J. Cook, 14 November 1927, JRM PRO 30/69/1172.

⁷⁷ See minutes of the preliminary meeting, 5 July 1927, TUC MSS 292/117/1.

⁷⁸ W. Milne Bailey to Charles Duncan, 21 February 1928, TUC MSS 292/117/3.

⁷⁹ Details of questions for experts, TUC MSS 292/117/2 and W. Milne Bailey to A. Salter (Labour Party Health Advisory Committee) 14 February 1928, TUC MSS 292/117/3. For Dalton's support, which reflected his views on marriage and the need to gain women's support as much as his views on economics, see *New Leader*, 15 January 1926.

Many trade unionists did not treat the ideas on their merits, although this was not simply because of institutionalised male perceptions. Other prejudices were important as well. Arthur Pugh resented being pushed into supporting ‘the ILP policy on the Family Allowance’. Indeed, he was ‘inclined to resent this attempt to force the hands of trade unions’, who could define their own policies, and did not need ‘these people forcing us to walk in their tracks’. He continued that if ‘joint enquiries with the Labour party are going to head us into controversies of this kind, then in my view we should seriously consider whether we can participate in them’.⁸⁰ Whilst there was some support for family allowances, a number of respondents felt that better social services would be more beneficial to children, whilst several powerful unions expressed the view that family allowances were ‘bound to have a detrimental effect on wages’.⁸¹ Representatives from sections of the Labour party with interests in the field gave evidence in favour, but Labour MPs – and Labour leaders – were conspicuous by their absence.⁸² This was another case of an investigation designed to do nothing. Male trade union interests were important, but the rejection of the idea tells us about other tensions within the party as well, notably its anti-intellectualism and concerns over the role of the ILP.

Less ambitious, but in some ways related, ideas were put forward from within the party. The Education Advisory Committee was unusual in that the Education Minister in 1924, Charles Trevelyan, continued to play an active part in its activities after the government fell. By 1929 the committee had a clear programme of reforms. Family allowances for everyone were replaced by ‘maintenance allowances’ for the parents of 14–16 year olds, hence allowing the school leaving age to be raised to sixteen.⁸³ Although the reforms were not proposed primarily as a means of influencing incomes, and only partially as a means of reducing the labour supply, these were influences on some trade unionists’ support for them. Despite this, neither the TUC nor the NEC wanted to look too carefully at the proposals. Both had clashed with the committee over its desire to exert its influence during the first Labour government.⁸⁴

⁸⁰ A. Pugh to W. Milne Bailey, 11 and 16 June 1930, TUC MSS 292/118/1.

⁸¹ W. Milne Bailey to H. H. Elvin, 10 February 1930, TUC MSS 292/117/2.

⁸² See, for example, complaint from J. S. Middleton, the party’s Assistant Secretary, to Labour members, 15 January 1930, TUC MSS 292/117/2.

⁸³ No author, ‘Some immediate measures to be undertaken by the Board of Education’, June 1927, Labour Party Advisory Committee on Education, LPA.

⁸⁴ Education Advisory Committee minutes, 27 May 1924, and critical response from Milne Bailey, 26 June 1924, LPA. For continued tensions, see minutes, 18 February and 15 March 1926.

By 1928 nothing had changed. MacDonald warned that the committee's desire to tie a Labour government 'to policies and positions which will paralyse it and fix it up to futilities' had to be resisted.⁸⁵

III

The Labour party rallied to its leaders following the formation of the second Labour government in 1929 and looked loyally ahead to a successful ministry.⁸⁶ Nonetheless, the tensions noted above did not disappear. Maxton had complained at the 1928 conference that the movement was 'giving a free hand to the next Labour government to define any programme it pleases'.⁸⁷ Whilst few voted with Maxton on this, the sentiments were more widely shared. Sections of the PLP wanted a 'Consultative Committee' to be contacted before any public departure from the party programme by Labour ministers.⁸⁸ Those who had worked at policy in opposition were anxious that party leaders should not ignore their ideas in government. They were especially concerned over the Civil Service and its potential influence. Advisory committees and their members tried unsuccessfully to establish close contact with ministers during the early days of the government.⁸⁹ Moderate intellectuals complained at the way the committees functioned: it was 'exactly as if the situation had not fundamentally changed since the change of Government'.⁹⁰ Within months, the trade unions were expressing concern over their isolation from the government. Citrine told MacDonald that he wanted to 'avoid the mistakes of the last occasion when a Labour Government was in office', when the TUC had felt 'ignored and snubbed'. His discussions with MacDonald created a 'very unfavourable impression'. Bevin, Cook and Heyday shared his disquiet.⁹¹

MacDonald was not unaware of these doubts and tensions. As in 1924, forming a 'balanced' cabinet had been stressful; but he included George Lansbury to appease the left, and dealt sympathetically with 'disappointed' loyalists like Vernon Hartshorn, a miners' MP and a Welshman

⁸⁵ JRM to PS, 25 October 1928, JRM PRO 30/69/1173/2.

⁸⁶ Thorpe, 1931, pp. 9, 19. The nature and limits of 'loyalism' within party culture is discussed in Howell, *MacDonald's party*, *passim*.

⁸⁷ Cited in J. Shepherd, *George Lansbury* (Oxford: Oxford University Press, 2002), p. 254.

⁸⁸ Memorandum by H. S. Lindsay, 10 December 1929, and R. Rosenberg, 12 December 1929, RMD 1/1/4/88.

⁸⁹ Education Advisory Committee minutes, 1 July 1929, LPA; L. Woolf to Kingsley Martin, 11 September 1929, Kingsley Martin MS 15/4, University of Sussex.

⁹⁰ H. M. Stanwick to L. Woolf, 12 November 1929, Noel-Baker MS NBKR 2/3.

⁹¹ Report to the TUC General Council, 26 June 1929, TUC MSS 292/1/10.

who pointed out that both were underrepresented in the government.⁹² Although MacDonald was unhappy about the establishment of a Consultative Committee (even one staffed by loyalists) he paid detailed personal attention to the comments and concerns of backbenchers, writing lengthy – not to say ‘confessional’ – letters which explained the government’s position. J. H. Palin, Labour MP for Newcastle West, was one of many who received personal explanations of government policy. As circumstances worsened immediately on taking office, making action less easy, MacDonald wanted to *prove* that he was not indifferent to the economic situation – adding that he was ‘willing to sacrifice both time and nerves to satisfy you that it is so’. His letter was pages long and startlingly frank:

I must confess to you that I am very distressed at the position of unemployment. Everything that mortal man can do is being done to devise schemes to meet the problem; but I had no idea before we came into office how precarious was the condition of the country.

He noted that a range of Labour policy ‘solutions’ had proved less successful than anticipated. J. H. Thomas, and a team which included Lansbury, Mosley and Tom Johnston, had been made responsible for unemployment. They were working ‘literally twenty four hours a day’ on short-term schemes – but with ‘practically nothing to show for it’. Increases in the unemployment grant were coming, but this would only address ‘the fringe and the surface of things’. Raising the school leaving age to reduce the labour supply was supposed to be simple – ‘Everybody said a one-clause bill is all that is required’ – but educational reform raised complex denominational issues. International confidence was fragile; ‘one small slip . . . might do untold harm’. What one department wanted another opposed. ‘What on earth’, he asked, ‘can we do?’⁹³ MacDonald wrote many such letters, even when he was ‘head over ears in business’. Although he had recognised a need to prioritise policy, he still wanted his party to understand him and tried to achieve this by repeated personal interventions and letters.⁹⁴

MacDonald was soon dissatisfied with the team he had chosen. By November 1929, he felt that Thomas’s failure owed much to the ‘lack of system in his work’; the task of addressing unemployment was ‘breaking his spirit’. Margaret Bondfield, his Minister of Labour, was incapable of

⁹² V. Hartshorn to JRM, 10 June 1929, RMD/1/14/13. Hartshorn – left out because of his membership of the Simon Commission – was promised, and obtained, a Cabinet post when his duties were over.

⁹³ J. H. Palin to JRM, 11 August 1929, and reply 14 August 1929, RMD/1/14/76.

⁹⁴ For example, JRM to Molly Hamilton, 23 October 1930, RMD/1/14/3.

drafting measures or of seeing their weaknesses – her ‘manner of doing things’ was unhelpful. Civil servants – worse than in 1924 – were dominating the Ministry of Labour (‘which ought to be restaffed and reorganised from top to bottom’). MacDonald had already warned Trevelyan that Catholic educational interests had to be treated sensibly, as their opposition could hijack the government’s planned educational reforms. Yet the Education Department was putting forward ‘ill-considered proposals’ which would not work.⁹⁵ Scotland was also on MacDonald’s list of problems – a proposal on land drainage schemes was ‘in no sense a “thought out” scheme’. It would ‘not do’. The Cabinet needed ‘some idea of what specifically can be done and the need for the work’.⁹⁶ By Christmas he was feeling overwhelmed. The ‘world goes so fast and I am imprisoned in its whirlings’, he told Gilbert Murray. ‘I must confess I find my burdens to be heavy and often wearying. Our difficulties are much greater than in 1924.’⁹⁷

During this period the government came under attack from the ILP in particular. Maxton focused on unemployment.⁹⁸ MacDonald responded bitterly. His ILP critics could not ‘relate the desirable to the possible’. Brailsford’s comments were derided as the views of ‘a bad type of intellectual . . . A great many people can produce plans and have no notion of either the science or the art of building.’⁹⁹ MacDonald explained his opposition to this ‘mischievous propaganda’ in individual and lengthy letters to rank-and-file members. He called for ‘loyalty’, and for people to stand up against the dissidents. One long explanation of his dissatisfaction with the ILP attacked the ‘clique of anarchistic critics’ at its core.¹⁰⁰ This was indicative of many things, including his insecurity, his problems as a party manager and the ILP’s culture of dissent.

Nonetheless, MacDonald was not out of step with party opinion. The Labour stalwart Harry Snell reported that the party’s Consultative Committee was happy to discipline the rebels: ‘I do not think I have ever known in the Party a fiercer resentment against the assumption of a special righteousness on the part of a few.’¹⁰¹ Other MPs wrote privately

⁹⁵ JRM Diary, 5 and 11 December 1929.

⁹⁶ JRM to C. P. Trevelyan, 29 June 1929, JRM PRO 30/69/1174; JRM to W. Adamson, 13 September 1929 and note from Tom Johnston, JRM PRO 30/69/474.

⁹⁷ JRM to G. Murray, 30 December 1929, Murray MS 153 fo. 66, Bodleian, Oxford.

⁹⁸ Riddell, *Labour in crisis*, pp. 150–1.

⁹⁹ JRM Diary, 3 December 1929; JRM to H. Laski, n.d. [late August 1929], RMD/1/14/60.

¹⁰⁰ JRM to T. Ashworth, 14 January 1930, JRM to J. Davies, 20 February 1930, JRM PRO 30/69/1175.

¹⁰¹ H. Snell to JRM, 21 March 1930, JRM PRO 30/69/1175; Howell, *MacDonald’s party*, p. 42.

warning of mounting difficulties in their constituency parties and in the country, rather than make public comments which might feed ILP criticisms. The solidly loyal Arthur Greenwood argued that unemployment had ‘not been tackled scientifically’ and suggested that the Prime Minister establish an external advisory body (already committed to doing this, MacDonald responded by forming the Economic Advisory Council in January 1930).¹⁰² MacDonald used the EAC for ideas but also exhorted his ministers to think more imaginatively about policy.¹⁰³ Yet when these same ministers were criticised by party dissidents for being overly dependent on the Civil Service, he leapt to their defence.¹⁰⁴ MacDonald doubted people but seldom acted on those doubts.

New ideas were being developed in think-tanks, government departments and on the backbenches. The existence of these calls for change has been noted in several studies. However, the extent of this pressure, and MacDonald’s response to these demands, has not been fully detailed. The pressure took two forms – support for action on the party’s strategy for unemployment as outlined in the manifesto, and calls for action on international trade, possibly including some form of tariff barriers. The strength of Oswald Mosley’s much-studied ‘alternative’ programme was that it embraced both of these pressures, combining them with a third – the creation of a new Cabinet policy unit to demand and secure action.¹⁰⁵ Mosley’s ideas were crushed. Attlee, Mosley’s successor, produced his own analysis of the problems (which differed on protection but not on some other issues), and called for a Minister for Industry to drive forward change.¹⁰⁶ Attlee’s ideas were ignored.

The Mosley memorandum grew from frustration at Labour’s inability to move forward. Within the government’s unemployment commission, Thomas had opposed proposals for changes in pension provision developed by Mosley, Johnston and Lansbury, which they felt would alleviate unemployment. He had consistently frustrated their desire for action.¹⁰⁷ By December 1929 they had reported that it was impossible to work with

¹⁰² A. Greenwood to JRM, 26 December 1929, JRM PRO 30/69/1174. EAC deliberations are detailed in S. Howson and D. Winch, *The Economic Advisory Council 1930–39: A study in economic advice during depression and recovery* (Cambridge: Cambridge University Press, 1977). The Macmillan Committee on Finance and Industry, set up a little earlier, was also a platform for Keynes. See Clarke, *Keynesian revolution*, esp. chap. 5.

¹⁰³ For example, N. Buxton to JRM, 5 March 1930, JRM PRO 30/69/676. Buxton resigned a month later with stress and a heart condition.

¹⁰⁴ See, for example, defence of A. V. Alexander at the Admiralty, JRM to C. P. Trevelyan, 1 April 1930, Alexander MS AVAR 5/2/13, Churchill College, Cambridge.

¹⁰⁵ The classic account of this is in R. Skidelsky, *Oswald Mosley* (London: Macmillan, 1975), pp. 192–7.

¹⁰⁶ K. Harris, *Attlee* (London: Weidenfeld & Nicolson, 1984), pp. 87–8, 570–84.

¹⁰⁷ G. Lansbury to J. H. Thomas, 23 October 1929, Lansbury MS 20 d 233, BLPES.

Thomas, whose weaknesses were already well known to MacDonald.¹⁰⁸ By February 1930, and after MacDonald showed no sign of acting, the Mosley memorandum was presented to the Cabinet.

Mosley's proposals were easily rejected. Referring them to a Cabinet sub-committee led by Snowden exposed them to the sharp eyes and critical pens of the Civil Service. Calls for increased expenditure on public works were attacked by Treasury officials, and lacerated by Snowden and his ally, Willie Graham. Mosley's proposals involved reducing departmental powers – and departmental officials and ministers defended their terrain. Morrison, for example, objected to the way in which local government would lose its role (also reflecting his background as leader of the London Labour Party). Those suspicious of Mosley's ambitions and methods pointed out that the creation of a Cabinet policy unit with immense powers would 'cut at the root of the individual responsibility of Ministers, the responsibility of the Chancellor of the Exchequer for finance, and the collective responsibility of the Cabinet to Parliament'. It was difficult to reconcile this 'with the principles of Parliamentary government'.¹⁰⁹ Mosley was already seen as an ambitious interloper, who had used his wealth to sustain his political ambitions. Trying to undermine Thomas through leaked documents and private letters further infringed on party ethics (if not on party practice).¹¹⁰ By censuring the government and resigning in protest, he alienated what Dalton called the 'Loyal Lump' of the party. Soon only some of MacDonald's sworn enemies in the ILP and some maverick allies were left supporting him. Although many across the party were unhappy with what they saw as policy stagnation and with Thomas's perceived failures, Mosley's actions had placed him outside the unwritten rules of party culture and minimised his support.¹¹¹

IV

MacDonald saw Mosley's challenge as an inconvenience, not as a warning. In thanking Lansbury for remaining loyal to the government despite his association with Mosley's ideas, he attacked Mosley's 'deplorable piece of bad judgement'. This had created 'a very serious situation, not only for the Government but for the whole Party'.¹¹² Thomas was

¹⁰⁸ Cited in Marquand, *MacDonald*, p. 534.

¹⁰⁹ P. Snowden, 'Report of committee on unemployment policy', Mosley MS Box 7, University of Birmingham.

¹¹⁰ On leaks etc., JRM to Mosley, 19 and 25 February 1930, Mosley MS Box 13.

¹¹¹ For one such view, E. Durbin to R. Bassett, 29 December [1930?], Durbin MS 3/7, BLPES.

¹¹² JRM to G. Lansbury, 21 May 1930, Lansbury MS 9 fo. 253.

belatedly moved to the Dominions Office. A Cabinet committee under MacDonald and the newly promoted Vernon Hartshorn took responsibility for unemployment. Thomas (who MacDonald felt had become a scapegoat) retained responsibility for the rationalisation of industry. The Prime Minister did not create (or take credit for) a dynamic new initiative. By August 1930 he was thanking Hartshorn for 'the best statement of the problem of unemployment which has come under my hand', but said he could not take the matter further 'this side of Christmas'.¹¹³ When (Lord) Sidney Arnold – a confidant and friend of MacDonald's – complained that he was detached from the party and never discussed matters with him, MacDonald's reply revealed a key problem:

I fully intended to have weekly conferences, but, whatever the reason may be, I have found that certain Departments receive my detailed guidance, with the result that the whole of my time is now taken up with detail after detail. Theoretically it is bad economy, but the pressure of facts has become imperative.¹¹⁴

MacDonald was simply overwhelmed. He recorded bouts of depression throughout 1930. His August diary entries are especially direct:

Worries creep in. We have been most unlucky in the time of our assuming office. The trade of the world has come near to collapse, and nothing we can do will stop the increase of unemployment. Promises made under different conditions cannot be fulfilled until the conditions return and meanwhile we are challenged to do something spectacular.

Rationalisation of industry, he continued, had become a policy fetish. Yet it could not be utilised whilst unemployment was high without huge personal costs. The problem was that socialists were right. Men were being replaced by machines. Economic production was not determined by potential demand. 'I am at my wits end' he wrote. Protection in some form 'must be discussed', but the Cabinet and party were divided. He even found it difficult to embrace cosmetic action; it was not in his nature to pretend that something could be done when this was illusory.¹¹⁵

If 'protection' (in some form) was now a serious policy issue, MacDonald had no time to consider it in the latter part of 1930 because he was also trying to run Imperial affairs. He was not satisfied with party members of either the Imperial Conference or the Round Table meetings over India. At the former, Ernest Bennett 'made frightful blunders. He was so anxious to take a lead in policy that he produced his statement

¹¹³ JRM to V. Hartshorn, 19 August 1930, RMD/1/14/16.

¹¹⁴ JRM to S. Arnold, 13 March and 18 August 1930, JRM PRO 30/69/676.

¹¹⁵ JRM 'diary papers', 14 August 1930, JRM PRO 30/69/1753/3. For Arnold, see M. Pottle, 'Sydney Arnold', *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), vol. II, p. 499.

whilst it was still only partially considered.’ Yet MacDonald did not step in decisively. Lord Sankey, who worked with MacDonald a good deal at this time, termed him ‘a difficult man’, who was ‘never any good at making up his mind’.¹¹⁶ MacDonald became increasingly detached from the party, losing both awareness and control in the process.

Any form of trade regulation would inevitably cause problems given the depth of free trade opinion in the Labour party. Hence, if protection was to be avoided as an issue, MacDonald needed other ways of tackling unemployment. Party members were keen for the government to implement its pledge to raise the school leaving age, in part because this would reduce the labour supply. Trevelyan expected a ‘storm of discontent and disapproval’ if nothing happened.¹¹⁷ However, making something happen was difficult. The problem was not simply financial. State support for schools raised issues about the funding of Catholic education, sparking a ‘major religious controversy’. Maintenance allowances were also controversial. The National Union of Teachers took ‘a negative attitude’, whilst local authorities were concerned over how allowances for those remaining in school after the age of fifteen would be funded. Nor was this the government’s only problem. Snowden was still wedded to the idea of a land valuation bill as a means of funding social expenditure; MacDonald remained unconvinced. He drew parallels with Lloyd George’s failed efforts in this direction between 1911 and 1914 and noted that a revaluation would ‘create an atmosphere of general uncertainty’.¹¹⁸ Looking to avoid protection as an issue, he saw only unassailable problems in the other ideas put forward by the party.

MacDonald encouraged ideas for action, but by August felt that his ministers were letting him down. He wrote of their ‘laxity in getting things pushed through’. The proposals which came forward on unemployment and agriculture were not ‘very defensible or certain in results’. When Addison spoke in favour of import quotas on food, MacDonald came down hard. ‘I am having the greatest difficulty to keep sections together in the hope that we may get an agreed policy’, he wrote.¹¹⁹ He suggested working with Liberals like Lloyd George and Rowntree, who were calling for a public assault on unemployment.¹²⁰ This was both unpopular with ministers and unsuccessful. In early October he complained that

¹¹⁶ JRM to D. Carnegie, 5 December 1930, JRM PRO 30/69/676; Sankey Diary, 5 November and 16 December 1930, MS Eng hist e 284, Bodleian, Oxford.

¹¹⁷ CPT to JRM, 21 September 1930, JRM PRO 30/69/461.

¹¹⁸ JRM to PS, 13 May 1930, JRM PRO 30/69/1175.

¹¹⁹ JRM to C. Addison, 25 September 1930, Addison MS dep. C 133 fo. 17–19, Bodleian, Oxford.

¹²⁰ See also JRM to Lloyd George, 12 September 1930, Addison MS dep c 133 fo. 33.

‘unemployment policy seems to be sinking down into quiescence. A persistent and daily attack upon the problem by those who have nothing else to do is what I want done, but apparently what I cannot get.’ He again complained of having to do work that ‘Ministers should do themselves’.¹²¹ He felt that when asked for action, ministers responded with a series of ‘complaints and excuses’.¹²²

It was in this climate that the debate over import control boards or selective protection came to the fore. In October 1930 the Economic Advisory Committee’s economists produced a significant report. It claimed that whilst the authors were all free traders, in current conditions free trade was unworkable. Keynes (one of the authors) had conveyed this view directly to MacDonald. MacDonald reviewed this and other evidence, but did not act.¹²³ The explanation for this goes beyond free trade orthodoxy, since MacDonald was not an orthodox free trader. However, many in his party supported such ideas. Questioning free trade would have meant facing and defeating opposition (notably from the Chancellor). It would have involved securing or accepting resignations, challenging Civil Service authorities. MacDonald was not the person to face such a task or to avoid it by going to the electorate and (probably) passing the poisoned chalice of office to the Conservatives.

Pressure to look at tariffs had been building within the Labour party. Frank Wise and the ILP had long supported import control boards as an aid to planned production. It had been raised in relation to agriculture early in 1930 by Noel Buxton. When MacDonald suggested a mild version of this approach, Snowden immediately poured scorn on his ideas. A ‘registration fee for imported wheat, barley and oats’, he claimed, was protection by the back door. Such interference by government was also unnecessary because agriculture would ‘right itself in time, and probably before long’. The Ministry of Agriculture remained unconvinced by Snowden’s views, suggesting that ‘agriculture cannot be rehabilitated if the principle of the older school of economists are [*sic*] to be respected’.¹²⁴ When Addison took over, following Buxton’s resignation, his team repeated the calls for import quotas on wheat and other cereals. The agricultural trade unions joined in.¹²⁵ At the TUC, Bevin and

¹²¹ JRM to W. Graham, 2 October 1930 JRM PRO 30/69/676; S. Arnold to JRM 9 October 1930, and reply, 10 November 1930, JRM PRO 30/69/676. Arnold was threatening resignation.

¹²² JRM to V. Hartshorn, 19 August 1930, RMD/1/14/17.

¹²³ Clarke, *Keynesian revolution*, pp. 202–6, noting letter to MacDonald, 21 July 1930.

¹²⁴ PS to JRM, 24 February 1930, JRM PRO 30/69/1174 part 2; N. Buxton to JRM, 5 March 1930, JRM PRO 30/69/676.

¹²⁵ ‘Office conference on agricultural policy 1930’ and notes of discussion with policy team and civil servants, 5 June 1930, Addison MS dep c. 164.

Citrine also backed tariffs. Although aware of the EAC's activities and supportive of them, they operated separately through the TUC, where they were supported by the steel union BISAKTA.¹²⁶ They and others backed a public works programme and the development of trading links with the Empire, protected by tariff systems.¹²⁷ The party's manifesto commitment to raising the school leaving age was mentioned as one element of a broader programme. Bevin wanted a 'bold State effort', aimed at addressing the government's problems.

Snowden was unimpressed. Although he had earlier rejected Treasury pressures and supported a road works programme, there were limits to his unorthodoxy. By August he was actively opposing efforts to propose policy alternatives. MacDonald's concerns, he argued, were unfounded. 'You exaggerate the July trade returns', he wrote, 'which were better than June's and better than those for the USA'. The cotton industry was the major problem, 'and if we get that industry going things look immensely better'. He continued by arguing that in fact expenditure on public works was increasingly only cosmetic:

Whatever we can do in the way of public works it will make no appreciable difference to the Unemployment figures. They exaggerate the volume of real unemployment. I am distressed about the lack of appreciation of the economic situation and the difficulties among our own people. They put forward their demands just as if things were normal.

For Snowden, the unions were particularly culpable, continuing to push for welfare benefits such as improved pensions despite increasingly serious economic circumstances. Colleagues who blithely talked of manifesto commitments were ignoring the point. He declined to meet those who wished to raise the school leaving age. They needed to face 'realities'.

MacDonald did not warm to Snowden's intransigent approach. Whilst castigating colleagues, he was equally (if privately) critical of his Chancellor. Snowden made public statements on tariffs which were 'mischievous' and provocative. He was 'out for a debate on tariffs and to tear protectionists to tatters'. His pursuit of this fight brought the Imperial Conference 'to ruin'. His 'rude offensiveness' made things worse. When MacDonald raised the use of tariffs in Cabinet, the Chancellor replied with a day of silent resentment, followed by attacks reminiscent of 'a passionate judge sentencing a man to 5 years'. MacDonald complained that he was prepared to 'accept his resignation but it was not hinted at'. Although it was offered at the next Cabinet meeting, throughout this Snowden sat

¹²⁶ Riddell, *Labour in crisis*, pp. 70–1, 84–6.

¹²⁷ A. Greenwood to JRM, 1 June 1930, E. Bevin to JRM, 27 August 1930, JRM PRO 30/69/461.

‘immovable in mind like a Buddha in stone’. Faced with a tough decision, MacDonald sided with his Chancellor and the Treasury.¹²⁸ Those on the fringes of power identified the influence of the Civil Service or the limitations and intransigence of Snowden as key influences on his decision.¹²⁹ They perhaps misunderstood the strength of free trade opinion within the Cabinet, which included co-operators (like Alexander), economists (like Arnold) and old-time Labour members (like Margaret Bondfield). Free trade had been the radical’s economic creed for so long that it had an automatic credibility and moral purchase as well as fervent supporters. On other issues, Snowden was seemingly more compliant. He pushed Treasury views to the limits in his 1930 Budget, which raised income taxes and the surtax.¹³⁰ He appeased the party on the possibility of introducing continuation allowances. He even warned MacDonald about a plot to replace him with Henderson.¹³¹

Of course, removing a Chancellor with Snowden’s standing for voicing the views of many party members and economic experts would have created political uproar. It would probably have meant an election, which financially the party was in no condition to face. If there were no easy options (and certainly no economic ‘solutions’) there were *political* options, including means of escaping office and responsibility or of demonstrating a commitment to ‘action’. The press reported that Snowden must ‘bend or go’. Laski and others saw Snowden as the main stumbling-block to the development of a new and positive programme. MacDonald did not think that a credible programme existed. His old doubts about the party persisted. He had ‘begged’ the party to produce something of its own, he wrote, but reasonable people were rare, and too many were against him. He had reached a ‘dead wall’. A National Government was one possibility, but it would break the party. The government as a whole was lurching from one crisis to another (Palestine and the Unemployment Bill were further problems). Faced with a hard decision – and with few trusted party figures supporting an adventurous approach – he chose to stay in office rather than face the electorate. Whilst by-election results suggested that the party would have been defeated, there were those who argued that losing whilst fighting for a positive programme was better than taking responsibility for a collapsing economy.

¹²⁸ JRM Diary entries, 9 and 13 October, and comments on Cabinet meetings, 17, 28, 29 and 30 October 1930.

¹²⁹ See, for example, C. R. Attlee to Tom Attlee, 1 November 1930, Attlee MS Eng hist c 4792, Bodleian, Oxford.

¹³⁰ Daunton, *Just taxes*, pp. 155–7.

¹³¹ JRM ‘Diary papers’, 16 November 1930, JRM PRO 30/69/1753/3.

MacDonald did not respond to the Autumn 1930 crisis by seeking new policies. By December 1930 he was still so ‘blocked up every hour of the day’ with other responsibilities that he had to ask what the Unemployment Committee was doing to resolve the party’s main policy problem. The Indian Conference was ‘monopolizing practically every hour of my day and as much of the night’.¹³² Evidently worried about the financial position, he promised to back Snowden ‘in any proposal you make to cut expenditure’. Other ideas, like raising the school leaving age, were collapsing in sectarian strife – supported by backbench Labour Catholics. ‘The proceedings of some of our colleagues are enough to make the men who made the Movement turn in their graves’, MacDonald noted, ‘Some people apparently cannot behave except as members of a rabble.’¹³³ There were repetitions of earlier comments on his colleagues’ lack of ‘realism’. The tariff crisis did not lead to a new assessment of the economic position, to a lightening of MacDonald’s load or to the restriction of Snowden’s power. On the contrary, it tied MacDonald to Snowden more closely than ever.

V

The government was gradually imploding. In January 1931 Bondfield offered to resign from the Cabinet, highlighting private (Labour) criticism of her alleged subservience to civil servants and public attacks in the *Daily Herald*. MacDonald accepted she was ‘not up to her work’ but persuaded her to remain in post. Her critics (like those people who had attacked him in the past) made no allowances, he wrote, for the hard and thankless task that ministers performed. They were ‘heartless’ and ‘jealous’.¹³⁴ He received Trevelyan’s resignation in February, following the rejection of the Education Bill in the Lords, with more enthusiasm. It was a ‘relief’ because Trevelyan had been ‘an awful failure’.¹³⁵ Trevelyan’s resignation letter highlighted broader concerns and called for a radical and bold programme to go before the country. MacDonald was deeply hurt, in part because he drew broader conclusions from the episode as to the role of ex-Liberals in the party:

¹³² JRM to V. Hartshorn, 5 December 1930, RMD/1/14/19; JRM to S. Arnold, 1 December 1930, JRM PRO 30/69/676.

¹³³ JRM to PS, 22 December 1930, JRM PRO 30/69/1176; JRM to J. Brownlie, 26 January 1931, JRM PRO 30/69/1176.

¹³⁴ M. Bondfield to JRM, 6 January 1931, and reply 10 February 1931, Bondfield MS 2.24, Vassar College, New York.

¹³⁵ JRM to PS, 3 March 1931, JRM PRO 30/69/1176; JRM Diary, 20 February 1931.

Some of us gave you and others who were not acceptable to our friends at the time a very generous welcome, and we expected greater assistance . . . At the moment when everyone who cares for the future of Socialist political ideas should be striving by a united front to overcome immediate difficulties created by individualistic divisions . . . it is very curious that the greatest troubles are coming from those who are the latest recruits.¹³⁶

Some of the 'latest recruits' were indeed leaving. The ex-Liberal MP Lord Sidney Arnold resigned from his position as spokesman in the Lords in 1931 to focus on supporting free trade and temperance. Mosley and many of his allies, who resigned from the party altogether, were recent recruits as well. MacDonald's comments on these occasions were coloured by a sense of personal loss and betrayal (Cynthia Mosley, who unsurprisingly left the party with her husband, was a valued friend).¹³⁷ Yet if MacDonald felt this was the newcomers' lack of loyalty he was underestimating the problem. Lansbury and Passfield, long-time party members, also considered resigning – Lansbury because of limited progress on unemployment, Passfield because MacDonald was dictating policy on Palestine.¹³⁸ Their 'loyalty' to the party may have prevented this, but 'loyalty' was hardly the answer to Labour's problems.

Whilst MacDonald's options became progressively more limited as the economic situation worsened, his policy orientation in 1931 was not simply determined by expert economic advice. He was not inclined to consider alternatives. Too many of the people suggesting a radical approach had betrayed him. Too many in the Cabinet were unlikely to give sound advice. The party was now like 'the onlooker oppressed by circumstance. We have too many stiff and inflexible minds.' The Cabinet was descending into 'warring chaos'. He was still 'so overwhelmed in detail that I cannot plan policy'. If he recognised (again) that a National Government was one alternative, giving up altogether was a more attractive option.¹³⁹ MacDonald's values, past experience and character permeated his economic assessment and his political assumptions.

There were some desperate and fresh calls for action. Greenwood spoke of the 'really big house building programme' that was in hand. Henderson

¹³⁶ JRM to C. P. Trevelyan, 2 March 1931, RMD/1/14/83.

¹³⁷ The relationship with Cynthia Mosley dated at least to the early 1920s. See JRM to C. Mosley, 17 August 1923, Mosley MS Box 13, JRM to CM, 13 October 1929, Box 6; JRM to CM, 'purely personal', 5 March 1931, JRM PRO 30/69/1312.

¹³⁸ Passfield to Lord Amulree, 10 February 1931, Amulree MS Eng hist 2363 fo. 27, Bodleian, Oxford; G. Lansbury to C. P. Trevelyan, 17 March 1931, Trevelyan MS 142 fo. 151, University of Newcastle.

¹³⁹ JRM Diary, 1 March 1931.

began mobilising a party propaganda campaign in the April.¹⁴⁰ Yet for economists like Keynes, the *only* options were ‘a Tariff devaluation or an assault on wages’. Introducing tariffs was not a problem-free option; it was just ‘more promising than the others’.¹⁴¹ MacDonald was aware of the arguments. Keynes’s views were powerfully and publicly stated, notably in the *New Statesman and Nation*.¹⁴² MacDonald anticipated a policy revolt from the agricultural trade unions because tariffs had not been introduced. The idea was again put to the Cabinet, this time in the muted form of a wheat quota. The proposals were greeted with disdain by free traders. MacDonald had sought agreement with the Liberals on the introduction of a quota and told Snowden he was ‘personally quite willing to accept’ it. However, he also added that ‘the schemes put up for working it seem to me to be very faulty’. It was, he told a junior minister, a ‘most intricate and baffling problem’.¹⁴³ Snowden fumed even at this. Tariffs, he had noted previously, were a device for ‘relieving the well-to-do at the expense of the poor’. The Cabinet, as Sankey put it, was ‘hopelessly divided’ on tariffs; it was ‘impossible in such circumstances’, he concluded, ‘to change our policy’.¹⁴⁴ MacDonald concurred. He railed against those who spoke publicly in favour of import quotas: ‘I have to guide a team which is not united in its views on the subject and I have been trying hard to get agreement.’ Those who spoke out on the need for other policies were also reprimanded. All policy ideas, he argued, were to go through him: ‘only in that way can we keep things going in unity’.¹⁴⁵ However, it was unity at a price. Even moderates now felt that Snowden was ‘under the domination of the Bankers and Financiers’. The government, it was suggested, should leave office, instead of ‘dying in the straw like a sick cow’.¹⁴⁶

It was in this climate of mounting internal conflict, doubts about the capacity of colleagues, the absence of time to decide on difficult options, and a tendency to support those who were loyal above those who had ideas, that the party faced the economic crisis of 1931. The details of the crisis are well known, and need not be repeated at length here. Snowden

¹⁴⁰ A. Henderson to JRM, 29 April 1931, JRM PRO 30/69/1176.

¹⁴¹ J. M. Keynes to Kingsley Martin, 21 April 1931, Kingsley Martin MS 13/2.

¹⁴² R. Skidelsky, *John Maynard Keynes*, vol. II: *The economist as saviour 1920–1937* (London: Macmillan, 1992), pp. 386–7.

¹⁴³ JRM to PS, 7 April 1931 and JRM to John Morgan, 4 June 1931, JRM PRO 30/69/1313.

¹⁴⁴ Sankey Diary, 15 April 1931, MS Eng hist e 285. Snowden cited in T. Roth, *British protectionism and the international economy: Overseas commercial policy in the 1930s* (Cambridge: Cambridge University Press, 1993), p. 60.

¹⁴⁵ JRM to T. Johnston, 12 May 1931, JRM PRO 30/69/1176.

¹⁴⁶ J. Bromley to C. P. Trevelyan, 3 March 1931, Trevelyan, MS 142 fo. 24.

was in hospital early in 1931, and a Cabinet reshuffle – with Snowden and Henderson going to the Lords – seemed one way of rejuvenating the government and opening up consideration of an electorally defensible policy. However, despite pressure from colleagues, MacDonald declined to introduce a revenue tariff to help protect industry and increase government income. He was concerned that this would be electoral suicide if Labour went to the country (since it would be presented as a tax on food) and crippling if the party remained in government (as the Liberals would withdraw their support). As a result, he did nothing.

Snowden himself had two ideas: cuts in expenditure and a land tax to generate new revenue. Economic orthodoxy suggested that cuts to balance the budget would prevent an international crisis of confidence. Snowden knew that the party did not want to ‘face’ this reality. Economists like Dalton felt that revenue should be raised by taxing the wealthy instead. This was as much an emotional attitude as an economic one, an inclination to see the rich not the poor make sacrifices. That said, Treasury counter-arguments in favour of a very different approach to tax and expenditure – whilst buttressed by economic argument – also in part reflected a moral preference.¹⁴⁷ Snowden’s attitude to the party at this time meshed well with MacDonald’s own perception of its ‘character’. They both felt that the party would chose rhetoric over reality. Party opposition to implementing the findings of the Holman Gregory Commission on the unemployment benefit fund (which had recommended cuts of around 12 per cent in benefit rates since the fund was in chronic deficit) illustrated its inability to grasp realities. Indeed, sections of the party had argued that the recently adopted Anomalies Act had involved abandoning the principle of equality of sacrifice by targeting married women and others rather than the wealthy.¹⁴⁸ The small, truculent (but to MacDonald and Snowden deeply hurtful) ILP group attacked and lacerated the government on this and other issues. The government struck a bargain with the unions; but the need to do so was seen as more evidence of the party’s refusal to face reality. MacDonald reported on ‘an interview with a TUC deputation asking in effect that, as the handling of abuses in unemployment pay was difficult no attempt should be made to reform any abuse’.¹⁴⁹ Views were polarising and hardening.

Snowden’s land taxation proposals were another indication that a politician’s rooted beliefs could be more influential in determining policy outlooks than current economic advice. Supported by the Treasury (but

¹⁴⁷ Pimlott, *Dalton*, pp. 200–1; Daunton, *Just taxes*, p. 158.

¹⁴⁸ Riddell, *Labour in crisis*, pp. 167–8.

¹⁴⁹ JRM Diary, 16 June 1931, cited in Howell, *MacDonald’s party*, pp. 206–7.

with no great confidence) the proposal, and Snowden, had few supporters in the party.¹⁵⁰ Snowden initially refused to alter his ideas when Liberal support for them was withdrawn, arguing that he would not be ‘humiliated’ in this way.¹⁵¹ MacDonald’s long and personal letter to Snowden shows both his political assessment and his state of mind.¹⁵² If the Chancellor resigned and an election followed, he wrote, the party’s deep divisions would be exposed and the party smashed. This would ‘throw the people who have supported us for two years to destruction’. Detailing the Liberals’ pettiness in bringing Labour to this position or stressing the scale of the crisis would not work electorally. MacDonald continued

I am really too disturbed to put what is in my mind effectively as it ought to be put. But the mere fact that I wrote this as a last prayer not to doom to defeat – and even more – the Party and that crowd of friends who sit with us in the Commons, will I hope find you not unresponsive . . . Do not destroy – as far as it can be destroyed – the work of our life-time by scattering our flock and leaving it torn, and disgusted with its leaders and itself. Our lives have been made hard by the many obstacles we have met; do not let it be said that in the end one silly little one came which broke us and that the men who saw the birth of the Labour party assisted at its death.¹⁵³

Snowden agreed to stay on, but there was an unspoken consequence. MacDonald was now irrevocably committed to his Chancellor and his views.

In trying to address the crisis, MacDonald again felt let down by his party. At a conference which he hoped would stem the European banking crisis, MacDonald felt that Henderson had undermined his efforts, as foreign policy was ‘his’ terrain. The conference was an utter failure. ‘How far he blamed Henderson’, Marquand appositely concludes, ‘is not clear, but it is hard to believe that he can have exonerated him completely’.¹⁵⁴ When expenditure cuts were considered in mid 1931, individual ministers were also seemingly protecting their departmental budgets, even at this point of an evident crisis. Addison at Agriculture was advised to protect capital projects and ensure that cuts made were commensurate with those accepted by other departments. Other ministers sought to

¹⁵⁰ See for example, H. Laski to F. Laski, 14 May 1931: ‘he is an incubus to the party and the more I study the budget the more I feel that his days of usefulness are over’, Laski MS DLA 33/21.

¹⁵¹ Cited in Marquand, *MacDonald*, pp. 600–1.

¹⁵² The sentiment was shared by others. Sankey commented that Snowden was ‘unreasonable and adamant as usual’, Sankey Diary, 15 June 1931, MS Eng hist e 285.

¹⁵³ Marquand, *MacDonald*, p. 601.

¹⁵⁴ *Ibid.*, p. 608. Sankey certainly felt that MacDonald’s views hardened because of this old rivalry with Henderson (Sankey Diary, 24 August 1931, Sankey MS Eng hist e 285).

protect the pay levels of public employees.¹⁵⁵ All around him the crisis was growing. For MacDonald, the party was relentlessly ignoring that reality.

Snowden had drawn similar conclusions. He had established the May Committee – dominated by establishment figures with traditional financial views – to put pressure on Cabinet colleagues who he knew would oppose his plans. He played down the significance of the financial crisis until the committee had reported. The May report provided a ready-made ‘solution’ to the economic crisis, confirming the Treasury view that major public expenditure cuts were essential (as Snowden had known it would all along). The bulk of the £120 million of proposed cuts was to fall on unemployment benefits. The unemployment benefit fund had been out of balance for so long that further evasion was impossible.

The Cabinet understandably wished to avoid cuts of this kind. However, none of the Cabinet committees and groups established to suggest economies could meet the targets by other means. MacDonald looked outside the party for advice. That advice was clear. The economist Hubert Henderson argued the case in moral/economic terms which reflected MacDonald’s own sentiments:

The British budget is hopelessly unbalanced. It has got into a thoroughly unsound position as the result of the inherently profligate tendencies of our competitive party politics. If our politicians have the courage to make drastic and unpopular retrenchments, it is not too late to put our house in order. But if they lack this courage, it is all up with us.¹⁵⁶

Labour’s backroom intellectuals had their own ideas about balancing the budget. Cole, Dalton, Pethick-Lawrence and Noel-Baker were hardly impractical dreamers. They simply wished to avoid hitting the poorest members of British society more than was necessary. Their ideas included suspension of the sinking fund, taxation of fixed-interest bearing securities, the ‘mobilisation’ of foreign assets held by British nationals and converting the war debt to a lower rate of return. They assumed (rightly) that the May Committee had exaggerated the problem. Noel-Baker felt that the Treasury had ‘engineered’ an ‘enormous panic’ over the threat to gold (reflecting comments he had received from Pigou). The May Committee report was a ‘fantastic public document and the way that it was exploited was a most unpatriotic piece of propaganda’. If he was no supporter of a revenue tariff, others – from Addison (who had favoured tariffs for some time) to new ‘converts’ like Bondfield – felt this could be

¹⁵⁵ C. Thomas to Addison, 18 August 1931, Addison MS dep c. 164 fos. 358–61, Pethick-Lawrence to PS, n.d., opposing cuts in Civil Service pay, Pethick-Lawrence MS 5/38.

¹⁵⁶ Marquand, *MacDonald*, p. 612.

considered as a crisis measure.¹⁵⁷ Pethick-Lawrence fired off letters to Snowden, Henderson and MacDonald, indicating his desire to ‘face’ the crisis. At least parts of his analysis, and that of other Labour economists, had support within elite economic circles, including the Treasury.¹⁵⁸ The trade unions – supported now by Henderson and acting independently of Labour’s backroom staff – fought hard against cuts, supporting a range of alternatives from revenue tariffs to increased taxation and suspension of the sinking fund. The work of the TUC Economic Department and Research Department was important in this respect. For MacDonald, this was going back over old ground. The party was once again showing its incapacity to face harsh realities and its ‘duty’ to the people. The discussions were flavoured with old tensions. Cook, Bevin and Citrine felt patronised. MacDonald and Snowden felt they were treated as the unions’ servants. When Henderson and the TUC stepped back from cuts previously accepted by ministers, MacDonald felt that the party’s (and his colleagues’) weaknesses had been fully exposed. This was not settling ‘our problem’. He was determined not to ‘yield’ to the selfish and particular desires of the TUC, arguing that if he did, the party could never again ‘call our bodies or souls or intelligences our own’. For Snowden, the TUC held to a ‘pre-crisis mentality’. For MacDonald, their ‘retreat’ on cuts was an ‘act of war’.¹⁵⁹ To have wavered or delayed on this issue, he wrote to one colleague immediately after the crisis, would have been ‘fiddling beautiful music whilst Rome was burning’.¹⁶⁰

During the crisis, MacDonald had no time for Labour intellectuals, with whom he had never been comfortable. Nor by this time did he see them objectively. All critics were as one. ‘The Socialist movement’, MacDonald wrote,

is going to rack and ruin, because it is controlled by people who are nothing but critics of the government, inspired by the idea that all you have to do is hand out largesse to the community . . . we are in danger of drifting into a Poor Law frame of mind . . . No one is more sensible than I am that a Government, which has been more overwhelmed than any of its predecessors by day to day problems, ought to get advice from the outside. The only condition I stipulate is that its proposals should be practical and realistic and not fireside theorising.¹⁶¹

¹⁵⁷ Memorandum by Pigou, 17 September 1931 and P. Noel Baker to Harold, 1 October 1931, NBKR 3/61 and 3/62; C. Addison, ‘Draft report on Labour and the financial crisis’, 23 September 1931, Addison MS c. 204 fo. 335. For revenue tariffs as a regrettable last resort, Bondfield memorandum, 25 August 1931, Bondfield MS 4.11.

¹⁵⁸ Pethick-Lawrence to PS, Henderson and JRM (no dates) Pethick-Lawrence MS Box 5/38–41.

¹⁵⁹ JRM Diary, 21–22 August 1931; Thorpe, *1931*, p. 74.

¹⁶⁰ JRM to A. Ponsonby, Ponsonby MS Eng hist c 672 fo. 94, Bodleian, Oxford.

¹⁶¹ JRM to E. N. Bennett, 8 August 1931, JRM PRO 30/69/1176.

Substantial expenditure cuts were now inevitable. The question was not *whether* but by how much and by whom – with the attendant issue of how the cuts might be presented. The party felt that MacDonald was being pushed further than was necessary by financiers, the Civil Service and opposition politicians. It wanted proposals that would make ‘equality of sacrifice’ look more real (which meant not simply going for public sector pay and unemployment benefit) and perhaps an election fought on a more positive programme. MacDonald was certainly fooled into thinking that the May Committee had produced a ‘fair’ report. The cuts eventually made by the National Government were less substantial than those which the May Committee had demanded. However, the point is not whether or not Labour could have pursued an economically successful alternative; it is that the Labour leadership closed its minds to any escape routes, allowing the party to fight the 1931 election on the worst possible terms. MacDonald was hardly saving the party by staying in office, as he had claimed when persuading Snowden not to resign just weeks earlier. Indeed, those who had been initially sympathetic to MacDonald (like Bondfield) were less sympathetic once it became clear that the formation of a National Government would be used to smash the Labour party. ‘How wrong I was’, Bondfield later wrote by hand on a typed account of the crisis, sympathetic to MacDonald’s dilemma.¹⁶² MacDonald’s decisions in 1931, and the way the party was managed, reflected not simply economic advice, but his rooted cultural values, historic doubts about his colleagues and the accumulated suspicions which were a feature of party culture – all hardened by crisis into a resolute determination to see the story through.

The advice given by economic experts and the influence of the economic climate were obviously significant influences on government action in 1929–31. The experts’ opposition to tax increases – and Labour’s opposition to tariffs – substantially restricted the policy choices available during the life of the government. However, it has been argued here that the role of *politicians* within the political/economic decision-making process needs to receive far more attention. There were always choices to be made, even if these became more constrained as time went on.¹⁶³ MacDonald and Snowden’s policies were not a consequence of long-held ‘Liberal’ economic views, as some once blithely claimed. Rather, both men’s values, their Victorian belief in facing reality and living within and

¹⁶² Bondfield memorandum, 25 August 1931, Bondfield MS 4.11.

¹⁶³ For some departures from ‘correct’ economic procedure, see Clarke, *Keynesian revolution*, pp. 55–6 (for the Conservatives); Daunton, *Just taxes*, p. 155; McKibbin, ‘Second Labour government’; Williamson, *National crisis*, chap. 11.

on your income, created a particular orientation to policy, especially after the party's expansionist programme became impractical. Other 'moral' perceptions also permeated economic preferences in favour of free trade in particular. There was also much in MacDonald's character, including his loyalty to old colleagues, his indecision when facing resistance from Snowden and his lack of confidence in party intellectuals, which made it difficult for him to change tack. Like Snowden, he gave 'official' and 'professional' opinion most credence, reflecting both the deference of the untrained to the formally educated and doubts about the real-world abilities of Labour economists who were converts to socialism.

Nonetheless, the chapter has not just stressed the role of the individual political leader. It has also focused attention on the institutional weaknesses of the Labour party. The Labour *government* was certainly submerged by the scale of the problems in 1931, but the Labour *party* failed its own test as well. It had no means of creating policy unity, fostering internal trust between leaders and the party membership, or of ensuring that the party's policy in opposition was considered in office. The movement – including the unions – was unsure how to treat intellectuals, and conspired to keep them away from ministers. The party wanted things done, but did nothing to ensure that party leaders could do their job. The left often railed and criticised, rather than suggesting clear alternatives. Doubts about leaders were shared across 'left' and 'right'. These were systemic and destructive features of party culture well before the crisis. The 'meaning' of 1931 was thus not structured by myths *created* by retrospective accounts of the events which stressed leadership betrayal. The accounts themselves reflected words already spoken. Autobiographical texts and retrospective accounts had such purchase because the language and accusations were already features of party culture.¹⁶⁴ The crisis in 1931 fed what already existed, and 1931 seemed to 'prove' the party's long-standing belief in the destructive power of civil servants. It demonstrated that programmes had to be developed in opposition which neither leaders nor the Establishment could abandon once Labour achieved office. MacDonald's actions fed anxieties. They fuelled fears of the market, financiers, intellectuals – and party leaders. However, they also helped to ensure that after 1931 concrete policies were indeed finally developed. A Labour policy committee and a more powerful Labour/TUC liaison committee were established in the 1930s, contributing substantially to the process of policy formation. By the mid 1930s, it had been decided that the power of the Establishment had to be tackled by reforming the machinery of government. Remarkably, given

¹⁶⁴ Contrast Lawrence, 'Labour myths', p. 351.

the distrust of 'intellectuals' identified above, the process of policy change was pushed through by the public-school socialists Clement Attlee and Hugh Dalton (with support from some trade union leaders). However, it was a difficult and contested development. Whilst the new climate of the 1930s produced successful policy ideas, for the rest of the century Labour had to live with an institutional culture, institutional values and political myths which made it hard to trust party leaders, intellectuals or civil servants.¹⁶⁵

¹⁶⁵ This is argued more fully in D. Tanner, 'Labour and its membership', in Tanner *et al.* (eds.), *Labour's first century*.

Part II

The use and abuse of economic ideas:
Keynes and his interpreters

5 The Labour party and Keynes

Richard Toye

In September 1994, during the early months of the phenomenon known as 'New Labour', *The Independent* carried the headline 'Blair ditches Keynes'. It was reported that Labour leaders would tell a conference of businessmen and academics 'that the party has turned its back on Keynesian economics and "the old ways of corporatism"'.¹ In fact, Blair used his speech to insist that Keynes's legacy of demand management had never implied increasing demand 'irrespective of economic circumstances and even at a time of inflation and high borrowing'. Real Keynesianism, in his view, represented a wider critique of the functioning of capitalism – not a call for permanent government pump-priming. Likewise, Gordon Brown stated on the same occasion that 'I am not here to bury the real Keynes but to praise him'.² This is an approach that New Labour followed in government. Blair continued to cite Keynes as an example of the beneficial influence of Liberalism on the Labour party. Brown, as Chancellor, asserted that although New Labour rejected 'crude "Keynesianism"', the government sought 'to draw on the best of Keynes' insights about political economy and put a modern Keynesian approach into practice'.³

Blair and Brown's approach represents an attempt, whether conscious or otherwise, to employ Peter Clarke's useful distinction between 'Keynesianism' and 'the historical Keynes'.⁴ In their opinion, the views of the 'real' (or 'historical') Keynes were misinterpreted by the economists and politicians who came after him. Keynes thus needed to be rescued from his 'Keynesian' followers; and in this light, Blair and Brown could be seen as the true keepers of the flame. In order to understand the reasons why they made such a claim it is helpful to look at the ways in which earlier generations of Labour politicians reacted to Keynes's ideas while

¹ P. Routledge and S. Castle, 'Blair ditches Keynes', *Independent*, 25 September 1994.

² 'Labour leaders on the road to the true Keynes', *Guardian*, 28 September 1994.

³ Gordon Brown, lecture to the Royal Economic Society, 13 July 2000, http://archive.treasury.gov.uk/press/2000/p90_00.html, consulted on 31 October 2003.

⁴ P. F. Clarke, *The Keynesian revolution in the making, 1924–1936* (Oxford: Clarendon Press, 1988), p. viii.

he was alive, and how, after his death, they laid claim to his intellectual legacy.

Historians have discussed Labour and Keynes in considerable depth and from a variety of perspectives.⁵ Discussion has tended to focus on the question of 'how Keynesian' the Labour party was at various points in time. Inevitably, this chapter makes reference to such issues. However, its main focus is the *political and rhetorical* uses that Labour politicians and intellectuals have made of Keynes's economic ideas. During Keynes's lifetime and (especially) beyond, many Labour figures were, in certain contexts, prepared to enlist his ideas – or, at least, ideas that they understood to be 'Keynesian'. However, they often did so in defence of positions that they had already established. At times, moreover, tactical or strategic political considerations prevented a warmer embrace of his thinking. Economic ideas, in the public sphere, were powerfully conditioned by the political interests of those who adopted and adapted them.⁶ We should not rush to condemn this phenomenon, however. Keynes himself saw no shame in trying to make his advice conform with political reality, even if he did not always succeed. Historians must be careful not to assume automatically that political actors who reject 'advanced' economic advice do so because they are intellectually deficient or narrowly self-seeking.

I

The publication of *The Economic Consequences of the Peace* (1919) brought Keynes some kudos within the Labour movement as well as in wider radical circles.⁷ His subsequent denunciations of official policy also found

⁵ For example, E. Durbin, *New Jerusalem: The Labour party and the economics of Democratic Socialism* (London: Routledge & Kegan Paul, 1985); A. Booth, 'How long are light years in British politics? The Labour party's economic ideas in the 1930s', *TCBH* 7 (1996), 1–27; B. Pimlott, *Labour and the Left in the 1930s* (Cambridge: Cambridge University Press, 1977), pp. 38–40; R. Skidelsky, *Interests and obsessions: Selected essays* (London: Macmillan, 1993), pp. 107–35; D. Winch, *Economics and policy: A historical study* (London: Hodder & Stoughton, 1969), pp. 339–50.

⁶ See R. Toye, 'The Labour party and the economics of rearmament, 1935–1939', *TCBH* 12 (2001), 303–6.

⁷ See, for example, 'The problem of 1920', *New Statesman*, 3 January 1920. The Labour Research Department – an independent organisation which should not be confused with the Labour party's research department – published a cheap edition of the book. See R. Skidelsky, *John Maynard Keynes*, vol. I: *Hopes betrayed, 1883–1920* (London: Macmillan, 1983), p. 394. One example of later Labour praise of the book can be found in Thomas Johnston, 'Unemployment to be reduced by 1,000,000: Mr J. M. Keynes as prophet', *Forward*, 22 April 1939.

favour with key Labour figures. For example, Ramsay MacDonald, the party's leader, described Keynes's attack on the 1925 return to the Gold Standard as a 'smart piece of work'.⁸ This did not necessarily imply any fundamental sympathy with the economist's outlook; but it was natural for Labour figures to approve of cogent, strongly worded attacks on their political opponents. Unsurprisingly, at this time as later, socialists tended to pick up and make use of Keynes's ideas when they fitted in with their existing preconceptions and thus had a political use, and to ignore or reject them when they did not.

During the 1920s, Keynes continued to support the Liberal party. In 1925, in a well-known remark, he declared that the class war would find him on the side of the educated bourgeoisie.⁹ Nevertheless, in August the following year, Keynes addressed the Independent Labour Party (ILP) summer school, on 'The future balance of British industry'. (After the ILP disaffiliated from the Labour party in 1932 it faded to the margins of British politics, but at this time was still a body of considerable, if declining, importance.) He may well have been attracted to the ILP because he saw it as a breeding ground for new expansionist proposals, albeit ones that he by no means fully accepted, such as Oswald Mosley's programme *Revolution by Reason* (1925). The significance of Keynes's address to the ILP has previously been overlooked, doubtless because no extensive record of his remarks, or any of his speech notes, have been preserved in the Keynes Papers.¹⁰ However, a brief account of what he said was reproduced in the ILP weekly, the *New Leader*. In a report for the paper John Strachey noted that Keynes's lecture had undoubtedly been the event of the week. He then went on to report Keynes's main thesis, which was as follows.

The days of Great Britain as 'the workshop of the world' were over. In the future it would be impossible to depend as before on the great staple export industries. Maintaining the level of such exports at their pre-war volume would inevitably mean the depression of the standard of living of workers in those industries. Therefore, those industries had better be allowed to contract – 'something like 10 per cent. is what Keynes had in mind, as the redundant margin which must be pruned'. The problem to be tackled, of course, would be how to reabsorb the displaced labour in other industries.

⁸ D. Marquand, *Ramsay MacDonald* (London: Cape, 1977), p. 454.

⁹ *JMK*, vol. IX: *Essays in persuasion* (1972), p. 297.

¹⁰ *JMK*, vol. XIX: *Activities 1922–1929: The return to gold and industrial policy* (1981), p. 568.

Keynes admitted that this was a difficult task, but he did not think it an impossible one. While our heavy industries were undoubtedly decaying, there was a whole world of new, miscellaneous, light industries, producing for home consumption, which were expanding . . . Somehow or other we must get our labour power transferred to them. Mr Keynes criticised the Trade Unions for making such transferences more difficult.

He also criticised, more strongly, the attitude of John Wheatley and other socialists who had not condemned the principle of subsidies for distressed industries such as mining. A subsidy, he argued, was pernicious because it tended to maintain the existing unsatisfactory state of things. It eliminated the natural pressure of economic factors that would, left to themselves, have driven labour from decaying industries into the new expanding home industries. Wheatley's suggestion (made the previous week) of subsidies for the export trades was, he suggested, 'thoroughly reactionary'.

The subsequent debate on Keynes's speech centred mainly on the subsidy question. Fenner Brockway, R. C. Wallhead, P. J. Dollan and Oswald Mosley all made similar criticisms. Strachey summarised their points:

Did the lecturer really suppose that the present economic change amounting, as he admitted, to a new economic revolution, could be accomplished merely by driving the workers out of the depressed industries into new expanding industries by means of the starvation weapon? Did he not see that in order to effect a transference of labour, and also a transference of investment from the foreign to the home field, far greater changes than he contemplated were necessary?¹¹

(There is no record of Keynes's response, which we may imagine was robust.) According to Dorothy Jewson, also writing in the *New Leader*, although the summer-school students had gathered to hear Keynes 'with great expectancy', they 'were frankly disappointed'.¹²

The episode set the tone for Keynes's subsequent relations with the Labour movement. On the one hand, he clearly wanted to court or convert his listeners; on the other he tactlessly accused one of their leaders of holding reactionary views. As Beatrice Webb (with whom Keynes had stayed on his way to the summer school) noted at this time, 'he is contemptuous of common men, especially when gathered together in herds'.¹³ But his problems with the ILP were not merely ones of personality, but of a fundamental divergence in political outlook. Nobody

¹¹ John Strachey, 'The ILP at work', *New Leader*, 13 August 1926. For Wheatley's views on export subsidies, see Dorothy Jewson, 'The summer school at Easton Lodge', *New Leader*, 6 August 1926.

¹² Jewson, 'The summer school'.

¹³ N. and J. MacKenzie (eds.), *The diary of Beatrice Webb*, vol. IV: 1924–1943: 'The wheel of life' (London: Virago, 1985), p. 94 (entry for 9 August 1926); R. Skidelsky, *John Maynard Keynes*, vol. II: *The economist as saviour, 1920–1937* (London: Macmillan, 1992), p. 257.

questioned Keynes's technical competence. Nevertheless, as Strachey put it, 'the whole trend of Socialist thought is so divergent from Capitalist economics . . . that even when we agree as to the facts we make utterly different deductions'.¹⁴

That September, the ILP published some novel proposals under the title *The Living Wage*. Drawing on co-author J. A. Hobson's theory of 'underconsumption' (that maldistribution of income led to oversaving and in turn to economic slump and unemployment), this document argued that increased working-class incomes and credit expansion would, by increasing purchasing power, help cure unemployment.¹⁵ Keynes himself was cautious about the policy, seeing the credit expansion element as reminiscent of the 'inflationist fallacy', and pointing out that the proposals were unclear as to whether increased wages were to be the first or the final step in the process.¹⁶ Ramsay MacDonald's objections were different. Although he found *The Living Wage* to be 'an admirable economic document' (as he told Hobson), he objected to the political uses to which it was put. He perceived it as an attack on his own political strategy of evolutionary gradualism.¹⁷ He therefore did his best to ensure that the proposal was rejected by the Labour party, and it was effectively squashed. It would thus be a mistake to see *The Living Wage* as a proto-Keynesian idea killed off by a Labour party that was completely in thrall to outmoded economic orthodoxy, but the story does yield lessons about the political functions of economic ideas.

MacDonald's electoral strategy was based on his belief that Labour needed to demonstrate its responsibility and competence to govern. This informed his desire to sideline radical proposals that appeared to challenge this strategy, even if he actually agreed with their economic content. The perceived *political* advantages of appearing economically orthodox also informed Labour's reaction to David Lloyd George's public works proposals, backed by Keynes, which were summarised in the manifesto *We Can Conquer Unemployment* (1929). It was by no means that Labour was opposed to contra-cyclical public works (which had been advocated by the Webbs as early as 1909). These were acceptable, provided they were paid for out of taxation and brought back enough money to the national purse to cover their costs.¹⁸ The party's response to Lloyd

¹⁴ Strachey, 'The ILP at work'.

¹⁵ H. N. Brailsford, John A. Hobson, A. Creech Jones and E. F. Wise, *The living wage* (London: ILP, 1926), p. 19.

¹⁶ Skidelsky, *Economist as saviour*, p. 247; F. Leventhal, *The last dissenter: H. N. Brailsford and his world* (Oxford: Oxford University Press, 1985), p. 194.

¹⁷ Marquand, *Ramsay MacDonald*, pp. 454–5.

¹⁸ R. Skidelsky, *Politicians and the Slump: The Labour government of 1929–1931* (London: Macmillan, 1994), p. 43. See also D. I. Mackay, D. J. C. Forsyth and D. M. Kelly,

George was therefore conditioned partly by hostility to his idea of funding public works via loan, but also by a sense of outrage at having its political clothes stolen: 'The very plans which, caricatured and distorted, he is putting forward to-day he has again and again rejected when they were urged upon him by the spokesman [*sic*] of Labour.'¹⁹ It was clearly hoped that Lloyd George's reputation for personal untrustworthiness would lead the voters to conclude that his economic proposals were not to be relied upon, and thus counteract his successful seizure of the political initiative. Some of the younger and more energetic Labour MPs felt that this would fail. In March 1929 Hugh Dalton noted in his diary: 'We are letting L.G . . . and the rest simply march past us.' In his memoirs, he recorded that most of the party's leaders had not been opposed to the 'lucid positive employment policy' that Keynes and the Liberals were advocating: 'But they missed most of the points and put it all so dully.'²⁰ These internal party divisions, then, were as much about political tactics as they were about economic ideas.

Keynes himself was quite alive to the demands of electoral politics and the importance of phrase-making. Campaigning for the Liberals, he alleged that 'The Labour Party thrives on depression. They say the worse off the working classes are the better it will be for them to secure their drastic changes.'²¹ It is possible to argue that Labour would have done better in the 1929 general election had it been more radical; but given that Labour did achieve government, albeit on a minority basis, it is tempting to suggest that the leadership's line was not quite as unsound as Dalton implied. On the other hand, the attacks on Lloyd George's economic plans formed a clear constraint on Labour's ability to co-operate with the Liberals during the 1929–31 parliament. It would clearly have been politically difficult for Labour to accept ideas it had previously dismissed as madcap finance even had the party experienced a full intellectual conversion in the meantime. To some extent, though, the supposed unsoundness of the ideas may have helped provide an excuse to those who wished to reject co-operation with the Liberals on other grounds.

'The discussion of public works programmes, 1917–1935: some remarks on the Labour movement's contribution', *International Review of Social History* 11 (1966), 8–17.

¹⁹ Labour Party, *How to conquer unemployment: Labour's reply to Lloyd George* (London: Labour Party, 1929), p. 7. This manifesto was drafted by G. D. H. Cole (Skidelsky, *Politicians and the Slump*, p. 60). Lloyd George observed: 'The Labour Party cannot make up its mind whether to treat the Liberal plan as a freak or to claim its paternity.' See J. Campbell, *Lloyd George: The goat in the wilderness 1922–1931* (London: Cape, 1977), p. 226.

²⁰ H. Dalton, *Call back yesterday: Memoirs 1887–1931* (London: Frederick Muller, 1953), p. 183.

²¹ 'Mr J. M. Keynes in the City', *The Times*, 29 May 1929.

II

The economic ideas of the 1929–31 Labour government are dealt with in detail in Duncan Tanner's contribution to this volume. Tanner rightly stresses that MacDonald's views were not determined solely by the economic advice he received but were also influenced by his personal values and character, and that his failings in turn reflected the broader institutional culture of the Labour party. We may also note in passing that the Labour leadership clearly hoped to extract credibility from Keynes's appointment to the new Economic Advisory Council, even if his ideas were spurned in practice. When the government fell in August 1931, and MacDonald, Philip Snowden and J. H. Thomas abandoned Labour to join with Conservatives and Liberals in a National Government, there seemed some hope of a rapprochement between Keynes and the remaining rump of the party. He hoped for an alliance between Labour and Lloyd George.²² In October Keynes met with Arthur Henderson, the party's new leader, shortly after Britain's departure from the Gold Standard. He offered him a line for a speech: 'A week ago the pound looked the dollar in the face. Today it is kicking it in the arse.' A gratified Henderson said afterwards: 'And when I quoted that chap in the cabinet, Snowden said he was a fool!'²³ Although Labour met with catastrophic defeat at the general election a few weeks later, Keynes concluded that, as 'the only organised body of opinion outside the National Government', the party would be called on some day to form an alternative administration. Thus, he published articles in the *Political Quarterly* and the *New Statesman* in which he gave Labour advice. In 1932 he expressed cautious approval of its newly published financial policy, which, amongst other things, advocated the nationalisation of the Bank of England and the establishment of a National Investment Board (originally a Liberal idea).²⁴ According to Robert Skidelsky's biography of Keynes, he voted Labour in the election of 1935, whilst continuing to look forward to modest progress under 'good King Baldwin' (who had replaced MacDonald as Prime Minister earlier that year).²⁵ This ambiguity was reflected in his habit of alternating praise for Labour with acid contempt, often within the confines of a single paragraph.²⁶

²² Campbell, *Lloyd George*, p. 301. ²³ Dalton, *Call back yesterday*, pp. 290–1.

²⁴ *JMK*, vol. XXI: *Activities 1931–1939: World crises and policies in Britain and America* (1982), pp. 33–8, 128–37. Quotation at p. 128. Labour Party, *Currency, banking and finance* (London: Labour Party, 1932).

²⁵ Skidelsky, *Economist as saviour*, p. 536.

²⁶ See, for example, Keynes to A. L. Rowse, 12 May 1936, cited in R. Ollard, *A man of contradictions: A life of A. L. Rowse* (London: Allen Lane, 1999), pp. 96–7.

The tensions in Keynes's developing relationship with Labour were not, it should be stressed, caused merely by the fact that, as Francis Williams put it, whenever he 'actually met Labour or trade union leaders he managed to insult them'.²⁷ The problems were more profound. Certainly there were those within the Labour movement, like Williams himself (City Editor and then Editor of the *Daily Herald*), who were receptive to what Keynes was saying. The party's 'young economists' (notably James Meade, Douglas Jay, Hugh Gaitskell and Evan Durbin) engaged actively with Keynes's ideas, even if some of them were sceptical about key aspects of his thinking. However, in the aftermath of the debacle of 1931 the Labour party rapidly adopted a vision, which Keynes did not share, of a planned economy based on nationalisation and extensive physical controls. Therefore, whilst there was undoubtedly considerable interest in, and discussion of, the use of financial policy as a means of alleviating unemployment, it was argued that this would never be sufficient in itself to eradicate the booms and slumps that were considered inevitable under capitalism.²⁸

It is perhaps not surprising that a left-winger such as Stafford Cripps should have stated that 'no amount of controls or financial experimentation can make capitalism successful'.²⁹ (This did not prevent him advocating public works.)³⁰ But this was a view also shared, in broad terms, by key mainstream figures such as Dalton and Gaitskell. In 1939 the latter argued that control of the business cycle was difficult because the government lacked direct control over the major part of industrial orders. This, in his view, helped justify Labour's policy ownership of nationalisation: the 'irregularities, the waste and the unemployment' that existed under capitalism were 'so closely bound up with the system of private enterprise, that it is optimistic to hope that they can be abolished without a far more extensive degree of government control over industry than at present exists'.³¹ Keynes, then, in the view even of those Labour figures who felt some sympathy for his ideas, failed to take his exposure of the defects of the existing system to its logical conclusion. As A. L. Rowse, a minor figure in Labour politics but one of its most enthusiastic Keynesophiles, put it in 1932: 'Mr Keynes's economic ideas . . . imply socialism . . . [but]

²⁷ F. Williams, *Nothing so strange: An autobiography* (London: Cassell, 1970), p. 110.

²⁸ See R. Toye, *The Labour party and the planned economy, 1931–1951* (London: Royal Historical Society, 2003).

²⁹ Stafford Cripps to Clarence Senior, 1 December 1933, Cripps Papers, Bodleian, Oxford.

³⁰ Stafford Cripps, 'The axe that cuts the nation in two: an analysis of the Budget', *New Clarion*, 6 May 1933.

³¹ H. Gaitskell, *Money and everyday life* (London: Labour Book Service, n.d. [but 1939]), pp. 95–6. For Dalton's views see, in particular, H. Dalton, *Unbalanced budgets: A study of the financial crisis in fifteen nations* (London: Routledge, 1934), p. 458.

he fails to go on from the economic principles he has laid bare to the necessary institutions which embody them in society.³² In other words, some Labour figures found in Keynes's writings the means to justify political positions they already held; and this may indeed have involved some adaptation of those positions; but they certainly did not become 'crude Keynesians' in the sense of viewing demand management as a cure-all.

Moreover, aside from the broad fact that Keynes was far more enthusiastic about capitalism than Labour thinkers were, there were also important tactical obstacles to the party adopting some of the remedies he suggested. Because Labour had, as a consequence of 1931, been painted by its opponents as the party of financial irresponsibility, its leaders were subsequently keen to demonstrate their rectitude through the advocacy of budgetary orthodoxy. As former minister H. B. Lees-Smith warned privately, two years after the Labour government's collapse, 'It is dangerous to suggest to our people that they need not balance the budget.'³³ For if Labour appeared weak on this issue, then it would not be possible to criticise the National Government when it violated its own orthodox canons. In offering such criticism, Labour speakers felt that they were shooting at an open goal. For example, Neville Chamberlain, in his 1933 Budget, was forced to concede that, in spite of his predictions and best efforts, the country had run a budget deficit of £32 million over the course of the previous financial year. He nonetheless rejected the idea, recently aired by Keynes in the articles that became *The Means to Prosperity* (1933), that such deficit financing could actually be beneficial.³⁴ Acceptance of Keynes's ideas by Labour would have been an implicit admission that the National Government was doing the right thing, albeit inadvertently and with every intention of stopping. From the political point of view, it was naturally more tempting to suggest that the government's financial irresponsibility would damage the economy. Josiah Wedgwood, a maverick Labour MP, did concede that 'two years ago I should have been criticising this Budget solely on the ground that it was not balanced'; but that now he thought that the government should 'use the money by which the Budget is unbalanced on public works'.³⁵ But the dominant response was that of Labour's deputy leader, Clement Attlee, who compared Chamberlain to a prodigal son who swears never to resort to moneylenders but presents his father with a mass of unpaid bills at the end of the year. The government

³² A. L. Rowse, 'Socialism and Mr Keynes', *The Nineteenth Century and After* 112 (1932), 341.

³³ H. B. Lees-Smith to James Meade, 25 October 1933, James Meade Papers 2/7, BLPES.

³⁴ *HC Debs*, 25 April 1933, cols. 36–7, 57–61. ³⁵ *Ibid.*, 26 April 1933, cols. 176–7.

had merely added to the nation's borrowings: 'It was hardly worth while the Prime Minister betraying all his old colleagues for that.'³⁶

The obsession with extracting political revenge for 1931 was made clear in the following remark made by Hugh Dalton at an election strategy meeting in October 1935: 'In 1931 we were attacked because we could not balance the budget by taxation. We should reverse that and turn it against the Government. Whatever is required should be met by the taxation of those able to pay . . . We stand for an honestly balanced budget.'³⁷ Squaring this with the party's existing commitment to loan-financed public works – an idea for which Keynes's writings were recruited in support – required some skill.³⁸ An observation made by Aneurin Bevan in 1933 illustrates the common method of trying to do so: 'While the party to which I belong is an advocate of public works schemes of various kinds we have never put it forward that they will rescue this [capitalist] system from the difficulties in which it is placed.'³⁹ A planned socialist economy would supplant the temporary expedient of public works, and overcome the financial difficulties it threatened to raise.

What, then, was the impact on Labour of the publication of the *General Theory* in 1936? It has been well said that the best books are those that tell us what we imagine we knew already. Thus Barbara Castle recalled in her memoirs that the book put the 'commonsense' if 'rather inchoate' views of Labour rank-and-filers 'into the language of the professional economist'. She herself, she claimed, had always 'instinctively believed that socialism meant using expenditure on public works to set men and women producing goods and services people were crying out for'.⁴⁰ Hence also Rowse's contemporary description of the *General Theory* as a 'complete justification of Labour Policy', in spite of Keynes's belief that nationalisation – one of the keystones of that policy – was an irrelevance.⁴¹ Similarly, G. D. H. Cole welcomed the book as 'the most important theoretical economic writing since Marx's *Capital*', but noted that 'Mr Keynes's most signal service is that he has brought together, co-ordinated and rationalised many criticisms of orthodoxy which have hitherto been ineffective because they have been disjointed and unrelated to any clear body of fundamental theory.' Moreover, Keynes's rejection of 'complete socialism' was 'not a

³⁶ *Ibid.*, cols. 108–9.

³⁷ 'Notes on a joint meeting held in Grand Committee Room, Westminster Hall, on 22 Oct. 1935', Walter Citrine Papers I/I, BLPES.

³⁸ Labour Party, *Socialism and the condition of the people* (London: Labour Party, 1933), p. 19, citing Keynes's *The means to prosperity*.

³⁹ *HC Debs*, 27 April 1933, col. 316.

⁴⁰ Barbara Castle, *Fighting all the way* (London: Macmillan, 1993), pp. 55–6.

⁴¹ A. L. Rowse, *Mr Keynes and the Labour movement* (London: Macmillan, 1936), p. 12.

necessary deduction from his analysis'.⁴² Cole clearly felt some warmth for Keynes as an individual – he subsequently pressed Keynes to become a parliamentary candidate⁴³ – but suggested that he had merely 'sugar-coated' the Hobsonian doctrine of underconsumption by putting it into language that was difficult enough for economists to understand.⁴⁴

Following the Hobsonian theme, Douglas Jay, for his part, felt that although the *General Theory* was formidable and illuminating, it over-rated the importance of investment in comparison with consumption: 'Why . . . when effective demand falls off, should we stimulate investment and not consumption direct? Mr Keynes is not the man to be enslaved by intellectual prejudices or conventions. Will he not then take courage, like Socrates, and follow the argument where it leads?'⁴⁵ It may therefore be seen that Jay's 'Keynesianism' – of which some historians have made much – was of limited scope.⁴⁶ Although he made efforts to ensure that the doctrine of effective demand advanced in his 1937 book *The Socialist Case* 'was at least consistent with Keynes's argument',⁴⁷ Noel Thompson has pointed out that Jay was clearly influenced by Barbara Wootton, J. A. Hobson and Evan Durbin as well as by Keynes (and James Meade); or as Peter Clarke has put it, 'It was Keynes with a Hobsonian twist.'⁴⁸ Moreover, Jay, unlike Keynes, emphasised redistributionary taxation; and in 1938 he argued privately that the multiplier effect was 'a red herring'.⁴⁹

Nevertheless, although Jay, Cole and other socialists tended to cherry-pick those parts of Keynes's arguments that fitted their preconceptions, it would be wrong to claim that the *General Theory* had no effect on Labour thinkers other than to confirm established prejudices. It does not seem coincidental that there was now an increased willingness to talk about the potential theoretical desirability of deficit financing. Donald Winch has noted that Hugh Dalton, in the 1936 edition of his *Principles*

⁴² G. D. H. Cole, 'Mr Keynes beats the band', *New Statesman and Nation*, 15 February 1936.

⁴³ I am grateful to Prof. Takao Matsumura for this information.

⁴⁴ R. Eatwell, *The 1945–1951 Labour governments* (London: Batsford Academic, 1979), p. 28.

⁴⁵ D. Jay, 'Mr Keynes on money', *Banker* 38, 123 (April 1936), 10–14, quotation at 14. See also D. Jay, *The Socialist Case* (London: Faber & Faber, 1937), p. 192.

⁴⁶ See Pimlott, *Labour and the Left*, pp. 38–9, 201; M. Francis, *Ideas and policies under Labour, 1945–1951: Building a new Britain* (Manchester: Manchester University Press, 1997), p. 38; S. Brooke, *Labour's war: The Labour party during the Second World War* (Oxford: Clarendon Press, 1992), p. 238.

⁴⁷ D. Jay, *Change and fortune: A political record* (London: Hutchinson, 1980), p. 62.

⁴⁸ N. Thompson, *Political economy and the Labour party: The economics of democratic socialism, 1884–1995* (London: UCL Press, 1996), pp. 96, 107; P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978), p. 274.

⁴⁹ Jay to John Strachey, 20 August 1938, cited in M. Newman, *John Strachey* (Manchester: Manchester University Press, 1989), p. 88.

of *Public Finance*, gave cautious support to contra-cyclical budget balancing.⁵⁰ Likewise, in June 1936, Jay, Gaitskell, Durbin and Colin Clark wrote a memorandum that accepted that the budget should be unbalanced in exceptional circumstances.⁵¹ To a very limited degree, these views came to be reflected in official party statements. In a 1938 Labour pamphlet, Jay wrote that ‘Labour will consider sympathetically such proposals as that for a “long-term Budget” balanced over a longer period than one year, showing surpluses in good years and deficits in bad.’⁵² There were, however, good political reasons for the embrace not being warmer.

To understand these, it is necessary to understand the broader context within which Keynes’s ideas were being discussed, and the consequences that they had for the battles between (and indeed within) the main political parties. The later 1930s were, of course, a time of increasing political crisis in Europe; and we may note that Keynes himself hoped that his own economic proposals would help avert war.⁵³ The National Government reacted to the deteriorating foreign policy situation, from 1937 onwards, by borrowing hundreds of millions of pounds in order to pay for rearmament. This created a dilemma for Labour, and also an opportunity. The dilemma was caused by the deep divisions within the party over whether or not rearmament should be supported. The opportunity was created by the fact that the government, by going so deeply into the red, was opening itself to the charge of financial irresponsibility. Keynes, for his part, believed that the borrowing could be achieved without inflation and was likely to help postpone industrial recession.⁵⁴ But Labour rejected this view, partly (one suspects) because of the sheer pleasure to be derived from painting Chamberlain and his colleagues as fiscal reprobates, and partly because focusing on the alleged financial demerits of the defence loans helped paper over divisions within the party about the virtues of rearmament *per se*.⁵⁵

Labour’s strategy can be gauged from the approach taken by F. W. Pethick-Lawrence, one of the party’s principal financial spokesmen, in the Commons debate on the government’s first defence loan in 1937. Pethick-Lawrence has been unfairly traduced as an opponent of ‘unorthodox Keynesian budgeting proposals’.⁵⁶ In fact, as early as 1932, he

⁵⁰ Winch, *Economics and policy*, p. 345. ⁵¹ Durbin, *New Jerusalem*, p. 251.

⁵² D. Jay, *The nation’s wealth at the nation’s service* (London: Labour Party, 1938), p. 11.

⁵³ See *JMK*, vol. VII: *The general theory of employment, interest and money* (1974), pp. 381–2.

⁵⁴ *JMK*, vol. XXI: *Activities 1931–1939*, pp. 401–2.

⁵⁵ For a full discussion, see Toye, ‘The Labour party and the economics of rearmament’.

⁵⁶ Durbin, *New Jerusalem*, p. 269.

had shown he was no strict Gladstonian: 'These are not the times for all round cuts . . . On the contrary, useful public enterprises paid for out of borrowed money are to be encouraged just because the times are depressed.'⁵⁷ He had maintained a long-standing correspondence with Keynes, dating back to 1915.⁵⁸ He was also familiar with the *General Theory* (whereas it is not clear that Dalton, for example, ever read it).⁵⁹ In the defence loan debate, however, he claimed that the kind of borrowing the government proposed would unbalance the budget in an economically destabilising fashion.⁶⁰ He was prepared to concede, hypothetically, that it might be right 'in a slump to borrow money and pump new purchasing power into the community'. However, in the relatively buoyant economic conditions then current – buoyant, that is, compared with the prior depths of the Slump – such a course would be 'most dangerous', and the defence loan would be 'rank inflation'.⁶¹ Dalton too argued that the loan was objectionable because it would lead to the budget being 'gravely unbalanced' for the next five years, and would be inflationary at the present stage of the trade cycle.⁶²

Although these arguments had considerable advantages from the point of view of tactics – and also reflected the continuing obsession with 1931 – there was also a serious economic point behind them. Pethick-Lawrence made clear to Keynes that he was concerned that the defence loan would result in inflation because of insufficient manufacturing supply to meet the increased demand in which the new borrowing would result. Keynes, though, was confident that the defence programme could be carried through without inflation and without any 'punitive measures' to stop alternative civil projects.⁶³ In 1939, shortly after Keynes had suggested publicly that 'the problem of abnormal unemployment will cease to exist during the financial year 1939–40', as a consequence of the government's increased loan expenditure, Pethick-Lawrence developed his earlier point further. He said that: 'Mr Keynes argued that, so long as unemployment remains, there cannot very well be inflation . . . I want to suggest that that does not necessarily follow in this case.' He urged the need for planning 'in order to bring the whole available manpower of

⁵⁷ F. W. Pethick-Lawrence, 'Hoard and grow poor', *New Clarion*, 19 November 1932.

⁵⁸ The correspondence can be found in the F. W. Pethick-Lawrence Papers, P-L 2/192–256, Trinity College, Cambridge.

⁵⁹ Williams, *Nothing so strange*, p. 108; Durbin, *New Jerusalem*, p. 156.

⁶⁰ *HC Debs*, 17 February 1937, cols. 1222, 1226–7.

⁶¹ *Ibid.*, cols. 1226–8. ⁶² *Ibid.*, cols. 1297–1306.

⁶³ Keynes to Pethick-Lawrence, 7 March 1937, Pethick-Lawrence Papers, P-L 2/214.

the country into operation'.⁶⁴ Keynes would surely have agreed with this conclusion; one may surmise, therefore, that the real difference between the two men lay in the scope and extent of the kind of planning they favoured. Pethick-Lawrence's party, of course, favoured a more *dirigiste* approach, based on physical controls over resources.

By the outbreak of war, though, the Labour party remained divided over how to react to Keynes and his arguments. To some, Keynes was 'one of our leading mumbo-jumbo economists',⁶⁵ or 'the bogey boy of capitalist economists', who 'argued that the present rearmament programme of the Government will abolish unemployment altogether, and that therefore we did not need to do anything about it'.⁶⁶ For others, though, Keynes's 'modern scientific argument' was a vindication of traditional socialist underconsumptionism.⁶⁷ After all, 'what is important is that one of our greatest living economists has arrived at the conclusion that we can, when we desire to do so, reduce our unemployment figures by a million'.⁶⁸ Therefore, if Keynes was correct, and government borrowing could indeed eradicate unemployment, 'how much bigger is the crime of the Government in refusing to engage in a public works policy over the last seven or eight years'.⁶⁹ These divergences of view, of course, reflected differences over how best to use economic arguments to service political attacks on the National Government. At the same time, the developing 'near-war' emergency lent credibility to the existing Labour demand for a planned economy to mobilise the nation's resources. So political developments in Europe, as well as the narrower concerns of the parliamentary battle, influenced the economic positions taken up by the party's politicians and thinkers. Of course, Keynes's own lack of political nous also limited his influence on the Labour movement. His socialist sympathisers found it impossible to convince him of the political allowances and concessions of understanding that he would have to make when trying to persuade trade unionists of his views.⁷⁰

Interestingly, by June 1939 Keynes had moved, at least in private, to a position with which many in the Labour party might have been expected to sympathise. He wrote to R. H. Brand:

⁶⁴ *HC Debs*, 26 April 1939 col. 1182.

⁶⁵ Comment of Richard Stokes MP, *ibid.*, col. 1257.

⁶⁶ Comment of G. R. Sandison, prospective parliamentary candidate for Southend-on-Sea. Labour Party, *Annual Conference Report 1939*, p. 268.

⁶⁷ Comment of H. B. Lees-Smith, *HC Debs*, 26 April 1939, col. 1267.

⁶⁸ Johnston, 'Unemployment to be reduced by 1,000,000'.

⁶⁹ Comment of George Ridley MP, *HC Debs*, 1 May 1939, col. 1562.

⁷⁰ Williams, *Nothing so strange*, p. 110.

As soon as full employment is reached, all sorts of special measures have to be taken, if the government programme is to be carried through without provoking various disagreeable conditions. But my point is that, even so, a high rate of interest is very far from being a serviceable tool. I should expect that the relief that one could get in that way would be almost negligible, whilst the injury in other directions would be severe. An appreciably higher level of taxation, rationing and government priorities must then be the order of the day.

Of course, when full employment really has arrived, one will have to reconsider the whole position in the light of the then circumstances.⁷¹

However, in the months after the outbreak of war, when full employment seemed to be in prospect, he developed a new line of thinking about how to avoid 'disagreeable conditions' arising. This was followed by his most sustained attempt yet to court the party and the unions.

III

His proposals for compulsory saving or 'deferred pay', developed between October 1939 and February 1940, generated major public controversy; and Keynes realised from the first that Labour's attitude to his scheme for preventing a vicious spiral of rising prices was vital to the plan's success, not least because it would be unworkable without the support of the trade unions. His attempts to accommodate Labour opinion were a key factor in shaping the final outcome of his thought, the minor economic classic *How to Pay for the War*. Keynes injected further social radicalism into his plan in the hope of making it 'outrageously attractive to the Labour Party'.⁷² But Labour neither reciprocated the spirit of his concessions, nor accepted the consumer-choice philosophy upon which the plan's main principle was based. Keynes, working hard to sell his scheme, told a meeting of the Fabian Society: 'It is for the state to say how much a man may spend out of his earnings. It is for him to say how he will spend it.'⁷³ Hence there would be compulsory saving without the need for extensive rationing. But the latter was the solution (combined with price control and greater taxation of middle and higher incomes and war profits) that the Labour movement preferred. Labour's views coincided substantially with those of the Polish economist Michal Kalecki (who at this time was based in Britain). Kalecki argued, contrary to Keynes, that the optimal way to deal with the type of inflation likely to develop in wartime was

⁷¹ Keynes to R. H. Brand, 9 June 1939, R. H. Brand Papers Box 198, Bodleian, Oxford.

⁷² Keynes to John Parker, 18 January 1940, John Maynard Keynes Papers, HP/2/79, King's College, Cambridge.

⁷³ Notes for a speech to the Fabian Society, 21 February 1940, Keynes Papers HP/2/88–99.

a system of consumer goods rationing. At this time it was not widely appreciated that, in an article published in his native language in 1933, he had anticipated the key idea of the Keynesian revolution; and his direct influence on the Labour party was probably marginal.⁷⁴ Nevertheless, it is perhaps not too fanciful to describe the party during this period and beyond as 'Kaleckian' rather than 'Keynesian'.

Once more, however, differences in economic philosophy are insufficient to explain Labour's rejection of Keynes's plan. Again we must turn towards political concerns. Ellen Wilkinson MP told Keynes that his scheme 'was a perfectly sound proposal if considered *in vacuo*, but that, in practice, it was impossible to consider it except in relation to the social and industrial circumstances in which . . . it would be carried into effect'. The Chamberlain government, she believed, was hostile to the working class. All Keynes's safeguards depended 'on the promise of a distinguished professor of economics – but not of the government who would have to implement them'.⁷⁵ Thus whilst Chamberlain and John Simon (the Chancellor of the Exchequer), remained in their respective positions, it was impossible for Keynes to succeed. Even had their government sponsored his plan, Labour would have rejected it; a fact which in turn prevented the government adopting it in the first place. But Labour's subsequent entry into Churchill's coalition changed the situation. In the spring of 1941, Kingsley Wood's budget, which included a version of Keynes's scheme – albeit on a small scale and as a complement to rationing and profits-limitation exercises – proved uncontroversial. The *How to Pay for the War* controversy thus illustrates the point that politicians and trade unionists are rarely able to consider policy strictly on its economic merits. (For example, George Woodcock, the Secretary of the TUC's Research and Economic Department, told Keynes in January 1940 that the unions 'might accept completely all the economic points' in favour of compulsory saving, but that this did not eradicate their problems in accepting it.)⁷⁶ This general observation may be taken to mean that those who engage in political action are, necessarily, in some senses opportunistic; but this should not always be a matter for regret.

Doubtless in part because of the advent of the coalition (which also saw Keynes brought in as a Treasury advisor) the war period witnessed

⁷⁴ For a discussion of Kalecki's priority over Keynes and of his views on wartime inflation, see J. Toye and R. Toye, *The UN and global political economy: Trade, finance and development* (Bloomington: Indiana University Press, 2004), pp. 56, 71–2.

⁷⁵ Ellen Wilkinson to Keynes, 13 March 1940, Keynes Papers HP/4/124–6.

⁷⁶ 'Report of meeting of the Trade Union side of the National Advisory Council to the Ministry of Labour with Mr J. M. Keynes, on Wednesday, 24th January, 1940, at 3 p.m.', Citrine Papers, 5/19 fo. 25.

a warming of the Labour party towards Keynes's ideas. For example, Evan Durbin was casually dismissive of Keynes in his book *The Politics of Democratic Socialism*, published in 1940.⁷⁷ But by January 1943, in the aftermath of the Beveridge report, he was writing to Attlee that 'I feel it is increasingly important to ask Lord Keynes to write some sort of general Report on maintaining full employment.'⁷⁸ At the same time, Hugh Dalton and Herbert Morrison, the two men who would be Attlee's chief economic ministers in the 1945–7 period, were agreeing explicitly about the merits of a contra-cyclical budgetary policy to prevent unemployment. Morrison told Dalton: 'I quite agree with you that we should very much keep in mind the technique of unbalanced budgets.'⁷⁹ Such proposals had played at most a very marginal part in Labour's pre-war programme; but, as memories of 1931 began to fade, and with the former National Government heavily discredited, the way was now paved for the party's declaration that 'We need not aim at balancing the Budget year by year.'⁸⁰ This remark was contained in the 1944 policy statement *Full Employment and Financial Policy*, and this document has been described as 'the formal acceptance by the Labour Party of Keynesian ideas', but, as Alan Booth has argued, such claims must be treated cautiously.⁸¹ At the very least it must be pointed out that the war had the effect in some Labour quarters of bolstering the case for a planned economy based on physical controls rather than more indirect methods of economic management.⁸² It is probably safest to say that the document marked the adoption of policies which Labour *took to be* Keynesian, but it should be emphasised that demand management was still not – and never would be – thought to be a sufficient guarantee of full employment.

This can be seen in the party's manifesto for the general election of 1945. Michael Young, its author, later summed up what had been in his mind when he wrote it: 'Beveridge plus Keynes plus socialism'.⁸³ The socialist element was clearly thought to be important in order to

⁷⁷ E. F. M. Durbin, *The politics of Democratic Socialism: An essay on social policy* (London: Routledge, 1940), pp. 137, 174, 360.

⁷⁸ Evan Durbin to Clement Attlee, 'The Prime Minister's note on post-war promises', 18 January 1943, William Piercy Papers, 8/4, BLPES.

⁷⁹ Dalton to Morrison, 24 January 1943, and Morrison to Dalton, 29 January 1943, Hugh Dalton Papers, 8/4, BLPES.

⁸⁰ Labour Party, *Full employment and financial policy* (London: Labour Party, 1944), p. 4.

⁸¹ S. Howson, *British monetary policy, 1945–51* (Oxford: Clarendon Press, 1993), p. 93. Booth, 'How long are light years in British politics?'

⁸² See R. Toye, 'The "gentleman in Whitehall" reconsidered: the evolution of Douglas Jay's views on economic planning and consumer choice, 1937–1947', *LHR* 67, 2 (2002), 185–202.

⁸³ Quoted by Peter Hennessy, 'Michael Young and the Labour party', paper given at Churchill College, Cambridge, 14 January 2004.

distinguish Labour from the other parties, which had their own political reasons for committing themselves to full employment. According to the manifesto:

Our opponents would be ready to use State action to do the best they can to bolster up private industry whenever it plunges the nation into heavy unemployment. But if the slumps in uncontrolled private industry are too severe to be balanced by public action – as they will certainly prove to be – our opponents are not ready to draw the conclusion that the sphere of public action must be extended.⁸⁴

This demonstrated the truth of Kalecki's remark made in a 1943 article on the political aspects of full employment: 'The necessity that "something must be done in the slump" is agreed; but the fight continues . . . as to *what* should be done in the slump (i.e. what should be the direction of government intervention)'.⁸⁵ This fight proceeded not only because of ideological differences between the parties, but also because it suited them to play up those differences in public.

After Labour's landslide election victory, Keynes continued in his Treasury role until his death in April 1946. The story of his negotiation of a post-war loan from the United States has been told many times; what has tended to escape notice is that the majority of Labour ministers had, for some years previously, lent general support to the international economic reform agenda that Keynes promoted. This included support for the 1944 Bretton Woods agreement that established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). Ernest Bevin, however, had doubts. As Wilfrid Eady, of the Treasury, reported to R. H. Brand in June 1945: 'Bevin has publicly expressed strong doubts about Bretton Woods. In private, and to a friend of mine, he has said that if a Labour Government is elected they will not ratify, and that if they are in Opposition they will oppose.' Nevertheless, Eady continued, 'I do not think that need be treated too tragically: even in a Labour Government of which Bevin is a member there will be other members, and Attlee certainly has not shown any similar signs.'⁸⁶ Eady was proved right. Bevin dropped his opposition when it became clear that ratification was the necessary price of the US loan; and unpalatable as some of the other loan conditions

⁸⁴ F. W. S. Craig (ed.), *British general election manifestos 1918–1966* (Chichester: Political Reference Publications, 1970), p. 99.

⁸⁵ M. Kalecki, 'The political aspects of full employment', *Political Quarterly* 14, 4 (1943), 322–31, reprinted in J. Osiatynski (ed.), *Capitalism: Business cycles and full employment. Collected works of Michal Kalecki*, vol. I (Oxford: Clarendon Press, 1990), pp. 347–56.

⁸⁶ Eady to Brand, 28 June 1945, Brand Papers Box 197.

were, other key ministers were actually relatively positive about the new international economic institutions.

It may be going too far to say that Labour was closer to Keynes on these international issues than on domestic ones – and at any rate, his views on these issues at the very end of his life are the subject of some debate.⁸⁷ All the same, there are signs that, on the home front, the Attlee government was at first less than wholehearted in its embrace of Keynes's thinking. The *Economist* observed of Dalton's first budget:

Mr Dalton merely concedes that the budget should be balanced over a period of years rather than annually. The Chancellor may have freed himself from the worst of the old orthodoxy, but he still seems to be thinking in narrow financial terms. There is certainly no virtue in *not* balancing the financial budget; but whether that budget should, in any particular period, aim at a deficit, a surplus, or equilibrium must be decided solely by reference to the state of the economy as a whole . . .⁸⁸

Whereas Keynes approved of Bevin and Cripps, he took a rather condescending attitude to the Chancellor: 'He thinks . . . that he has succeeded in educating Hugh Dalton into some understanding of the essentials of the financial position.'⁸⁹ One of the last pieces of advice he gave him was on the subject of his forthcoming second budget. On 1 April 1946 Keynes wrote that 'Your Budget is full of good things and is likely, in my judgement, to have a great success. But there is one element in it which I cannot believe to be a good plan – namely the introduction of increased earned income allowance in the autumn.' His objection arose partly because he believed the budget to be overloaded already, and partly on political grounds: 'You are giving away what may well prove practically all you have got left to give away *next* Budget. Why spoil and impoverish next Budget, when this one needs the extra embellishment so little?' Nevertheless, 'a stimulus delivered next autumn may well be much needed and very advisable'. Keynes suggested an alternative idea:

What is needed is not more release of money when there is no release of goods; but just the opposite – namely more release of goods without any further release of money. What I believe we ought to look forward to, if the American Loan

⁸⁷ See S. Newton, 'Deconstructing Harrod: some critical observations on *The Life of John Maynard Keynes*', *Contemporary British History* 15 (2001), 15–27, and 'A "visionary hope" frustrated: J. M. Keynes and the origins of the postwar international monetary order', *Diplomacy and Statecraft* 11, 1 (2000), 189–210.

⁸⁸ 'An incentive budget', *The Economist*, 27 October 1945.

⁸⁹ Lord Halifax diary, 5 March 1946, Halifax Papers A7.8.18, Borthwick Institute of Historical Research, York. This also contains Keynes's positive comments on Cripps's work at the Board of Trade. For his approval of Bevin, see Henry Morgenthau diary, 2 and 3 March 1946, Franklin D. Roosevelt Library, Hyde Park, New York.

goes through and events move reasonably well in other respects, is a significant relaxation on import restriction. It would be a much more tangible stimulus and encouragement if the Treasury were to allow an additional £50 million worth of imports of semi-luxuries, particularly food, etc. It is necessities which are in short supply. If we relax on austerity, we can find things to buy which would be greatly appreciated. This would be a gesture much more to be appreciated, really touching the spot, and leaving your next Budget possibilities intact – for which you will be very glad when the time comes.⁹⁰

A civil servant recorded: ‘The Chancellor has seen this note, but has decided that he must proceed with the proposal.’⁹¹ In refusing to relax austerity, Dalton illustrated once more how his priorities differed from those of Keynes. Three weeks after writing the aforementioned memorandum, Keynes died.

IV

Although Keynes’s death was a considerable loss to the Labour government, it is hard to refrain from the cynical observation that it was in some respects convenient, not only for politicians (of all parties) but also for academics, civil servants and commentators who claimed to be his followers. Even while he was still alive his words had often been put to use, selectively, for the political purposes of others. Now, not only could economists claim to know what Keynes would have said about current problems had he still been alive, but politicians too could freely invoke his writings in support of their own policies, without the risk, as formerly, of authorial contradiction. Therefore, the controversial question of how far the Attlee administration (and subsequent governments) implemented Keynesian ideas is complicated by two factors.⁹² First, those who saw themselves as ‘Keynesians’ sometimes misinterpreted the historical Keynes, and, in interpreting him, frequently disagreed with one another.⁹³ Second, claims and counter-claims about ‘what Keynes really meant’ or ‘what Keynes would have advised in the current situation’ were tools to be used in the political arena. That is to say, it is sometimes hard to tell if someone who cited Keynes with approval was genuinely influenced by his ideas, or by those of his interpreters, or was merely seeking to cloak their own

⁹⁰ Keynes to Dalton, 1 April 1946, PRO T171/388, TNA.

⁹¹ Unsigned note, April 1946, PRO T171/388, TNA.

⁹² For the current state of the debate, see A. Booth, ‘New revisionists and the Keynesian era in British economic policy’, *ECHR* 54 (2001), 346–66; G. C. Peden, ‘New revisionists and the Keynesian era in British economic policy’, *ECHR* 56 (2003), 118–24; and Alan Booth, ‘New revisionists and the Keynesian era: an expanding consensus?’, *ECHR* 56 (2003), 125–30.

⁹³ Clarke, *Keynesian revolution*, p. viii; Peden, ‘New revisionists’, 118–19.

favoured remedies in the warm glow of his reputation, which, if anything, his death had enhanced. As Roy Jenkins joked in the Commons in 1950, when a Conservative MP disclaimed belief in Keynes's doctrines: 'I was afraid that we were all Keynesians now, and am glad to hear that there are some people on the Opposition side who do not even pay lip-service to the doctrines of the late Lord Keynes.'⁹⁴

In spite of this, it is clear that, over the course of its life, the Attlee government did take vitally important steps towards the establishment of what Clarke calls 'actually existing Keynesianism'.⁹⁵ This was not a straightforward process, and it is important to appreciate that many of the ministers directly involved did not have a firm grasp of Keynesian economics. At first, moreover, their civil service advisors were divided amongst themselves. There were two schools of thought. The 'Thermostatters' (led by James Meade, head of the Economic Section of the Cabinet Secretariat) favoured 'sensible global planning', as opposed to 'senseless quantitative planning of output and employment in every single line'.⁹⁶ The 'Gosplanners' were more *dirigiste*. They wanted to plan over a long time-frame, they wanted to set targets, and they wanted to do so in terms of real resources, particularly manpower, at least while shortages persisted. Dalton, as Chancellor, does not seem to have been greatly influenced by the Thermostatters' advice, and Cripps, as President of the Board of Trade, appears to have inclined towards the Gosplanners.⁹⁷ However, after Cripps replaced Dalton in 1947, and after Robert Hall replaced the rather ineffective Meade, the budget was increasingly used as a mechanism by which to regulate overall demand in the economy. The aim, in conditions that had changed radically since the 1930s, was not to unbalance the budget in order to boost demand, but to run budget surpluses in order to restrain it and thus prevent inflation. In the words of Austin Robinson, 'it was Stafford Cripps in 1948 who first carried into peacetime budgeting the concepts which Keynes had developed for war finance'.⁹⁸

In his 1950 Budget speech, in a classic statement on the role of budgetary policy, Cripps declared that the budget was 'the most powerful instrument for influencing economic policy which is available to the

⁹⁴ *HC Debs*, 19 April 1950, col. 208.

⁹⁵ P. F. Clarke, *The Cripps version: The life of Sir Stafford Cripps* (London: Allen Lane, 2002), p. 497.

⁹⁶ S. Howson and D. Moggridge (eds.), *The collected papers of James Meade*, vol. IV: *The Cabinet office diary, 1944–46* (London: Unwin Hyman, 1990), p. 122 (entry for 1 September 1945).

⁹⁷ See Toye, *Labour party*, chap. 8.

⁹⁸ E. A. G. Robinson, *Economic planning in the United Kingdom: Some lessons* (Cambridge: Cambridge University Press, 1967, pp. 21–2).

government'.⁹⁹ During the course of the Budget debate, Gaitskell developed the point, with a slightly different emphasis:

We have deliberately set out, while gradually diminishing the extent of inflationary pressure, to ensure that the level of home demand was adequate for full employment . . . We accept the implications of this policy, that it does involve the maintenance of certain controls – for example, over building, investment and some materials which are still scarce. We accept that at present it requires the continuance of rationing of some commodities which might not be necessary if wages were lower and unemployment was greater.¹⁰⁰

Neither Cripps nor Gaitskell mentioned Keynes explicitly, although they were certainly understood to be referring to his ideas.¹⁰¹ Tony Crosland, for his part, demonstrated the scope for disagreement amongst 'Keynesians' by warning that the Budget might be excessively deflationary.¹⁰²

Gaitskell's emphasis on physical controls as the necessary counterpart to demand management was significant. Backed by Douglas Jay, he had recently warned his colleagues that any attempt to abandon controls, and to guide the economy solely 'by indirect monetary means' would lead either to inflation and a balance-of-payments crisis, or deflation and unemployment.¹⁰³ Other ministers, such as Dalton, who welcomed Gaitskell's views denied that this was an attack on Cripps's policies, blaming officials for the perceived slide towards decontrol.¹⁰⁴ But, as Cripps pointed out to one of his left-wing critics outside the government, blaming civil servants amounted to 'an implied attack upon myself as unable to control my staff'.¹⁰⁵ These rumblings of discontent were soon followed by

⁹⁹ *HC Debs*, 18 April 1950, col. 39.

¹⁰⁰ *HC Debs*, 24 April 1950, cols. 638–9.

¹⁰¹ The Conservative MP Nigel Birch commented of Gaitskell's budget the following year: 'It has been the fashion for some years for the Chancellor of the Exchequer to start his Budget by expounding the Keynesian mysteries of the inflationary gap, and I think it gave general satisfaction that that industrious acolyte the Chancellor of the Exchequer did just as well in performing the rites as the archpriest of the cult, Sir Stafford Cripps.' *HC Debs*, 16 April 1951, col. 1494.

¹⁰² This was Crosland's maiden speech. He said: 'my main argument is a plea to the Chancellor, who has fought for so long a brave and even a rather lonely battle against inflation, to realise that possibly the main danger now has come on another flank and not on that flank at all, and that a certain reversal of policy might, therefore, be necessary'. Oddly, his biographers assert that he argued that fiscal policy was not tight enough. See *HC Debs*, 19 April 1950, col. 186; S. Crosland, *Tony Crosland* (London: Cape, 1982), p. 51; K. Jefferys, *Anthony Crosland: A new biography* (London: Richard Cohen Books, 1999), p. 37.

¹⁰³ PRO CAB 134/225 EPC (50) 9, 7 January 1950, TNA.

¹⁰⁴ B. Pimlott (ed.), *The political diary of Hugh Dalton, 1918–40, 1945–60* (London: Cape, 1985), p. 465 (entry for 24 January 1950).

¹⁰⁵ Stafford Cripps to Richard Acland, 21 January 1950, PRO T273/235, TNA. Cripps objected to passages in the pamphlet *Keeping Left*, of which Acland was part author.

further questioning of the Chancellor's plans. The doubts of the veteran cabinet minister Lord Addison were taken up by Attlee. Although these doubts seem to have been the product of simple lack of comprehension, they were, as Clarke puts it, 'a potentially destabilizing challenge to the whole Budget strategy'.¹⁰⁶ Hence Cripps's public clarification, on which Gaitskell, perhaps eyeing up the Chancellorship (to which he succeeded in October 1950), then put his own spin.

These manoeuvres within the Labour party ran in parallel with international political developments, which in turn Labour hoped to exploit for domestic political advantage.¹⁰⁷ When economic activity in the United States slackened in the spring of 1949, the British had helped initiate a United Nations report on international measures to maintain full employment.¹⁰⁸ The main responsibility for drafting the report fell to Nicholas Kaldor, an economist with close links to the Labour party, who competed with Thomas Balogh, a fellow Hungarian *émigré*, to don the mantle of Keynes.¹⁰⁹ The novelty of the report – published in December 1949 – lay in its call for governments to adopt pre-specified employment targets and to announce 'automatic counter-measures' in the event either of rising unemployment or of rising inflation. More dramatic and unconventional were the report's further proposals for international co-ordinated action. The report recommended that countries that permitted their imports to fall below a 'normal' level (that is, a level consistent with full employment) should be obliged to deposit with the IMF an amount of their currency equivalent to the deflationary impulse thereby propagated. This would constitute a pool of foreign currencies available to be bought with the currencies of countries whose exports had been adversely affected by the deflation.¹¹⁰ The British were enthusiastic about the report, because, if accepted as the basis for international action, it would help entrench their view that stable exchange rates and free trade would not alone restore balance-of-payments equilibrium in a world of scarce dollars. This would provide a shield against American pressure to liberalise trade and move towards currency convertibility. In January 1950, Kaldor recorded: 'I gather HMG's attitude will be rather good since Cripps is very keen on

¹⁰⁶ Clarke, *Cripps version*, p. 501.

¹⁰⁷ The paragraphs on the international aspects of Keynesianism that follow draw in part on research conducted jointly with John Toye and published as *The UN and global political economy: Trade, finance and development* (Bloomington: Indiana University Press, 2004).

¹⁰⁸ See A. Cairncross (ed.), *The Robert Hall diaries 1947–1953* (London: Unwin Hyman, 1989), p. 289 n. 11.

¹⁰⁹ A. P. Thirlwall, *Nicholas Kaldor* (Brighton: Wheatsheaf, 1987), p. 108.

¹¹⁰ UN, *National and international measures for full employment* (Lake Success, New York, December 1949).

it.’¹¹¹ Robert Hall noted that ‘the UK is stuck with Full Employment anyway so we *can’t* lose by it and if US would accept it would be a great step forward’.¹¹²

The report was referred to the UN Economic and Social Council, which discussed it in July 1950. The fact that Gaitskell was present to make a speech indicates the degree of importance that the British attached to it. He praised the report, noting that there was now much agreement among economists as to the causes of unemployment and its appropriate remedies: ‘Much of the credit for that was due to a great Englishman who had also been a great internationalist – the late Lord Keynes.’¹¹³ But his motive was not merely to place obligations on the Americans and others. He told Hall that ‘HMG were thinking of introducing a Full Employment Bill for political reasons! and hence that it might be useful to have more obligations than we might otherwise have done.’¹¹⁴ This proposed bill was intended to give the government powers of economic control and price regulation on a permanent basis, superseding the previous temporary powers of wartime origin.¹¹⁵ Its political purpose was to help explain to the public ‘the planning instruments which we feel are necessary and challenge the Tories to indicate which they would abandon’.¹¹⁶ Although the bill was eventually abandoned as a consequence of the Korean War – the UN employment report likewise proved a dead letter because of the hostility of the Americans – it can nonetheless be seen as powerful evidence of the limits to Labour’s Keynesianism.¹¹⁷ Gaitskell’s overall rhetorical strategy is fascinating to consider. He publicly praised Keynes in an attempt to place obligations on his own country that the government was likely to meet anyway. He and other ministers could then claim to be living up to these obligations by passing a bill to give themselves powers of control of the kind to which

¹¹¹ Kaldor to Dell, 24 January 1950, Nicholas Kaldor Papers, NK/3/30/55/30–1, King’s College, Cambridge.

¹¹² Cairncross, *Hall Diaries*, p. 104 (entry for 31 January 1950).

¹¹³ United Nations Economic and Social Council Official Records, Eleventh session, 390th meeting, 17 July 1950, p. 114. See also P. M. Williams (ed.), *The diary of Hugh Gaitskell, 1945–1956* (London: Cape, 1983), pp. 193–4 (entry for 11 August 1950).

¹¹⁴ Williams, *Diary of Hugh Gaitskell*, p. 123 (entry for 13 July 1950). For the political context of the proposed Full Employment Bill, see R. Toye, *Labour party*, pp. 234–5.

¹¹⁵ N. Rollings, ‘Permanent economic controls’, in H. Mercer, N. Rollings and J. Tomlinson (eds.), *Labour governments and private industry: The experience of 1945–1951* (Edinburgh: Edinburgh University Press, 1992), pp. 21–3.

¹¹⁶ ‘Summary of discussions at the Conference held at Beatrice Webb House, 19–21 May 1950’, June 1950, attached to NEC Policy and Publicity Committee minutes, 19 June 1950, LPA.

¹¹⁷ Rollings, ‘Permanent economic controls’, pp. 25–6; S. Kelly, *The myth of Mr Butskell* (Aldershot: Ashgate, 2002), pp. 82–95, 228.

Keynes himself had tended to be hostile. This was in part intended to help Labour paint the Tories as desirous of returning to the horrors of mass unemployment, which was supposedly demonstrated by the fact that they were prepared to abolish such controls. After Gaitskell's sole Budget (in 1951), some Conservatives, in their turn, accused him, without apparent justice, of applying cures that Keynes had devised for chronic deflation in what were now inflationary conditions.¹¹⁸ This illustrates further the alternative uses to which Keynes's name could be put.

V

The demise of the Attlee government at the 1951 general election brought to increasing prominence a group of younger Labour politicians who were considerably more willing than the generation of leaders they displaced to praise Keynes openly. 'To-day our full employment policy is basically Keynesian', wrote Crosland, shortly before the government's fall, adding that Keynes himself was 'an astonishing genius'.¹¹⁹ (Even the older generation were warming up. Dalton advised Crosland that although Keynes was not 'a comrade', his major works were 'all up our street'.)¹²⁰ Nevertheless, Keynes remained a 'capitalist economist'.¹²¹ Crosland observed in his major work, *The Future of Socialism* (1956) that 'many Liberal-minded people, who were instinctively "socialist" in the 1930s . . . have now concluded that "Keynes-plus-modified-capitalism-plus-Welfare-State" works perfectly well'. However, 'this is not socialism'. Victory over poverty, unemployment and the worst forms of injustice brought into view 'new and more subtle social problems'. To these, 'Keynes-plus-modified-capitalism' failed to provide an adequate answer.¹²² Keynesianism, therefore, was now almost taken for granted; but so was its ultimate insufficiency.

It would be wrong to deny that Keynesian ideas did have a real impact on the party at this time, but it is hard to gauge their precise impact. This is because, as before, Labour thinkers used Keynes's writings to justify their own preconceptions. This could involve arguing that Keynes himself suffered from a form of false consciousness. John Strachey, a Mosley acolyte turned communist turned Attlee government minister, aimed to

¹¹⁸ Speeches of Nigel Birch and R. A. Butler, *HC Debs*, 16 April 1951, cols. 1498 and 1581.

¹¹⁹ Anthony Crosland, 'The greatness of Keynes', *Tribune*, 23 February 1951.

¹²⁰ Jefferys, *Anthony Crosland*, p. 39.

¹²¹ C. A. R. Crosland, 'The transition from capitalism', in R. H. Crossman (ed.), *New Fabian essays* (London: Turnstile Press, 1952), p. 36.

¹²² C. A. R. Crosland, *The future of socialism* (London: Cape, 1956), pp. 115, 156.

synthesise socialist and Keynesian economics.¹²³ He wrote that ‘the perfectly sincere protests of Keynes and his followers that they were loyal supporters of capitalism failed to carry conviction’.¹²⁴ He claimed the efforts of Roy Harrod, Keynes’s biographer, to prove the respectability of his subject had been in vain.¹²⁵ (Harrod was at this time a Conservative.) Strachey wrote:

In vain does he [Harrod] emphasise and re-emphasise Keynes’ anti-socialism, which was indeed strong . . . in vain does he quote, like a testimonial, a letter from Keynes to Professor Hayek expressing sympathy with Hayek’s more hysterical anti-socialist propaganda: in vain are Keynes’ detestation and contempt for Marxism, and his ignorance and suspicion of the Labour movement, revealed. All this is not enough . . . The fact remains that Keynes said that capitalism was not self-regulating: that it was necessary for some authority consciously to regulate its workings or it would destroy itself.¹²⁶

Keynes, therefore, could be used to point the way. But his views could not be adopted in their entirety – not least, of course, because he had so often contradicted himself. A certain amount of intellectual ‘cherry-picking’ was indeed inevitable.

The relationship between Labour and Keynesianism was thus still not an entirely comfortable one. However, in the later 1950s many British socialists fell, with alacrity, upon the ideas of J. K. Galbraith, one of Keynes’s American interpreters. Galbraith’s position was a ‘left-Keynesian’ one: he was in favour not only of guaranteeing full employment, but also of using wage and/or price controls, if necessary, to halt any inflationary consequences of doing so.¹²⁷ His 1958 book *The Affluent Society* painted a picture of private affluence co-existing with public squalor. Jay summarised Galbraith’s argument: ‘His conclusion – and no intelligent person can deny it, is that the modern community ought to expand greatly its allocation of resources to public services – education above all – and consequently take a more adequate share of the national income through the budget and tax systems.’¹²⁸ Crosland, for

¹²³ N. Thompson, *John Strachey: An intellectual biography* (Basingstoke: Macmillan, 1993), p. 12.

¹²⁴ J. Strachey, *Contemporary capitalism* (London: Victor Gollancz, 1956), p. 214.

¹²⁵ R. Harrod, *The life of John Maynard Keynes* (London: Macmillan, 1951). For a discussion of the Attlee government’s role in shaping some aspects of Harrod’s book, see R. Toye, ‘The trials of a biographer: Roy Harrod’s *Life of John Maynard Keynes* reconsidered’, in R. Toye and J. Gottlieb (eds.), *Making reputations: Power, persuasion and the individual in modern British politics* (London: I. B. Tauris, 2005).

¹²⁶ Strachey, *Contemporary capitalism*, pp. 214–15.

¹²⁷ See Toye and Toye, *The UN and global political economy*, p. 91.

¹²⁸ Douglas Jay, ‘The man who pleads for more taxes’, *Forward*, 16 January 1959.

his part, declared himself ‘wholeheartedly a Galbraith man’.¹²⁹ Labour left-wingers, such as Richard Crossman, also found the book attractive.¹³⁰ Thomas Balogh’s favourable review located Galbraith’s arguments firmly in their Cold War context: ‘Only ruthlessly clear thinking and reform can possibly safeguard the survival of the West against the imminent technical advantages of the Communist menace.’¹³¹ Galbraith’s interpretation of the Keynesian message was welcomed because it helped justify Labour’s predilection for direct controls, and provided arguments for the ‘purposive planning’ and the extension of the public sector that the party favoured. Of course, his ideas were not swallowed whole, any more than Keynes’s were – but he spoke more directly than Keynes to Labour’s political purposes.

This was the background to the ‘Keynesian plus’ solutions of the 1960s (to which the Conservative party also subscribed to a degree). Under the Wilson government there were three elements to this package: (1) institutional changes, such as the creation of the Department of Economic Affairs (DEA), which was responsible for the 1965 National Plan; (2) the restraint of wages via incomes policies, aimed at achieving higher growth without inflation; and (3) tax changes, which, it was thought, would help put an end to the phenomenon of ‘Stop-Go’.¹³² Historians have had some difficulty reaching conclusions about the degree of Keynesian influence on this government. This is because, in addition to the advice of the Economic Section of the Cabinet Secretariat, other advisors (including Balogh and Kaldor) were appointed. As G. C. Peden points out, these men, like those of the Economic Section, ‘would have described themselves as Keynesians, but did not always agree with each other’.¹³³ From the point of view of politicians too, ‘Keynesian’ ideas could be deployed for a variety of ends. The publication of *Politicians and the Slump*, Robert Skidelsky’s account of Labour’s allegedly timid failure to adopt Keynesian remedies in the inter-war years, came within a few days of the devaluation of 1967. Skidelsky notes: ‘Reviewers fastened on the parallel with Labour’s attempt to maintain the Gold Standard between 1929 and 1931. What was it about Labour governments, they asked, which

¹²⁹ C. A. R. Crosland, *The Conservative enemy: A programme of reform for the 1960s* (London: Cape, 1962), p. 103.

¹³⁰ Crossman’s favourable verdict is recorded on the back of the 1962 Pelican edition of the book.

¹³¹ Thomas Balogh, ‘On from Keynes’, *New Statesman*, 4 October 1958.

¹³² H. Pemberton, ‘A taxing task: combating Britain’s relative decline in the 1960s’, *TCBH* 12 (2001), 355–6.

¹³³ Peden, ‘New revisionists’, 119–20.

made them slaves of “orthodox” finance?”¹³⁴ Over the next ten or fifteen years, ‘Keynesianism’ within the Labour party became a predominantly left-wing phenomenon, rather than, as previously, a mainly right-wing one. Skidelsky’s presentation of Keynes as an ‘economic radical’ battling an economically conservative Labour leadership was, perhaps, an early stimulant of this process.

For the meantime, however, leading figures on the right of the party remained happy to associate themselves with Keynesianism. During Labour’s period in opposition in 1970–4, Roy Jenkins wrote a series of biographical articles for *The Times*, including three on Keynes. In view of Blair and Brown’s later phraseology, the terms he used to discuss Keynes’s ideas are of considerable interest: “Crude Keynesianism”, as it is now fashionable to describe some applications of his doctrine, has its limitations, but it is a great advance on crude pre-Keynesianism, and is in any event not where Keynes’ thought would have stopped had he been alive today.’¹³⁵ Wilson – Jenkins’s *bête noire* – also used Keynesian language. At a joint NEC/Parliamentary Committee meeting in 1973 he used Keynes’s term ‘socialisation of investment’ (albeit it is not clear if he knew its origins): ‘I was thinking in terms of nationalising investment of industrial programmes.’¹³⁶ At a time when the party was increasingly divided, the language of Keynes still helped elide ideological differences.

Those differences became more difficult to cover up once Labour was back in power. As Paul Anderson and Nyta Mann point out, the disputes of this period were not about whether the state should manipulate demand to secure full employment, but about *what else* was needed. ‘The left backed a programme, the Alternative Economic Strategy (AES), that added widespread nationalization, heavyweight economic planning and withdrawal from the European Economic Community to the basic Keynesian package; the right rejected the AES and put its faith in a statutory incomes policy (which was opposed by the left) as the magic extra ingredient that would make demand management work.’¹³⁷ There was also room for dispute about how demand management should be applied. Denis Healey, the new Chancellor, had to contend with pressure from

¹³⁴ Skidelsky, *Politicians and the Slump*, p. xvi. In his review of the book Maurice Edelman, a Labour MP, did not dispute the parallel, but argued that Wilson’s government was better educated than its 1929 predecessor. See ‘The same old crisis’, *Times Literary Supplement*, 14 December 1967. The review was anonymous, but Edelman is identified as the author in the *TLS* Centenary Database.

¹³⁵ Roy Jenkins, ‘Architect of the post-war order’, *The Times*, 21 March 1972.

¹³⁶ ‘Report of joint meeting of the National Executive Committee and the Parliamentary Committee held on Thursday, 25 January 1973’, p. 14, LPA.

¹³⁷ P. Anderson and N. Mann, *Safety first: The making of New Labour* (London: Granta Books, 1997), pp. 78–9.

MPs who saw themselves as belonging to ‘the expansionist element of the Cambridge school’.¹³⁸ He was also dealing with a Treasury that, he claimed in his memoirs, ‘was the slave of the greatest of all academic scribblers, Maynard Keynes himself’. As a result, his first budget was by no means as restrictive as it should have been, given the inflationary pressures bequeathed him by the Conservatives.

Healey, by his own account, ‘abandoned Keynesianism in 1975’, producing a budget that aimed to cut back demand even when unemployment was rising.¹³⁹ Wilson, though, did not abandon Keynesian rhetoric, although he deployed it in support of purposes of which Keynes might well not have approved. It was Labour policy to establish a National Enterprise Board (NEB), as a means of exercising public control over profitable industries. This body would be based on existing state shareholdings, to which further private-sector companies would be added.¹⁴⁰ It was not a policy in which Wilson had any real faith.¹⁴¹ Nevertheless, he justified it to the House of Commons in the following terms:

More than 30 years ago the war-time coalition Government of all parties in their White Paper on full employment accepted the Keynesian doctrine that where investment of all kinds was insufficient to maintain employment the State must step in with capital spending programmes . . . The NEB concept is an updating of what we all agreed in the 1944 White Paper . . . The NEB concept is designed to maintain and increase the volume of investment, certainly with the idea of safeguarding employment, but the difference from the macro-economic approach of Keynes is that the NEB has the special facility of being an instrument for channelling investment directly to where it is most needed . . . Keynes, who was concerned only with the general level of employment, had no more to offer as his answer to unemployment to a skilled toolroom fitter than the prospect of a job as an unskilled labourer building a road.¹⁴²

Wilson’s aim here, it seems, was to blanket his Tory opponents by implying that although nominally committed to full employment, they would not support the policy measures necessary to achieve and maintain it. At the same time, he downplayed the radicalism of his own party’s policies, by suggesting that they fell within a consensual tradition.

¹³⁸ *HC Debs*, 26 March 1974, col. 341, speech by John Horam. See also *ibid.*, cols. 351–2, speech by Giles Radice.

¹³⁹ D. Healey, *The time of my life* (London: Michael Joseph, 1989), p. 378; E. Pearce, *Denis Healey: A life in our times* (London: Little, Brown, 2002), pp. 426–7.

¹⁴⁰ *Labour Weekly*, 8 June 1973.

¹⁴¹ E. Dell, *A hard pounding: Politics and economic crisis 1974–1976* (Oxford: Oxford University Press, 1991), pp. 17–18; B. Pimlott, *Harold Wilson* (London: HarperCollins, 1992), pp. 665–6.

¹⁴² *HC Debs*, 22 May 1975, cols. 1668–9.

The following year, James Callaghan, Wilson's successor as Prime Minister, told the Labour party conference: 'We used to think that you could spend your way out of recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists.' This, coming hard on the heels of Healey's 1975 budget, has often been seen as a watershed. That is in some respects debatable. The commitment to full employment was not abandoned – at least at the verbal level – and, as Callaghan himself pointed out in his memoirs, he did not say that governments should never increase public expenditure or cut taxes to boost employment, merely that these methods were not appropriate in the circumstances of 1976.¹⁴³ Nevertheless, the rhetoric made a great impact. Rightly or wrongly, the impression was gained that the party's leaders had made a fundamental break with Keynesianism, and this, being perceived on the left as a profound ideological error, contributed greatly to the bitterness of the disputes of the 1980s.¹⁴⁴

VI

Michael Foot replaced Callaghan as leader in 1980. Paul Corthorn has written of how 'The nature of Foot's attack on the "curse of monetarism" meant that he had to champion Keynesian policies. As a one-time "socialist critic of Keynes" he now had to portray himself as "an unreconstructed Keynesian", which was not an altogether easy transition.'¹⁴⁵ However, Foot did not make a major contribution to the party's economic policies, leaving the field to the supporters of the AES.¹⁴⁶ The years of Neil Kinnock's leadership (1983–92) and that of John Smith (1992–94) saw Labour moderate its stand, but the battleground was still heavily contested. Bryan Gould, a key 'soft left' figure in the Shadow Cabinet was one of those who warned against the 'siren voices of those who urged that Labour must again give priority to showing itself to be "responsible"'.¹⁴⁷ By 1989, he had largely been defeated, and was

¹⁴³ J. Callaghan, *Time and chance* (London: Collins, 1987), pp. 426–7; L. Baston, 'The Age of Wilson', in B. Brivati and R. Heffernan (eds.), *The Labour party: A centenary history* (Basingstoke: Macmillan, 2000), p. 95.

¹⁴⁴ See, for example, J. Hughes, 'Public expenditure: the retreat from Keynes', in K. Coates (ed.), *What went wrong: Explaining the fall of the Labour government* (Nottingham: Spokesman Books, 1979), pp. 103–23.

¹⁴⁵ P. Corthorn, 'Michael Foot as Labour leader: the uses of the past', in Toye and Gottlieb (eds.), *Making reputations*, pp. 161–2.

¹⁴⁶ W. Keegan, *The prudence of Mr Gordon Brown* (Chichester: John Wiley and Sons, 2003), pp. 57–8.

¹⁴⁷ B. Gould, *Goodbye to all that* (Basingstoke: Macmillan, 1995), p. 208.

moved by Kinnock from the Trade and Industry portfolio. Shortly before the 1992 general election, John Eatwell, one of the party's economic advisors, described one of the key changes that had taken place in party thinking: 'Abandonment of the idea that short-term macro-economic management is the key to maintenance of full employment. It is argued that it is no longer possible to have Keynesianism in one country, and hence fine-tuning should be replaced by a search for macroeconomic stability as a framework for long-term investment.'¹⁴⁸

Nevertheless, as Anderson and Mann have shown, Smith and Brown continued to make obeisance at the shrine of Keynes and Full Employment. This was partly in order to secure support within the Labour party for their other objectives. In 1984 a party memorandum, probably written by Smith, declared: 'the Keynesian argument has been tried before and failed'. But in 1987 he cited Keynes with approval. And in 1993 – with his back to the wall, as he tried to drum up union support for controversial internal party changes – he pledged in a speech to the TUC that a Labour government would use 'all instruments of macro-economic management' to secure full employment. Supporting his leader, Brown called for 'an enhanced Keynesian approach, which treats demand management as an integral part of a structural policy'.¹⁴⁹ Smith pushed his reforms through the party conference by a narrow margin. Brown, whilst helping him, also managed to defend his own position against internal party feeling that his economic policy was too cautious.

Keynes continued to be a significant rhetorical tool for Labour's leaders even after Blair's accession. This was exemplified by the comments quoted at the start of this chapter, and also by Blair's 1995 comment on the Attlee government: 'It was a government that was willing to draw on the resources of the whole progressive tradition. The ideas of Keynes and Beveridge were the cornerstone of reform.'¹⁵⁰ However, after Labour's 1997 election victory, some government backbenchers were keen to allege that their leaders had abandoned Keynes's wisdom. It was claimed that the bill that gave operational independence to the Bank of England was 'a Bill to bury Keynes', because it prioritised the control of inflation over

¹⁴⁸ J. Eatwell, 'The development of Labour policy 1979–92', in J. Michie (ed.), *The economic legacy 1979–92* (London, Academic Press, 1992), cited in Anderson and Mann, *Safety first*, p. 78.

¹⁴⁹ Anderson and Mann, *Safety first*, pp. 89–93. See also A. McSmith, *John Smith 1938–1994* (London: Mandarin, 1994), pp. 191, 308, 327–8.

¹⁵⁰ Tony Blair, *New Britain: My vision of a young country* (London: Fourth Estate, 1996), p. 11. Tony Blair, speech to Labour Party conference, 2 October 2001, <http://politics.guardian.co.uk/labourconference2001/story/0,1220,561985,00.html>, consulted on 18 June 2003.

the maximisation of employment.¹⁵¹ It was joked that John Prescott, the Deputy Prime Minister, only dared mention Keynes when Blair was out of the country.¹⁵² Brown, however, continued to lay claim to Keynes's legacy¹⁵³ (as indeed did Blair).¹⁵⁴ He did this in considerable depth in a speech to the Royal Economic Society in 2000. He repeated his by now familiar theme that the 'stop-go policies which were wrongly said to be Keynesian' reflected an approach Keynes thought appropriate for depression-bound economies. 'The mistake was to try to apply this prescription universally' especially to inflation-prone economies where the problem was not a lack of demand but low productivity, inadequate levels of investment, unreformed labour markets and general short-termism. Therefore, Thatcherites, like Nigel Lawson, who claimed that Keynes had been interpreted perversely, were correct, to a limited degree, when they argued 'against a crude version of the 1944 policy'. (See Ewen Green's chapter in this volume for an exposition of such views.) However, 'far from tackling the boom–bust cycle endemic to the British economy', the Conservatives, in the early 1980s and again in the 1990s, were responsible for two of the deepest recessions since 1945. 'As the late eighties boom showed, the Government of the day eventually relapsed into the very short-termism they had come into Government to reverse.' Therefore, Brown suggested, Lawson's failure was that 'having rejected the crude Keynesianism of the seventies he rejected Keynes's approach altogether when, instead, the real challenge was to interpret Keynes's important insights for the modern world'. Hence New Labour's own rejection of 'crude "Keynesianism"', and its attempts to put a modern Keynesian approach into practice.¹⁵⁵ Brown thus appeared to rescue Keynes from his left-wing Labour advocates and, simultaneously, from his Thatcherite critics.

There is certainly a case to be made that New Labour in government has pursued Keynesian policies. During the first two years after 1997, a time of economic upswing, the government stuck to spending plans laid down by the Conservatives. This strengthening of the public finances facilitated high levels of spending during the subsequent downturn. After 2002/3 there were budget deficits; but recession had been

¹⁵¹ *HC Debs*, 22 January 1998, col. 1196, speech by Austin Mitchell.

¹⁵² *HC Debs*, March 1999, col. 206, speech by Derek Foster.

¹⁵³ William Keegan points out, however, that 'Although references to full employment, and indeed to Keynes, were to appear in subsequent chancellorial speeches, they were not there in the formal brief for the Bank of England's new Monetary Policy Committee, which laid out the objectives of monetary policy. *The prudence of Mr Gordon Brown*, pp. 204–5.

¹⁵⁴ Blair, speech to Labour Party conference, 2 October 2001.

¹⁵⁵ Brown, lecture to the Royal Economic Society, 13 July 2000.

avoided.¹⁵⁶ There is scope for debate about how intentional this really was. Arguably, Labour pledged adherence to the spending limits more as a means of demonstrating its ‘toughness’ to the electorate than on the basis of calculations about the macroeconomic impact. It is significant, though, that Blair and Brown sought to justify their government’s actions with explicit reference to Keynes. It may seem remarkable that they should have attached such importance to the views of a single economist, however eminent, more than fifty years after his death. However, for both of them, ‘the real Keynes’ served an important rhetorical role. This must be understood in the context of their broader views of the Labour party’s history. In order to reassure floating voters, on the one hand, and their own party activists, on the other, they distanced themselves aggressively from certain periods and aspects of Labour’s past, whilst asserting that their ‘core values’ remained those that had motivated the party throughout its life.¹⁵⁷ Thus, they paid homage to Keynes (widely, if wrongly, seen by many as a quintessentially ‘Old Labour’ figure) whilst at the same time stressing the break with the past they were making in rejecting ‘crude Keynesianism’. They linked the ‘real Keynes’ with the glory days of 1945. So the activists were appeased, yet nonetheless chastened by the thought that Liberal progressivism, rather than diehard socialism, lay at the root of Attlee’s success. ‘Crude Keynesianism’, however, Blair and Brown associated with the crises of the 1970s, and rejected – and so, while the ‘real Keynes’ was praised, memories that might disconcert the electorate could be buried. At the same time, the Conservatives were attacked for rejecting Keynes and mismanaging the economy as a result. One might characterise this approach as: ‘I apply Keynes’s genuine insights in a modern setting; you are a crude Keynesian; they advocate a return to boom and bust.’ All this demonstrates that, as was the case in his lifetime, Keynes’s ideas still serve as much of a political function as they do an economic one.

¹⁵⁶ J. Tomlinson, ‘Tale of a death exaggerated: how Keynesian policies survived the 1970s’, *Contemporary British History* 21 (2007), in press; J. Tomlinson and B. Clift, ‘Credible Keynesianism? New Labour’s macroeconomic policy and the political economy of coarse tuning’, *British Journal of Political Science* 37 (2007), 47–69. Larry Elliott, ‘Brown is the first chancellor to make Keynes work’, *Guardian*, 25 April 2005.

¹⁵⁷ M. J. Smith, ‘Tony Blair and the transition to New Labour: 1994–2000’, in Brivati and Heffernan (eds.), *The Labour party*, p. 150; C. Hay, *The political economy of New Labour: Labouring under false pretences?* (Manchester: Manchester University Press, 1999), p. 8; R. Toye, ‘“The smallest party in history”? New Labour in historical perspective’, *LHR* 69 (2004), 371–91.

6 The Conservative party and Keynes

Ewen Green

The Conservative party and Keynes may seem an unlikely pairing. In the 1920s and 1930s it was, above all, Conservative administrations that Keynes found himself ranged against as he sought, in vain, to persuade governments to pursue more active policies to counter mass unemployment. The Conservative leader from 1923 to 1937, Stanley Baldwin, was a particular target. In November 1923, Keynes described a speech by Baldwin in Manchester as an example of ‘the exaltation of a sort of mystical stupidity, with which the Tory, generally sentimentalising himself on these occasions as the “plain, business man”, likes to present his nostrums for the cure of economic facts’.¹ Baldwin was by no means the only Conservative to endure Keynes’s criticism and scathing wit. Winston Churchill’s decision to return to the Gold Standard received a powerful broadside (in *The Economic Consequences of Mr Churchill*) whilst those who backed his decision were accused of supporting ‘what is jejune and intellectually sterile; and since it has prejudice on its side, it can use claptrap with impunity’.² Conservative advocates of extreme *laissez-faire* were subject to Keynes’s particular hostility, but he was also clear that attempts by ‘more moderate Conservatives, under Mr Baldwin . . . to temper the same logic with mercy and expediency’ were fruitless as they were at ‘the mercy of the noisy anti-trade union, anti-communist, anti-everything man who has always been the muscle and brawn of their party’.³ Keynes summed up his general contempt for the Conservatives in 1929 when he pounced on a statement made by the Conservative President of the Board of Trade, Laming Worthington-Evans, that public works funded by government borrowing could not create employment. Keynes declared

¹ J. M. Keynes, ‘The Liberal party’, *The Nation and Athenaeum*, 17 November 1923, in *JMK*, vol. XIX: *Activities 1922–1929: The return to gold and industrial policy* (1981), pp. 142–6, 144.

² J. M. Keynes, ‘The Gold Standard’, *The Nation and Athenaeum*, 2 May 1925, in *JMK*, vol. XIX, p. 361.

³ J. M. Keynes, ‘Liberalism and industry’, at the National Liberal Club, 5 January 1927, in *JMK*, vol. XIX, p. 640.

that the reason Worthington-Evans could produce such a poor argument was because 'He is a Conservative. The reasons are wrapped in the mists of history . . . He half understands an ancient theory, the premises of which he has forgotten.'⁴ For Keynes the reluctance of Conservative administrations to embrace more radical economic ideas and policies was evidence of the party's intellectual torpor.

The Conservatives were not the only ones guilty of what was for Keynes a cardinal sin, for the second Labour government was equally culpable. Keynes's views were echoed in the first major historical study of political debate during the Slump, which argued that the key divide was not between 'left' and 'right' but between economic radicals and conservatives, who were to be found in all parts of the political spectrum.⁵ This was an accurate description of economic opinion in Britain, but it was also the case that this range of opinion existed *within* the ranks of the Conservative party, and that on economic questions there were conservative and radical Conservatives. With regard to the former, there were some Conservatives who, as Keynes suggested, were advocates of strict *laissez-faire* and who regarded all acts of state intervention in the economy as 'socialist'. These adherents of economic individualism, whose most articulate spokesman was Ernest Benn, were small in number. More representative were those who felt that there was nothing intrinsically socialist or contrary to Conservative principles in state intervention, and that the nature and scope of state intervention were the determinants of its political tenor. But although the role of the state was an important issue, it was only a part of a rich and wide-ranging Conservative intra-party debate on the economy after 1929.

I

The breadth of the inter-war Conservative party's engagement in economic debate, and the importance the party attached to it, is well illustrated by the work of the Conservative Research Department (CRD) and Ashridge (Bonar Law Memorial) College, which were both founded in 1929.⁶ CRD was established as a policy-making forum, and economic

⁴ J. M. Keynes, 'A cure for unemployment', *Evening Standard*, 19 April 1929, in *JMK*, vol. XIX, p. 811.

⁵ R. Skidelsky, *Politicians and the Slump* (London: Macmillan, 1967).

⁶ For CRD, see J. Ramsden, *The making of Conservative party policy: The Conservative Research Department since 1929* (London: Longman, 1980). For the founding and work of Ashridge, see C. Berthezène, 'Les Conservateurs Britanniques dans la bataille des idées. Le Ashridge Bonar Law Memorial College: des 'Conservateurs Fabiens' à la Conquête des Esprits, 1929-54', unpublished PhD thesis, University de Paris III - La Sorbonne Nouvelle, 2003.

issues, notably tariffs, unemployment and relations between the state and industry, figured prominently in its first decade of work.⁷ Economic questions were also an important feature of the courses and lectures at Ashridge, which was the focal point of the inter-war Conservative party's political education activities. Between October 1929 and July 1939, 483 lectures at the college were devoted to industry, trade, unemployment and general economic questions. Furthermore, forty-nine lectures dealt with economic theory. Major Douglas's ideas on Social Credit were the subject of six lectures, the principles of the US New Deal were covered in thirteen whilst Lloyd George's proposed British variant was dealt with on two occasions.⁸ Soon after Ashridge opened, the Conservative MP and member of the college's Governing Body, William Ormsby-Gore, told the college's Education Committee that 'all the courses should have a strong economic bias; Economic and social issues rather than political issues are going to be the main issues in this country during the next few years if not longer'.⁹ Ashridge's curriculum certainly met this goal.

The work of CRD and Ashridge in part offers a corrective to Keynes's dismissive view of Conservative interest in economic ideas, although Keynes, for reasons of personal effrontery, may well have considered that CRD and Ashridge only confirmed his criticisms, for neither institution specifically addressed *his* theories and proposals. But it would be a mistake to read the absence of a direct engagement with Keynes's thought as indicative of a lack of Conservative interest in his or indeed other unorthodox economic ideas. To begin with, two Conservative MPs who were keynote speakers on economic courses at Ashridge, Arthur Steel-Maitland and Harold Macmillan, were, as will be shown below, strongly influenced by Keynes. But Ashridge and CRD reflected and embodied a broader intellectual climate that informed Conservative economic thought. A number of historians of political economy in Britain in the 1930s have noted the development of a discursive framework which contained important common points of reference for many engaged in economic debate. In particular, the language of 'planning' took on

⁷ Ramsden, *Making of Conservative party policy*. A good example is the Chairman's Committee on 'Relations between the State and Industry'. See minutes of meetings, September–November 1934.

⁸ For a survey of the content of Ashridge's courses and lectures, see C. Berthezène, 'Ashridge College, 1929–1954: a glimpse at the archive of a Conservative intellectual project', unpublished article.

⁹ W. Ormsby-Gore to Acting Secretary, 15 January 1930, Minutes of the Education Committee, Papers of the Bonar Law Memorial College, Ashridge, in the possession of Ashridge College, Berkhamsted, Hertfordshire, cited in Berthezène, 'Les Conservateurs Britanniques', p. 163.

the appearance of a lingua franca spoken across the political spectrum. Detailed analysis of the use and meaning of 'planning' has shown that this lingua franca was spoken with a range of different accents and meant different things to different individuals and groups.¹⁰ These differences indicate that the 1930s did not see the development of a quasi-consensual 'middle opinion',¹¹ but many Conservatives certainly explored economic policy ideas that were at odds with established orthodoxy. For example, fourteen Conservatives who lectured at Ashridge, including six MPs, were members of the Next Five Years group, which had an ambitiously *dirigiste* approach to economic governance. One of these, Geoffrey Ellis, did not support the group's critical appraisal of the British banking system,¹² but criticism of the financial sector was nonetheless widespread in Conservative circles, and many Conservatives would have shared Keynes's desire to see 'the euthanasia of the rentier'.¹³

Keynes's influence over the work of CRD and Ashridge was indirect, in that his proposals were part of the panoply of ideas that emerged in response to the Slump and which Conservatives felt almost obliged to address. However, his influence over some individual Conservative politicians was more direct. Three in particular stand out, namely Arthur Steel-Maitland, Harold Macmillan and J. W. Hills. Steel-Maitland's intellectual engagement with Keynes was, at first, simply adversarial. In 1924, shortly after he had been appointed Minister of Labour in Baldwin's second administration, Steel-Maitland dismissed the Labour party's call for government 'relief works' to combat unemployment on the grounds that such schemes would not create new employment but would merely transfer workers from the private to the public sector, an argument he was to reiterate in 1927.¹⁴ This point was to be at the centre of the Treasury's opposition to Keynes's ongoing call for public works in the 1920s. However, by 1929 Steel-Maitland was subjecting the Treasury's position to critical scrutiny. In January 1929 he proposed his own public works scheme.¹⁵ In February, the Conservative Home Secretary, William Joynson-Hicks, brought forward a similar programme. Steel-Maitland

¹⁰ See D. Ritschel, *The politics of planning* (Oxford: Clarendon Press, 1997).

¹¹ See A. Marwick, 'Middle opinion in the 1930s', *EHR* 79 (1964), 285–98, and P. Addison, *The road to 1945* (London: Cape, 1975).

¹² Ellis was himself a banker, and also a member of the Governing Body of Ashridge College.

¹³ At Ashridge, for example, the three courses and fifty-two lectures that were devoted to banks and banking were largely critical. See Berthezène, 'Ashridge College'.

¹⁴ For the development of Steel-Maitland's economic thought, see E. H. H. Green, 'An intellectual in Conservative politics: the case of Arthur Steel-Maitland' in E. H. H. Green, *Ideologies of Conservatism* (Oxford: Oxford University Press, 2002), pp. 72–113.

¹⁵ A. Steel-Maitland, Memorandum to Cabinet, 23 January 1929, CAB 23/60, TNA.

questioned the case that the Treasury made against these proposals. In particular he demanded to know:

Is it or is it not true that if capital be directed to such schemes it will not be forthcoming in the same abundance for more natural and more fruitful ordinary business? . . . after 8 years of financial orthodoxy and 9 years of unabating unemployment, ought we not to ask for a reasoned proof, for some foundations of belief that the financial policy by which we guide our steps is right.¹⁶

He continued by asking whether ‘the settled financial policy of the country . . . [had] dominated our actions unduly and prevented us from adopting ameliorative measures which would have reduced the numbers unemployed, and, if so, is it expedient to continue in their domination’.¹⁷ The result of Steel-Maitland’s request was a Treasury paper to Cabinet at the end of February. This was to be the basis for the government White Paper of May in which the ‘Treasury view’ against public works was fully stated for the first time. Steel-Maitland was nonetheless unconvinced by the Treasury case, for in March of that year he told Edward Peacock that ‘the extreme view that £1,000 raised in [government] loans means £1,000 denied to business’ was ‘absurd’, and had no more validity than the extreme case for public works. He further argued that ‘*prima facie* Keynes seems right in saying that you don’t get an exact balance at any particular moment between saving and investment . . . [and] credit could be made available, either from savings not utilized or by diversion from use abroad’.¹⁸ Steel-Maitland accepted that Keynes was right in principle with regard to the case for public works, and he acknowledged that programmes of road-building would stimulate the economy and create employment.

Yet although Steel-Maitland had been persuaded that public works could be of benefit, he also felt that public money could be deployed more effectively if it took the form of ‘loans to reorganise the iron and steel or the cotton trade’.¹⁹ This, he argued, would draw the unemployed into long-term employment in their old trades rather than providing unskilled, temporary ‘relief work’.²⁰ For Steel-Maitland, the essential cause of mass unemployment was the poor organisation of Britain’s staple industries, which had rendered them uncompetitive. Hence, he advocated

¹⁶ A. Steel-Maitland, ‘Unemployment’, Memorandum to Cabinet, 16 February 1929, CAB 24/201, TNA.

¹⁷ *Ibid.*

¹⁸ A. Steel-Maitland to E. R. Peacock, 22 March 1929, Steel-Maitland MS GD 193/500/10–16, National Archives of Scotland, Edinburgh.

¹⁹ *Ibid.* ²⁰ See Green, ‘An intellectual in Conservative politics’, pp. 105–8.

comprehensive industrial reorganisation and rationalisation, and in late 1930 proposed the creation of a quasi-autonomous committee of industrialists to draw up plans for such reorganisations. The role of government in Steel-Maitland's scheme was to provide funds, but it was to have no managerial role, and he told Edward Peacock that 'I should hate the Government to interfere in the management of industry as much as . . . anyone . . . Government's sphere is to lay down general regulation, but not to manage.'²¹ The state, in Steel-Maitland's schema, was to facilitate industrial reorganisation, but was otherwise to be kept as far from industrial control and management as possible.

Steel-Maitland's arguments were an intriguing blend of ideas. He accepted Keynes's macro-economic case for public works, but fused this with a scheme for publicly funded, micro-economic, restructuring. He called for state intervention, but saw his plans as a means of forestalling the possibility of socialist extensions of state power. His critical questioning of economic orthodoxy forced the Treasury to define its 'view', and this provided Keynes with an 'oppositional stance' against which he could define his own position with greater clarity. At various levels and in various ways Steel-Maitland was the first senior Conservative politician fully to address Keynes's ideas and proposals, and unlike many Conservatives, either at the time or since, he saw Keynes not as a precursor to but as a pre-emptor of socialism.

Some of the themes touched upon by Steel-Maitland emerged in Harold Macmillan's engagement with Keynes.²² Macmillan also saw the structure of British industry as a prime cause of mass unemployment, and, like Steel-Maitland, argued that the state could help bring about changes that neither industry itself nor the financial sector could achieve. Macmillan first developed this argument in *Industry and the State*, a book he wrote in 1927 with three other Conservative MPs. In 1932 he expanded on the theme of the failings of the financial sector in his pamphlet *The Next Step*, in which he called for the creation of a national investment board. This board was to be drawn from government, industry and the City. Its purpose was 'to direct investment into the correct channels', by which Macmillan meant industrial modernisation rather than speculation.²³ Keynes read this pamphlet and told Macmillan that he agreed with its overall argument, but felt that its proposals with regard

²¹ A. Steel-Maitland to E. R. Peacock, 26 December 1930, Steel-Maitland MS GD 193/119/1/5.

²² See E. H. H. Green, 'Searching for the Middle Way: the Political economy of Harold Macmillan', in Green, *Ideologies of Conservatism*, pp. 157–91.

²³ H. Macmillan, *The next step* (London: Macmillan, 1932), pp. 31–2.

to state investment activity were 'not nearly bold enough'.²⁴ Macmillan told Keynes that he was 'in agreement with nearly all your criticisms' and that political considerations had shaped his caution. He explained that if he adopted all of Keynes's ideas he would risk 'destroying the chance of anybody in my party reading and being influenced by my pamphlet'.²⁵ Three years later, in *The Next Five Years* (which Keynes influenced very strongly), he still argued that the state could act to rectify 'defects of the capital market'²⁶ but should not seek to replace it.²⁷

On the question of government action to reflate the economy, Macmillan was politically less cautious. Keynes's favoured solution for mass unemployment was large-scale public works, expenditure on which would, through the multiplier effect, trigger a cycle of investment, production, consumption, saving and reinvestment. To achieve this, Keynes argued that it might be necessary for the government to incur a short- to medium-term budget deficit. Macmillan was sympathetic to this approach and he was one of the few Conservatives in the 1930s willing to accept deficit finance. In March 1933 he called for reduced taxation and a boost to government capital expenditure on public works, arguing that this would boost business confidence and stimulate private investment. This was acceptable even if it resulted in a budgetary deficit. But Macmillan's enthusiasm for budgetary unorthodoxy was by no means unreserved. In 1932 Keynes chided him for 'paying far too much lip service to [fiscal] economy', and urged him to embrace greater public expenditure on the grounds that it would provide a stimulus to purchasing power that private investment was unable or unwilling to bring about. Macmillan's demands in Parliament the following year seemed to indicate that he had listened to Keynes, but at the same time Macmillan's major economic work, *The Middle Way* of 1938, did not mention deficit finance. Macmillan and Keynes were in accord over the need for reflation, but it would be wrong to exaggerate their affinity in the realm of fiscal policy.²⁸

Macmillan and Keynes were closest on monetary policy, where both sought to break the 'deflationary mind-set'²⁹ of economic orthodoxy. In 1927 Macmillan and his co-authors of *Industry and the State* had expressed

²⁴ J. M. Keynes to H. Macmillan, 6 June 1932, J. M. Keynes Papers, Chadwyck-Healey microfilm edition, reel 61.

²⁵ *Ibid.*

²⁶ *The Next Five Years* (London: Macmillan, 1935), p. 123.

²⁷ See Green, 'Searching for the Middle Way', pp. 163–4.

²⁸ The importance of 'deficit finance' to Keynes has often been overstated. See P. F. Clarke, 'Keynes, Buchanan and the balanced budget doctrine', in P. F. Clarke, *The Keynesian revolution and its economic consequences* (Cheltenham: Edward Elgar, 1998), pp. 190–212 – but it remains a useful litmus.

²⁹ J. M. Keynes to H. Macmillan, 2 June 1932, J. M. Keynes Papers, reel 61.

agreement with the quantity theory of money, but by the late 1930s,³⁰ under the influence of Keynes, Macmillan had modified his position.³¹ Like Keynes, Macmillan was an advocate of 'cheap money' on the basis that low interest rates would stimulate borrowing, investment and consumption. He also accepted that the availability of money did not necessarily lead either to consumption or investment, and the level of prices was not determined by the quantity of money. For Macmillan, the crucial factor was the relationship between the speed and quantity of the production of goods and the expenditure of money upon their production and consumption. Money, Macmillan argued, was not necessarily invested or spent but could be stored in 'idle balances', which meant that there was no necessary equilibrium between savings and investment. Savings and investment *could* balance, in which case the economy would enjoy an equilibrium of production and prices, but if they did not then the result would be either inflation or deflation as too much money chased too little production or vice versa. In this process the economy's institutional structure played a vital part, insofar as 'it was the function of the financial system to keep money circulating in the purchase of goods and services . . . [and] the function of industry to see that these goods and services were produced'.³² Here the state also had a role, in that it could foster the reorganisation of the financial and industrial sectors and provide the stimulus of its own investment and expenditure. For Macmillan and Keynes markets did not necessarily clear, and prices did not adjust in relation to shifts in the supply of money. Money had 'real' effects, but other 'real' factors, such as the liquidity preferences and actions of individual and institutional holders of capital, were crucial.

In Macmillan's analysis of the Depression, banks had a particularly important role. Banks could offer industry long-term loans at low interest or place cash in public hands by selling securities, thereby releasing money that would otherwise have been held in 'idle balances' or 'hoarded'. This would stimulate business activity and 'recovery . . . would have been directly initiated as the result of an act of monetary policy'.³³ The confidence generated by recovery would in turn generate more confidence and a virtuous circle of positive activity would have been set in motion. However, for banks to behave in this way the creation of 'a more rational financial mechanism' was a prerequisite.³⁴ Such a mechanism, Macmillan stated, required five elements. First, the accumulation of idle balances was

³⁰ H. Macmillan, R. Boothby, J. Loder and O. Stanley, *Industry and the State* (London: Macmillan, 1927), p. 95.

³¹ For Macmillan's acknowledgement of Keynes's influence on this point, see H. Macmillan, *The Middle Way* (London: Macmillan, 1938), pp. 247–8.

³² *Ibid.*, p. 246. ³³ *Ibid.*, pp. 251–2. ³⁴ *Ibid.*, p. 256.

to be prevented. Second, the volume of credit and the quantity of money was to be regulated in accordance with the needs of production rather than by 'irrational and anti-social speculation'. Third, the price of goods was to be determined by cost of production rather than manipulation of the value of the medium of exchange. Fourth, money was to be a medium of exchange and not a store of idle value. Finally, the Bank of England was to be made a public institution and be in a position to influence the direction of investment as well as its volume.³⁵

The overlap between Macmillan and Keynes on monetary questions was clear. Both were critical of the quantity theory of money, and viewed any veracity it held as contingent upon circumstances. Macmillan did not investigate in depth the relationship between savings and investment, nor the multiplier effect, but his position represented an implicit acceptance of Keynes's arguments. Keynes certainly saw Macmillan as an ally in the fight against 'reactionary forces' opposed to any break from orthodoxy,³⁶ whilst Macmillan felt Keynes provided the kind of 'expert and informed opinion'³⁷ required in the Depression. But it was in general terms rather than in the specifics of theory and policy that Macmillan and Keynes were in accord. They both saw deflation as the main enemy, and the government's preference for deflation as a political rather than a technical choice. Likewise, they shared a suspicion of, even contempt for, bankers and rentiers and had no doubts as to the financial sector's preference for deflation and orthodoxy, nor its influence over government. But it was also the case that Macmillan, like Steel-Maitland, emphasised the micro-economic, structural causes of unemployment and tended to see the macro-economic dimension as of secondary importance.

J. W. Hills is the least well known of the triumvirate of inter-war 'Conservative Keynesians'.³⁸ In part this was due to the fact that he died in 1938, the year after he had published his main economic work, *Managed Money*. However, Hills has a good claim to be regarded as the Conservative whose economic thought was closest to Keynes. His admiration for Keynes was clear. In *Managed Money*, where he discussed the 1925 return to the Gold Standard, he noted that 'Hardly a voice told us that we were valuing the pound too high.' However, he was full of praise for the 'one economist' (that is, Keynes) who had done so.³⁹ He was also wholly in agreement with Keynes's argument that the 1931 decision to

³⁵ *Ibid.*, pp. 256–8.

³⁶ J. M. Keynes to H. Macmillan, 7 September 1932, J. M. Keynes Papers, reel 61.

³⁷ H. Macmillan to J. M. Keynes, 29 August 1932, J. M. Keynes Papers, reel 61.

³⁸ Unless one is a fly-fisherman; Hills's book *A Summer on the Test* (London: P. Allan, 1924), which has gone into five editions and was last reprinted in 1983, is regarded as a classic.

³⁹ J. W. Hills, *Managed money* (London: Philip Allen, 1937), p. 14.

leave the Gold Standard was overdue, and he noted that although the decision had seen many ‘lamenting loudly’, it was the case that ‘when we woke up next morning we found that like Christian, we had cast off an exceeding great burden’.⁴⁰ In fact Hills stated that the period after 1931 demonstrated that having a ‘managed’ currency worked to the benefit of the economy, and that the future should be with international currency management rather than with the restoration of an ‘automatic’ system like the Gold Standard.⁴¹ Nor was the Gold Standard the only specific issue on which Hills announced his agreement with Keynes. Another was the question of the effect of government borrowing to fund rearmament. Here Hills declared ‘Mr Keynes has said that “it lies within the power of the Chancellor to get this money without producing conditions of inflation” . . . With this I respectfully agree.’⁴²

The basis for Hills’s ‘respectful agreement’ with Keynes was that they both questioned and repudiated established nostrums concerning economic behaviour and governance. Writing in 1925 on *The Finance of Government*, Hills rejected analogies between government and business or between government and individuals. ‘A business tries to make profits’, Hills wrote, whereas ‘The State makes no profits’, and he also asserted that whereas ‘The individual spends what he gets. The State gets what it spends.’⁴³ This distinction, between the economic life and function of government and those of businesses and individuals, lay at the heart of Keynes’s economic philosophy, and Hills wholly accepted the distinction. Like Keynes, Hills felt that governments had to be guided by different norms to individuals. Hills accepted Keynes’s argument that governments might find it necessary to incur a moderate budget deficit.⁴⁴ He further contended that, at times of plenty, governments should maintain tax levels and, at times of scarcity, lower them, suspend the sinking fund and engage in loan-financed public works, with the overall goal being to stabilise a high level of demand.⁴⁵ Hills acknowledged that there would be opposition to such an approach on exactly the lines that Keynes anticipated, namely that ‘this policy . . . runs counter to ordinary opinion’. An individual, Hills argued, felt that in bad times it was necessary to cut back expenditure. He continued that he expected ‘government to practise the same austerity as is forced upon himself’ and that ‘this mentality . . . [was] hard to combat’.⁴⁶

Keynes and Hills also overlapped on further areas of theory and policy. In *The Finance of Government* Hills examined the form, use and effect

⁴⁰ *Ibid.*, p. 100. ⁴¹ *Ibid.*, pp. 50–95. ⁴² *Ibid.*, p. 98.

⁴³ J. W. Hills, *The finance of government* (no publication details, 1925), pp. 3–4.

⁴⁴ Hills, *Managed money*, p. 116. ⁴⁵ *Ibid.*, pp. 112–13. ⁴⁶ *Ibid.*, p. 113.

of government 'Ways and Means Advances' which were drawn from the Bank of England. These advances, he argued, were essentially 'bank overdrafts' and were in this sense 'new' money.⁴⁷ However, Hills also claimed that 'the total amount of money made available thereby is not limited to the amount of the Ways and Means Advances. It is that amount multiplied many times.'⁴⁸ If the Bank, Hills stated, advanced £100 to the government, the Paymaster-General then paid it to contractors, or soldiers or seamen, who then gave it to their banks, who in turn lodged it with their reserve accounts at the Bank. Given that banks generally advanced credit in a ratio of 8:1 to their reserves this meant, Hills argued, that every £1 of Ways and Means Advances generated £9 in practice. None of this credit, according to Hills, represented 'new' money, but was a combination of 'idle balances' being brought into use or credit that would have been invested elsewhere had it not been lent to government. Thus he contended that Ways and Means caused no increase in the supply of money, but instead triggered an increase in the velocity of circulation of existing money.⁴⁹ Hills drew a distinction here between the effect of Ways and Means Advances and that of Floating Debt resulting from the issue of short-term Treasury bills. The latter, he argued, were a creation of 'new' credit which added to the supply of money and were potentially inflationary.⁵⁰ For Hills there was an important difference between government borrowing through Ways and Means, which mobilised pre-existing savings, and Floating Debt where the loans were not savings.⁵¹ Moreover, he felt that the creation and repayment of short-term government debt was unproductive, insofar as the latter was only 'taking money from the taxpayer and giving it to the bondholder' and was neither 'making good our past loans nor increasing our present wealth'.⁵²

The implications of Hills's work on public finance were significant. His discussion of the impact of Ways and Means Advances saw him construct a primitive multiplier. Thus Hills, like Steel-Maitland, provided a Conservative *anticipation* of Keynes's mature thought. At the same time his references to the parasitic role of the 'bondholder' chimed both with Keynes's view of rentiers and with less economically focused Conservative criticism of the financial sector. Hills extended this critique when, in *Managed Money*, he called for the creation of an independent 'Currency Authority' 'which will be the judge of the money which trade, industry and commerce require'.⁵³ This, he felt, was essential insofar as the Bank had shown itself to be primarily interested in international exchanges, and the Treasury had shown itself to be too deferential to

⁴⁷ Hills, *Finance of government*, p. 174. ⁴⁸ *Ibid.*, p. 174. ⁴⁹ *Ibid.*, pp. 174–6.
⁵⁰ *Ibid.*, p. 173. ⁵¹ *Ibid.* ⁵² *Ibid.*, p. 152. ⁵³ Hills, *Managed money*, p. 107.

Bank and City opinion.⁵⁴ Hills discounted Roy Harrod's idea of the creation of a 'Reflation Fund' on the grounds that it would be too open to political misuse, but he did advocate regulation of overseas lending in order to enhance domestic investment.⁵⁵ For Hills, like Steel-Maitland, Macmillan, the Next Five Years Conservatives and a number of others in the Conservative party, the British financial sector had failed British industry. They agreed with Keynes that investment was far too important to be left in the hands of financiers, who had the minds and habits of casino croupiers.

In the inter-war years, and especially in the 1930s, Keynes's principal political adversaries were the Conservative and Conservative-dominated National governments. The reasons for this are not difficult to discern. Although Keynes himself, and later 'Keynesian' historians, were wont to see intellectual failings as the primary cause of Baldwinian Conservative inertia, any attempt to implement Keynes's policy proposals would have entailed serious political difficulties for Conservative-dominated administrations. The fiscal and/or monetary implications of any ambitious public works programme were anathema to the Conservatives' grass-roots membership and core electoral constituency. Furthermore, there were related implications for levels of state intervention in the social and economic sphere that some Conservatives found unacceptable, and which would undoubtedly have divided the party had they been introduced. In these circumstances it was not really surprising that the Conservative hierarchy took a conscious decision to avoid radical economic policy experiments. In other words they *chose* caution and did not sit in unthinking, unenlightened ignorance of the alternatives.⁵⁶

Yet, the Conservative ranks also contained some of the political figures most intellectually responsive to Keynes. This is not to say that Steel-Maitland, Macmillan and Hills were wholly at one with Keynes – for Steel-Maitland and Macmillan the micro-economic sphere of industrial reorganisation played a more prominent role than it did for Keynes in the analysis of mass unemployment. But at the same time they were in harmony with much of Keynes's macro-economic thinking, especially with regard to the role of the state and the failings of the British financial sector. They also confronted similar obstacles and frustrations to those faced by Keynes when it came to dealing with the Conservative party and its hierarchy (neither being entirely convinced by their economic radicalism). However, the political and intellectual terrain was to shift

⁵⁴ *Ibid.*, pp. 123–5. ⁵⁵ *Ibid.*, pp. 116–17, 134.

⁵⁶ See F. M. Miller, 'The unemployment policy of the National Government 1931–35', *HJ* 19 (1976), 477–99.

markedly during the war and in the two decades that followed the election of the Attlee government.

II

In 1944 the wartime coalition government presented what was to become perhaps the best-known White Paper ever produced. The White Paper on Employment declared that it would be the future goal of government policy to secure 'a high and stable' level of employment. This statement marked a major shift in government thinking from the inter-war years. It suggested (incorrectly) that there had been a shift in Treasury thinking. Since Keynes and a number of his intellectual acolytes had occupied senior positions in the wartime Treasury and economic administration, and a number continued to hold such posts after the war, the idea grew that the war and immediate post-war years saw the 'Keynesian Revolution' move from the world of academic economics to become the 'official mind' of economic governance.

Keynes's apparent conquest of the economic conservatives at the Treasury appeared to be accompanied by a similar conversion of political Conservatives and the promotion of such people within the Conservative hierarchy. Harold Macmillan's career seemed to embody this shift in Conservative political economy. In the 1930s Macmillan's criticisms of the National Governments' economic policies, his membership of Next Five Years, and his public admiration of Keynes had placed him on the margins of the Conservative party. After 1945, however, he moved to the centre of Conservative politics with an alacrity that was to culminate with his elevation to the position of Prime Minister in 1957. In terms of the Conservatives' doctrinal shift, Macmillan was one of the authors of the party's key 1947 document *The Industrial Charter*. This document saw the Conservatives confirm the 1944 White Paper's emphasis on the need to maintain a 'high and stable' level of employment. In 1950 the Conservative manifesto described 'the maintenance of full employment as the first aim of a Conservative government'.⁵⁷ This 'conversion' was in part a product of Conservative analysis of their electoral defeat in 1945, which concluded that a main cause had been Labour's success in associating the Conservative party with inter-war mass unemployment. Given this analysis it was not wholly surprising that the Conservatives 'embraced' Keynes, or at any rate gave a more prominent role to his formerly marginalised Conservative admirer, Harold Macmillan. Just as Keynes and his ideas

⁵⁷ Conservative Party Manifesto 1950, in F. W. S. Craig, *British General Election Manifestos* (London: Macmillan, 1975), p. 142.

had seemed to carry too many political risks in the 1930s, so after 1945 there seemed too many risks in not accepting the 1944 White Paper and its 'Keynesian' tenor. Indeed, in its section on 'maintaining employment' *The Industrial Charter* embraced a Keynesian fiscal policy which Conservatives had denounced in the 1930s, announcing that 'Although the Budget must be balanced over a period, it is not necessary or desirable to balance it exactly each year.' *The Industrial Charter* called for budget surpluses in 'years of good employment' and stated that 'when there is considerable unemployment . . . a deficit is legitimate'.⁵⁸ Although the 'historical Keynes' was not an advocate of current account deficits they were (and have remained) associated with 'Keynesian' economics, and in this sense *The Industrial Charter* was 'Keynesian'.⁵⁹

If there was a general post-war assumption that a 'high and stable' level of employment was a political *sine qua non*, this still left the question of how to achieve that goal. It was in this context that, paradoxically, what came to be termed 'Keynesian demand management' offered Conservatives a politically attractive alternative to Labour's approach. Demand management came to be a synonym for the active use of fiscal and monetary policy to stimulate or contract aggregate demand at the macro-economic level. This form of intervention kept the state at arm's length from the day-to-day management of business and industry, by creating an environment to which the micro-economic realm of private enterprise could then respond. The active use of fiscal and, in particular, monetary policy became the central element of Conservative economic policy when the party returned to office in 1951, and this was accompanied by the removal of the direct physical controls over the economy that the Attlee governments had used. There was a sharp contrast between the respective approaches of the two major parties to economic management. The Labour government's Full Employment Bill, drawn up in 1950–1, and lost as a result of the Korean emergency, would have placed on statute price controls, rationing of consumer goods, allocation of certain materials, building controls, import controls, and the state's capacity to make decisions over whether British output was to be sold at home or abroad.⁶⁰ This legislation was designed specifically to avert what Harold Wilson called the 'acute danger of *Keynesian* ideas dominating our

⁵⁸ Conservative Central Office, *The Industrial Charter* (London: Conservative Party, 1947), p. 16.

⁵⁹ On deficit finance and 'Keynesian' policy, see Clarke, 'Keynes, Buchanan and the balanced budget doctrine'.

⁶⁰ See S. Kelly, *The myth of Mr Butskell: The politics of British economic policy, 1950–55* (Aldershot: Ashgate, 2002), pp. 82–95; N. Rollings, "'Poor Mr Butskell": a short life wrecked by schizophrenia?', *TCBH* 5 (1994), 183–205, especially 184–95.

thinking so much that we shall be driven back into a Maginot-like dependence on purely financial methods of preventing a depression'.⁶¹ In contrast the Conservatives advocated, and in office implemented, comprehensive removal of direct, physical planning and controls, and saw 'financial methods', that is fiscal and monetary policy, as the hub of demand management and the basis of full employment policy.⁶²

The differences between Labour and Conservative routes to full employment carry some important historical implications. To begin with they place question marks against the idea of a 'post-war consensus' on economic policy. There was, it seems, common ground in that both of the main parties saw employment as a priority. However, the use of 'Keynesian demand management' was only part of Labour's full-employment strategy and represented the *least* they felt was necessary in terms of state action. In contrast, 'Keynesian demand management' was the essence of the Conservative strategy and represented the *most* intervention they deemed necessary or desirable by the state. Both major parties were marching down a line that represented least acceptance, in Labour's case, and least resistance, for the Conservatives, and Lewis Minkin was thus correct when he spoke of a 'retreat to consensus' in the immediate post-war decade.

Conservative governments in the 1950s placed a particular emphasis on active monetary policy, with interest rates varying between the 2.5 per cent of autumn 1951 and the 7 per cent introduced by the 'September measures' of 1957. At the same time, Labour thinking moved somewhat in this direction, with 'revisionists' like Anthony Crosland embracing Keynes's thought. Thus one consensus that did emerge in the 1950s was a perception of what constituted 'Keynesian economics'. Whether Keynes would have recognised the policies pursued in his name as in keeping with his ideas is open to question.⁶³ Moreover, some historians, notably Peter Clarke, have suggested that the emphasis on 'cheap money' as a means of stimulating demand bears more resemblance to the ideas of Ralph Hawtrey than to those of Keynes.⁶⁴ But, in terms of the way contemporaries identified Keynes's arguments, the economic policies of the Conservative governments of the 1950s were 'Keynesian'.

⁶¹ H. Wilson, 'The State and private industry', 4 May 1950, PRO CAB 124/1200, cited in Rollings, '“Poor Mr Butskell”', 192–3 (my emphasis).

⁶² Kelly, *Mr Butskell*, pp. 95–103, 123–7.

⁶³ See A. Leijonhuvud, *On Keynesian economics and the economics of Keynes: A study in monetary theory* (Oxford: Oxford University Press, 1968).

⁶⁴ P. F. Clarke, *The Keynesian revolution in the making, 1924–1936* (Oxford: Clarendon Press, 1988), pp. 146–7, 157, 170.

That senior Conservative politicians, notably Macmillan, were keen to identify themselves as 'Keynesian' underscores the totemic significance that Keynes had come to occupy in the immediate post-war decade. In the late 1950s, for example, the problem of inflation led some Conservatives to question the post-war emphasis on full employment as the lodestone of economic policy. In 1957–8 concern over the economic and political impact of inflation led some Conservatives, notably Enoch Powell and Nigel Birch, to favour a move to policies based on the quantity theory. Whilst they pushed the Chancellor, Peter Thorneycroft, in this direction, supported by the economic ideas of Dennis Robertson, it would be wrong to see this as a simple conflict between a nascent 'monetarism' and 'Keynesianism'.⁶⁵ When the Chancellor and his two deputies resigned on the basis that excessive monetary growth was fuelling inflation, they were echoing concerns voiced by many within the cabinet which accepted their resignation. Inflation was adversely affecting the people who were the very backbone of England (and of the Conservative party). The issue was whether the party should boldly face that fact, and shift policy, or be more cautious. Macmillan was not yet willing to throw over his 'Keynesian' ideas nor the post-war 'consensus'. Although he acknowledged the importance of both monetary control and inflation, he was unwilling to see the relationship in terms of simple cause and effect. In September 1957 he had an exchange on this subject with the economist Roy Harrod (Keynes's biographer) who argued that:

The idea that you can reduce prices by limiting the quantity of money is pre-Keynesian. Keynes spent half of his energy inveighing against precisely that idea. Hardly any economist under the age of 50 would subscribe to it. If it were supposed that the Conservatives were associated with any such idea, that might drive many middle of the road economists into the ranks of Labour . . . I do hope that no Government speaker will use words implying that the Government subscribes to such an antiquated doctrine.⁶⁶

Macmillan had no desire to be thought 'antiquated' – having been politically ostracised in the 1930s for being too 'radical,' he had recast himself as a 'moderniser'. But his response to the economic difficulties of the late 1950s, and the strategy of his government both before and especially after the Treasury resignation, saw him recast both his own and his party's 'Keynesianism'.

⁶⁵ This is based on E. H. H. Green, 'The Treasury resignations of 1958: a reconsideration', *TCBH* 11 (2000), 409–30 and G. C. Peden, *The Treasury and British public policy, 1906–1959* (Oxford: Oxford University Press, 2000).

⁶⁶ R. Harrod to H. Macmillan, 7 September 1957, PREM 11/2973, TNA.

From 1959 to his resignation as Prime Minister in 1963, Macmillan and his government pursued an economic strategy which differed from 'Keynesian' economics as it had come to be understood. Instead of relying upon 'arm's length', fiscal and monetary controls to manage demand Macmillan moved to inaugurate a more 'hands on', planning role for the British state. In July 1961 he told the Chancellor of the Exchequer, 'I do not think we ought to be afraid of a switch over towards more direction . . . I have no fear of it because these were the policies I recommended before the war.'⁶⁷ In particular Macmillan and his government sought to bring together government, employers and trade unions in both the nationalised industries and the private sector to shape common objectives for the economy, notably by creating the National Economic Development Council (NEDC). There were echoes here of Macmillan's emphasis on micro-economic questions in the 1930s, which, given the prevailing perception of Keynes as the founding father of macro-economic management, was a change in emphasis. There were two further aspects of the Macmillan government's economic strategy that were, at first glance, at variance with 'Keynesianism'. The first was the government's interest in an incomes policy. In this last context Macmillan looked to the NEDC as a means of transforming the 'Pay Pause' of 1961 into 'an acceptable incomes policy . . . which . . . is accepted not as part of some temporary emergency . . . but as a permanent piece of machinery'.⁶⁸ Equally important as the desire to control wages was the desire to control the *quality* as well as the *quantity* of investment. Since the war a commitment to increased public investment had become relatively non-controversial, a marked change over the pre-war position. However, private-sector credit and the financial sector's role were troublesome issues. In the summer of 1961 Selwyn Lloyd coupled his outlines for planning with a discussion of the control of private-sector credit. He supported a strategy pursued by R. A. Butler when Chancellor in 1955, whereby banks would limit private advances.⁶⁹ He told the Cabinet that:

The banks have been asked that, when reviewing existing commitments or considering new lending, they should be particularly severe on proposals related to personal consumption . . . as well as finance for speculative building, property development or for other speculative purposes, so that all possible room should be left for the finance vitally needed for exports and productive industry.⁷⁰

⁶⁷ H. Macmillan to S. Lloyd, 15 July 1961, PREM 11/3883.

⁶⁸ Transcript of H. Macmillan, remarks to Cabinet, 28 May 1962, PREM 11/3930.

⁶⁹ For this, see A. Cairncross, 'Prelude to Radcliffe: monetary policy in the United Kingdom, 1948–57', *Rivista di storia economica*, 2nd series, 4 (1987), 189–211.

⁷⁰ S. Lloyd, Memorandum on the Economic Situation, [n.d.] July 1961, PREM 11/3757.

But although this struck a chord with some Conservatives,⁷¹ notably the Prime Minister, others had reservations. The President of the Board of Trade, Reginald Maudling, argued in September 1961 that government could encourage and discourage, but should not direct, investment as the last was 'contrary to the system of free competitive enterprise that has always been our policy'.⁷² Even the original advocate of the idea had, it seems, some uncertainty, for Selwyn Lloyd stated soon after inaugurating his planning initiative that 'the exploitation of the most rewarding investments by private industry is better secured through the operation of the market'.⁷³

The disagreements within the Conservative hierarchy over economic policy in 1960–1 were characterised by Macmillan as being between those who favoured 'old Whig, liberal *laissez-faire* traditions' and those who were 'not afraid of a little *dirigisme*'. There was a great deal of truth in this, but there were other more nuanced differences at play. In particular there was an implicit difference between those who were closer to the 'economics of Keynes' rather than 'Keynesian economics', to the 'real Keynes' rather than the one which had been constructed. In the 1930s Keynes had criticised Macmillan for underplaying the role of the state in undertaking and influencing investment, and Macmillan's shift in the early 1960s could be seen in part as a belated acceptance of this criticism. Moreover, during the Second World War, when full employment came to be regarded as a realisable post-war goal, Keynes had turned his attention to issues that could attend its attainment. In this context, wage control had indeed loomed large and Keynes had acknowledged that an incomes policy would probably be necessary.⁷⁴ After 1959 the Macmillan government began to explore ways of influencing both investment decisions and wage levels through both exhortation and controls. Both of these aims were in keeping with Keynes's thinking but somewhat at odds with the 'arm's length' definition of 'Keynesianism' which the Conservatives had adopted.

III

In the 1950s and 1960s Keynes enjoyed a reputation from which few desired to distance themselves. Likewise, the decade in which he had

⁷¹ See, for example, D. Eccles to H. Macmillan, 22 April 1960, PREM 11/3756.

⁷² R. Maudling, Memorandum on 'Economic Planning', 20 September 1961, CAB 129/106.

⁷³ S. Lloyd, Memorandum on 'Economic Growth and National Efficiency', 10 July 1961, CAB 125/105.

⁷⁴ See R. Middleton, 'Keynes' legacy for post-war economic management', in A. Gorst Lewis Johnman and W. Scott Lucas (eds.), *Post-war Britain: Themes and perspectives 1945–64* (London: Pinter, 1989).

established himself as the critic of old orthodoxies and the founder of new, the 1930s, was established as an economic policy dark age by a growing cadre of Keynesian economic historians. However, in the 1970s and 1980s conceptions of both Keynes and the 1930s shifted, and so too did Conservative constructions of Keynes's legacy. In 1975 Keith Joseph described the 1930s as a 'much maligned' decade, and argued that neither the economic policies nor the experience of the pre-war years were as bad as Keynesian history made out. A necessary corollary of this argument was that the economic policies of the post-war period, designed on the basis of a flawed critique of pre-war policy, had been in error. For Conservatives who became prominent during the Thatcher era, post-war economic governance was the root cause of the economic difficulties that Britain faced in the 1970s. In 1980, Nigel Lawson wrote that from the 1950s to the 1970s British governments, Conservative as well as Labour, had adopted such policies, in part because of 'a misreading of the economic lessons of the inter-war years'. They had fallen under 'the intellectual ascendancy . . . [of] the philosophy of social democracy, with its profound faith in the efficacy of government action, particularly in the economic sphere'. As a consequence, successive governments had constructed an unsound fiscal and monetary regime that 'collapsed under the weight of its own inflationary excesses in the seventies'.⁷⁵ It was recognising and reversing this error that was the task set for itself by the government that came to power in 1979. Lawson labelled the philosophy of the Thatcher administration the 'New Conservatism', but another of the intellectual architects of the government's strategy would have seen it as 'old Conservatism' reborn. In 1974 Keith Joseph had announced that the principles and policies which he and the Conservative party had pursued since 1945 were not Conservatism. It was only when he had rediscovered the 'truths' of the economic and social policies of this 'much maligned' pre-war period that he had become a 'real' Conservative.

If a 'false interpretation of the events of the twenties and thirties' was seen by Thatcherite Conservatives as one cause of the policy errors of the period 1945–79, another was the fact that this misreading was 'coupled with . . . [an] equally perverse interpretation of Keynesian economics'.⁷⁶ The idea of a 'perverse interpretation' of Keynes was a feature of Conservative economic argument in the early period of Margaret Thatcher's reign. One might have assumed that Thatcherites would have simply dismissed Keynes as the root of all post-war policy evil, but this was not the case. In June 1974 Keith Joseph stated that the period since the war

⁷⁵ N. Lawson, *The New Conservatism* (London: Centre for Policy Studies, 1980).

⁷⁶ *Ibid.*

had been dominated by '30 years of Socialistic fashions',⁷⁷ and in January 1978 Margaret Thatcher denounced 'The Socialist creed . . . whether the methods used owe more to Keynes or to Marx.'⁷⁸ The implications here were that Keynes was at least partly responsible for 'Socialistic fashions', but more common were arguments that Keynes's ideas had been misrepresented, distorted or hijacked. In 1976 Joseph declared that Keynes had not been a 'Keynesian',⁷⁹ and in 1980 when Lawson spoke of 'the excesses of the Keynesian delusion', he added that he 'did not attribute this delusion to Keynes himself'.⁸⁰ Margaret Thatcher herself was equally circumspect. During her first year as leader she told the students of Roosevelt University in the United States: 'Since the late 1930s, we in the Western World have relied on one great economist – Lord Keynes . . . what would Keynes have advised concerning the control of inflation . . . I venture to suggest the answer is not what some of his latter day disciples are advising.'⁸¹ Likewise, Thatcher declared in December 1979 that 'Keynesianism has gone mad and it isn't in the least little bit what Keynes thought.'⁸² On occasion, these arguments were taken a stage further. In 1976, Joseph claimed that Keynes was not only not a Keynesian, but that he was a monetarist,⁸³ and in the same year Thatcher stated that 'Keynesian conventional wisdom – monetary expansion, indifference to inflation, the indifference to deficits – is dead. But Keynes himself had an insight, almost an obsession, that money was important.' She added that Keynes had readily acknowledged the relationship between money and inflation.⁸⁴ Far from subjecting Keynes to a barrage of criticism for providing the intellectual base for the 'unsound' post-war economic consensus, Thatcherite Conservatives sought to present Keynes's ideas as having been distorted. Properly understood, his ideas supported their position.

Politicians engaged in a 'war of ideas' will frequently assemble 'expert' artillery to discharge at their opponents, and if they can deploy a battery of opinions drawn from someone long associated with their opponents, so

⁷⁷ K. Joseph at Upminster, 22 June 1974, in K. Joseph, *Reversing the trend* (London: B. Rose, 1975), p. 5.

⁷⁸ M. Thatcher at a conference of Management in Industry, 9 January 1978. *Margaret Thatcher Complete Public Statements 1945–1990*, ed. Christopher Collins, CD-ROM (Oxford: Oxford University Press, 2000), henceforth *Thatcher CD-ROM*.

⁷⁹ K. Joseph, *Monetarism is not enough* (London: B. Rose, 1976), p. 5.

⁸⁰ Lawson, *New Conservatism*.

⁸¹ M. Thatcher at Roosevelt University, 22 September 1975, *Thatcher CD-ROM*.

⁸² M. Thatcher, broadcast interview, Independent Radio News, 31 December 1979, *ibid*.

⁸³ Joseph, *Monetarism*, p. 5.

⁸⁴ M. Thatcher to the American Chamber of Commerce, 20 October 1976; M. Thatcher, broadcast interview, Radio 4, 15 December 1976, *Thatcher CD-ROM*.

much the better. The Thatcherite attempt to use Keynes in this manner was thus unsurprising, but it raises two questions. First, there is the simple, perhaps simplistic, issue of whether Keynes's ideas can be viewed as supportive of Thatcherite economics. The idea of a link between Keynes and Thatcherism is somewhat hard to sustain,⁸⁵ but, as Robert Skidelsky has suggested, trying to ascertain what Keynes would have thought about economic policy in the late twentieth century is a largely futile exercise. Keynes always deemed it necessary to understand fully the nature of a political situation, and to gauge its problems and needs, before determining what was the 'right' policy. Skidelsky's point is difficult to gainsay, and this essay will not examine the issue at any length. Rather, it looks at a second question raised by the Thatcherite attempt to 'capture' Keynes, at how Thatcherites constructed their view of the 'real' Keynes as part of the dynamic between what Peter Clarke has termed 'the historical Keynes' and the 'history of Keynesianism'.⁸⁶

A consistent theme of Thatcherite criticisms of British post-war economic policy is that they drew a distinction between Keynes's thought and 'Keynesianism'. In 1980 Nigel Lawson sought to explain what this distinction meant when he argued that:

Keynes was not a central planner, and his great objective was to find a means of influencing the level of economic activity *without* resort to direct intervention in markets. Indeed, it might well be argued that one of the early signs of the failure of Keynesianism in Britain was the increasing resort of those who espoused it to planning and interventionism.⁸⁷

Lawson's description of Keynes's thought was in most respects close to a description of 'Keynesian' demand management as practised by the Conservative governments in the 1950s. It was precisely the apparent failure of this 'hands off' policy to deliver economic growth without inflation that had led Macmillan and his government to pursue a more 'hands on' approach to economic governance in the early 1960s. Whereas Macmillan saw himself as returning to his 'Conservative Keynesianism' of the 1930s, Lawson saw this as a 'bastard form of Keynesianism' and not the economics of Keynes.

⁸⁵ His objections to the social and indeed moral injustice of unemployment were as profound as his belief that it was a product of unimaginative economic theory and practice, and it is unlikely that his objections in the 1980s would have been any less forceful than those he made in the 1930s.

⁸⁶ P. F. Clarke, 'The historical Keynes and the history of Keynesianism', in T. C. W. Blanning and D. Cannadine (eds.), *History and biography: Essays in honour of Derek Beales* (Cambridge: Cambridge University Press, 1996).

⁸⁷ Lawson, *New Conservatism*.

In place of ‘bastard Keynesianism’ the Thatcherites sought to recover what Lawson referred to as the ‘pre-Keynesian consensus: that the primary economic duty of government was to maintain the value of the currency’.⁸⁸ Yet, if there was a bastard Keynesianism this was it. Keynes was clear in *The General Theory* that his primary goal was to establish what came to be termed the macro-economic dimension as the basis of economic analysis and, by implication, policy. Aggregate behaviour, rather than the behaviour of individuals, firms or particular industries, was Keynes’s chief interest. This is not to say that he was uninterested in the micro-economic dimension,⁸⁹ but his emphasis was fundamentally macro-economic. In contrast the core of the Thatcherite approach to the economy was micro-economic, with the emphasis, again in contrast to Keynes, on the supply rather than the demand side of the equation. Lawson stated the rationale of this approach very succinctly in his 1985 Budget, when he argued that ‘The supply side policy is rooted in a profound conviction, born of practical experience both at home and overseas, that the way to improve economic performance and create more jobs is to encourage enterprise, efficiency and flexibility; to promote competition, deregulation and free markets.’⁹⁰ Lawson argued that the Thatcherite strategy had ‘two key components’, one of which was the ‘supply side policy designed to improve the competitive performance of the economy’. This was his micro-economic priority; but there was also a macro-economic goal, a ‘monetary policy designed to bring down inflation’.⁹¹ Here the Thatcherites constructed in many ways a new version of the 1944 White Paper, namely through a commitment to maintain not full employment but ‘a low and stable level of inflation’.

The replacement of employment by inflation as the focus of macro-economic policy was not accompanied by a wholesale shift in the policy instruments deployed. There was much talk of the importance of monetarism as the basis of Thatcherite strategy – amongst Thatcherites, but also by their political opponents and by political commentators. The notion that the quantity of money determined prices was often asserted by Thatcherites, and as a theoretical paradigm this was a position the ‘historical Keynes’ would not have accepted. But in the ‘history

⁸⁸ Ibid.

⁸⁹ In the inter-war years Keynes made constant, critical appraisals of the actions of the financial sector, and during the war he expressed concern that ‘the celebrated inefficiency of British manufacturers’ could cause problems of international competitiveness after the war.

⁹⁰ N. Lawson, Budget speech, House of Commons, 19 March 1985. Margaret Thatcher Foundation www.margaretthatcher.org/archive/displaydocument.asp?docid=109502.

⁹¹ Ibid. (my emphasis).

of Keynesianism' the quantity theory had a more complex role. When the Conservatives had returned to government in 1951, their adoption of 'Keynesian demand management' had foregrounded the role of monetary policy through the active use of interest rates. The 'Bank Rate' was used, in Macmillan's terms, as both the main brake and accelerator of the economy, with the budget and fiscal policy playing an important secondary role.⁹² Peter Thorneycroft took a stance that was close to what is now termed Monetary Base Control. However, Macmillan and his government chose to adhere to 'Keynesianism' blended with aspects of the 'historical Keynes'. After 1979, the Thatcher governments rejected policies close to the 'historical Keynes' and instead embraced a form of macro-economic 'negative Keynesianism'. The first Thatcherite Chancellor, Geoffrey Howe, stamped on the monetary policy brake, to use Macmillan's terminology, and in 1981 added fiscal policy weight to the pedal, in an attempt to purge an inflationary political culture. Howe's successor, Nigel Lawson, also used the 'Keynesian' macro-economic blend of fiscal and, above all, monetary instruments in his attempts to keep the 'judge and jury' of economic policy, the inflation rate, at a low level, even after he abandoned targets for monetary growth.⁹³ At the same time, internal party critics of Lawson, including Margaret Thatcher, blamed his insufficiently firm pressure on the monetary and fiscal brake for the rise in inflation in the late 1980s. Whether Thatcherites came to praise Lawson on inflation or to bury him it was, ironically, as a 'bastard Keynesian' that he received both credit and blame.

Given the assumptions of a 'bastard Keynesianism' and of the 'Conservative Keynesians', the policies of the Thatcher governments were not wholly surprising. The deregulation of the British financial system was a central aspect of Thatcherite economic policy. Controls over both institutional and personal credit were comprehensively relaxed, with the abolition of exchange controls in the summer of 1979 and the City of London's 'Big Bang' in 1983–4 being crucial in this process. Some results of this deregulation were that Harold Macmillan's 'accelerator' and 'brake' became extremely difficult to use, direction of investment was ruled out, and government control of monetary growth became very difficult. In short, the basic parameters of economic policy operation and debate changed dramatically, and were fundamentally different to those available for use and discussion in the era of either Keynes or the Keynesians.

⁹² Again this raises the question of whether 1950s demand management was more expressive of Hawtrey's rather than Keynes's ideas.

⁹³ The 'judge and jury' phrase was used by Lawson in his Mansion House speech of 1985, in which he also announced that monetary growth targets were no longer central to government policy.

Underlying the alteration in debates over policy options was the fact that Margaret Thatcher's administrations were the first Conservative governments to embrace without reservation the financial sector and 'the City'. One of the first major economic decisions taken by the first Thatcher administration was the removal of exchange controls. Thatcher herself described this decision as an essential aspect of economic liberalisation, and stated at the Lord Mayor of London's banquet soon after the abolition that 'For forty years the commercial sector of our economy has operated from within the Bastille of exchange control. Now the prison doors have been thrown open.'⁹⁴ This was in keeping with the reference Thatcher had made to exchange controls when, the year before, she had lavished praise on the City and lauded its invisible earnings of £4.5 billion. These earnings, she had noted, were 'not the achievement of politicians. The services provided by the City of London attract no subsidies, no hidden subvention from Government.'⁹⁵ Indeed, she had suggested that government had only made things difficult for the City through high taxation and 'indefensible restraints on productive outward investment'.⁹⁶ Two years after the abolition of exchange controls, Thatcher, again at the Lord Mayor's banquet, proudly remarked that 'In banking, finance and insurance, British is best', but she felt able to argue that it was 'not merely the standards of excellence of your service that has made Britain one of the great, perhaps the greatest, banking centre of the world. It is also the essential freedom for British banks to transact business wherever they will.' The Conservative government's only role, she stated, had been and was 'to make certain you are not constrained by needless regulation'.⁹⁷ This was an approach to the City that neither earlier generations of Conservatives nor Keynes would have endorsed. Restraints on 'outward investment' had been demanded by Conservatives hostile to the City's 'cosmopolitan' lending habits in the early twentieth century, and for them it would have been unthinkable to say, as Thatcher did, that the City was 'foremost . . . because it is cosmopolitan'⁹⁸ – for that was precisely the problem. Likewise, Keynes had also wished to see the City's international rentiers direct more investment to the benefit of

⁹⁴ M. Thatcher at the Lord Mayor's Banquet, Guildhall, 12 November 1979. Margaret Thatcher Foundation, www.margaretthatcher.org/speeches/displaydocument.asp?docid=104167. In his memoirs Nigel Lawson also notes that the abolition of exchange controls, which he supported, rendered control over lending institutions ineffectual. However, neither he, nor the Treasury, nor the Bank of England were concerned about its implications for monetary policy. See N. Lawson, *The view from No. 11: Memoirs of a Tory Radical* (London: Bantam Press, 1992), p. 38.

⁹⁵ M. Thatcher in London, 7 February 1978, *Thatcher CD-ROM*. ⁹⁶ *Ibid.*

⁹⁷ M. Thatcher at the Guildhall, 16 November 1981, *Thatcher CD-ROM*.

⁹⁸ M. Thatcher, broadcast interview with Sir Robin Day, BBC1, 8 June 1987, *Thatcher CD-ROM*.

domestic employment. It is thus highly unlikely that Keynes or, for example, Macmillan would have described the International Monetary Fund's demand for deflationary policies in 1976 as examples of 'the good sense of the international banking community'.⁹⁹ In contrast, when Macmillan had discussions with the IMF in 1961, he noted that they would call for reductions in government expenditure before allowing Britain to draw money, and remarked that 'if the package [of reductions] is not good enough the international usurers – bankers – will turn us down'.¹⁰⁰ This was hardly the comment of someone who admired the 'good sense' of international finance.

Macmillan's jaundiced view of the IMF was very much in keeping with his inter-war views with regard to the City's speculative, even parasitical tendencies. These views were shared by his fellow 'Conservative Keynesians', Hills and Steel-Maitland, and they all found in Keynes someone who shared their critical appraisals of the British financial sector. Criticism of banks had been an important part of Conservative party sub-culture since at least the Edwardian period. This hostility often took the form of inarticulate prejudice and suspicion. A student at Ashridge in the 1930s recalled that when he attended a course on finance 'it was passed from hand to mouth that there were (in bated breath) a number of bankers present, and there was a sort of furtive scrutiny of one's neighbours which searched for signs of horns or tail'.¹⁰¹ The concerns of the Conservative Keynesians were generally more cerebral, and Keynes provided them not only with confirmation of their criticisms but an added level of theoretical sophistication. In terms of *political* economy there was an overlap between Conservatives who foregrounded 'producerist' economics and Keynes. Both, for different reasons, saw merit in the industrial sector whilst seeing the financial sector as having parasitical tendencies. That Steel-Maitland and Hills entered politics through the Edwardian Tariff Reform campaign, and that Macmillan's first political steps were taken as a tariff reformer, provides a link here. The 'producerist' logic of tariff reform economics was intrinsically hostile to finance capital as an economic, social and political force, and Keynes shared much of this hostility, although in his case it was less visceral. In terms of policy implications, however, both 'producerist' Conservatives and Keynes wished to see a more closely regulated financial sector that was less speculative and international and more socially aware and domestically orientated in

⁹⁹ Thatcher in London, 7 February 1978.

¹⁰⁰ H. Macmillan diary, 23 July 1961, Macmillan MS dep. d. 4, Bodleian, Oxford.

¹⁰¹ E. J. Garmeson, 'As others see us: a visit to the Bonar Law College at Ashridge', *Ashridge College Journal*, September 1935, p. 27, cited in Berthezène, 'Les Conservateurs Britanniques', p. 198.

its investment strategies. Indeed, the Macmillan government's move to a strategy closer to the 'historical Keynes' was accompanied by a diatribe from Macmillan against 'the City' and calls for its regulation.¹⁰²

By contrast, the Thatcherites developed a bastardised version of a 'bastard Keynesianism'. It was implemented by the first Conservative government of the twentieth century to embrace the financial sector, as evidenced by its 'liberating' and comprehensive policies of deregulation and its new rhetoric. Furthermore, Thatcher and her administrations, unlike their Conservative predecessors, had no qualms over the decline of manufacturing relative to the service sector, with Thatcher stating in 1986 that 'there are far more people employed in commerce and services than there are in manufacturing and that will go on'.¹⁰³ This was precisely what pre-Thatcherite Conservatives had sought to avoid. This valorisation of 'productive' and especially manufacturing activities had helped to underpin the admiration and affinity that some Conservatives had for Keynes. The passing of the Conservatives' 'producerist' economic bias also saw the demise of a 'Conservative Keynesianism'. Thatcherites stopped using Keynes to legitimise their actions, found new gods and gurus and developed a different rhetoric.

¹⁰² See H. Macmillan to S. Lloyd, 1 August 1960, PREM 11/3883.

¹⁰³ M. Thatcher, interview, *Sunday Telegraph*, 19 July 1986, *Thatcher CD-ROM*.

7 Keynesian ideas and the recasting of Italian democracy, 1945–1953

Eugenio Biagini

In 1945 the Resistance in Italy was a mass movement which, as Ellwood has written, was ‘explicitly demanding a break with the past and a radical reform of the State and of Italian political development’.¹ The end of the war and the return to democracy was a time of great intellectual and political excitement – ‘never, as much as in this period, were ideas made to prevail upon hard facts’.² Notions of social welfare and the planned economy were widely discussed and, to some extent, implemented: in 1945–7 the CIAI (*Consiglio Industriale Alta Italia*, Industrial Council of Northern Italy) empowered a group of ‘experts’ to manage industrial reconstruction directly, without the help of the Confederation of Italian Industry.³ In September 1946 a conference on the problem of poverty was held at Tremezzo (Lake Como), with the participation of both economists and politicians. Amongst the latter were Italian officials attached to the United Nations Relief and Rehabilitation Administration (UNRRA). Many delegates expressed impatience with the old doctrine of charity and social paternalism and notions of civic entitlement and a Beveridgean safety net ‘from the cradle to the grave’ were debated.⁴ In the same year, Ernesto Rossi, a radical economist, published a book on ‘abolishing poverty’ which voiced Fabian ideas about social redistribution.⁵ The Republican Constitution of 1947 reflected this new mindset: one of its drafters, Piero Calamandrei, famously described it as the spirit

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¹ D. W. Ellwood, *Italy 1943–1945* (Leicester: Leicester University Press, 1985), p. 2.

² M. de Cecco, ‘Economic policy in the Reconstruction period, 1945–51’, in J. S. Woolf (ed.), *The re-birth of Italy 1943–5* (London: Longman, 1972), p. 156.

³ M. Salvati, ‘Amministrazione pubblica e partiti’, in *Storia dell’Italia repubblicana*, vol. I: *La costruzione della democrazia* (Turin: Einaudi, 1990), pp. 442–9; P. Barucci, ‘Introduzione’, in P. Saraceno (ed.), *Ricostruzione e pianificazione 1943–1948* (Milan: Giuffrè, 1974), p. 9.

⁴ G. Fiocco, *L’Italia prima del miracolo economico. L’inchiesta parlamentare sulla miseria, 1951–1954* (Bari: Fondazione di Studi Storici Filippo Turati Firenze, 2004), pp. 12–13.

⁵ E. Rossi, *Abolire la miseria* (1st edn, 1946; Rome: Laterza, 2002).

of the Resistance translated into juridical formulae. It certainly broke new ground in Italian politics by proclaiming a number of social rights including full employment, unemployment benefits and universal and free access to health care and education (articles 1, 3, 4, 35, 36, 38 and 46).

Historians have traditionally seen this dimension of the Constitution as the distinctive contribution of the Socialist and Communist left. The latter was certainly an important influence, not least because of the Communists' domination of the military wing of the Resistance. Their role as the advocates of change is further highlighted by the beginning of the Cold War, as well as by the fact that from the start the social provisos of the Constitution were criticised by both the Liberal party (PLI) – because of their inconsistency with free market economics – and by the conservative wing of the Christian Democrats (Democrazia Christiana, DC). On theological grounds the Church was also hostile to the notion of 'abolishing poverty'. Moreover, for political reasons, the ecclesiastical hierarchy was eager to preserve the existing system of poor relief. The latter was dominated by religious charities which were the channel through which the Church administered patronage and exerted social control and electoral influence.⁶ Not surprisingly, from 1948 the DC-dominated governments – with the PLI at the Treasury – ignored the social stipulations of the Constitution and construed the relevant rights as abstract statements of an ideal, rather than binding policy commitments.⁷

However, the debate at the time was not limited to a stark choice between Marxist planning and *laissez-faire* capitalism. There was a 'third option', also controversial but in a different way – namely, British-style welfare supported by a Keynesian 'revolution'. The importance of this third option has often been understated. Indeed, some have lamented that by the 1960s Italy was 'several decades behind the reformist cultures of national planning influenced by Keynes',⁸ and have seen the dogmatic adoption of free-market policies by post-war governments as a consequence of the forced isolation of Italian economic culture under the fascist regime. Allegedly, even within the left few even *knew* about Keynes and the main parties, steeped in the French and German political

⁶ Fiocco, *L'Italia prima del miracolo economico*, pp. 10–12, 30–1, 43–50, 136.

⁷ It may be surprising that the government got away with it. But, as Pombeni has pointed out, it had been unrealistic for the 'founding fathers' to believe that their proposed social citizenship – involving expensive and complex welfare policies – could be established by a Constituent Assembly. As the British example showed, their implementation would instead have required solid Parliamentary majorities and appropriate financial policies: P. Pombeni, *La Costituente. Un problema storoico-politico* (Bologna: il Mulino, 1995), p. 78.

⁸ M. Telò, 'L'Italia nel processo di costruzione europea', in *Storia dell'Italia repubblicana*, vol. III: *L'Italia nella crisi mondiale. L'ultimo ventennio* (Turin: Einaudi, 1996), p. 205.

traditions, found the related Anglo-American reform tradition completely ‘foreign’.⁹ Moreover, such a cultural divide between Italy and Britain was compounded by the anti-Italian chauvinism and prejudice characterising both policy-makers and the public in Britain.¹⁰

The present chapter starts from a reassessment of the last of these points, and suggests that, despite the controversies of the 1940s, there was a considerable amount of sympathy and cultural exchange between the intellectual elites of the two countries. In a contribution to the Clarkean theme of ‘the history of Keynesianism’,¹¹ it explores the way in which the historical Keynes was interpreted and distorted by the Italian academic world, within which the Cambridge economist had long been debated by economists and intellectuals. In the Constituent Assembly, Keynesian ideas influenced the strategy of the radical Partito d’Azione and the left-wing Dossetti group of the Christian Democrats. They insisted that ‘democratic planning’ – a key theme in Stafford Cripps’s Labour party¹² – was possible and that the Constitution should define the social and political landscape of the new Italy as a welfare state. The subsequent delay in the implementation of the relevant constitutional clauses was due not to the insularity and provincialism of post-fascist Italian political culture, but to the deliberately anti-Keynesian, ‘proto-Thatcherite’ policies of the centre-right governments of 1948–54.

I

Most historians have argued that between 1943 and 1948 British attitudes towards Italy were dominated by suspicion and hostility. Anthony Eden, the Foreign Office and many other politicians regarded Italy as a guilty country, responsible for both Fascism and the war – and adopted a correspondingly ‘punitive’ approach.¹³ Echoing wartime (Anglophobic)

⁹ G. Tamburrano, *Pietro Nenni* (Rome: Laterza, 1986), p. 203; M. Salvati, ‘Amministrazione pubblica e partiti’, pp. 513–14. For the ‘Austrian’ mindset of the leading Social Democrat of the period, see F. Fornaro, *Giuseppe Saragat* (Venice: Marsilio, 2003).

¹⁰ P. Ginsborg, *A history of contemporary Italy. Society and politics 1943–1988* (London: Penguin, 1990), pp. 39–42.

¹¹ P. F. Clarke, ‘The historical Keynes and the history of Keynesianism’, in T. C. W. Blanning and D. Cannadine, *History and biography* (Cambridge: Cambridge University Press, 1996), pp. 203–26.

¹² Cf. P. F. Clarke, *The Cripps version* (London: Penguin Books, 2002) and R. Toye, *The Labour party and the planned economy, 1931–1951* (Woodbridge: Royal Historical Society/Boydell Press, 2003).

¹³ B. Arcidiacono, ‘La Gran Bretagna e il “pericolo comunista” in Italia: gestazione, nascita e primo sviluppo di una percezione (1943–1944)’, *Storia delle relazioni internazionali*, Anno I (1985/2), 239–66; M. Gat, *Britain and Italy. The decline of British influence* (Brighton: Sussex Academic Press, 1996), pp. 112–32; M. Gilbert, *Winston S. Churchill*,

American claims about Britain ‘trying to turn Italy into a colony’,¹⁴ some scholars have highlighted the ‘arrogance and intolerance in [the British] conduct of the Italian occupation/liberation’.¹⁵ Although it is accepted that the Attlee government adopted a less negative attitude at the onset of the Cold War and especially in 1948,¹⁶ throughout the 1940s their policy was allegedly informed by a narrow understanding of British self-interest.¹⁷ In such a climate could there be any sympathy for the idealism of the founders of a social republic in the delicate strategic sector of the Eastern Mediterranean, or any productive cultural exchange between the two nations?

In trying to redress this picture, we should start by reminding ourselves that, as a matter of course, *all* countries pursue their national self-interest first and foremost: in the 1940s this applied to the ‘generous’ United States as much as to the ‘selfish’ United Kingdom and indeed to defeated Italy. The Americans could boast that their policy ‘[was] based on the premise that the economic well-being of a country is a prime factor in its internal stability’,¹⁸ because they were by far the wealthiest country in the world and could afford to export prosperity – in fact, could not afford *not* to do so. By contrast, in 1943–7 ‘economic well-being’ was a dream in Britain and it would have been foolish for London to claim that they were intent on exporting something for which the British people were still striving.

However, a legitimate question is whether, in pursuing national self-interest, any consideration was given to the long-term consequences of the resulting actions on the other countries and whether any attempt was made to preserve some consistency with the Allied powers’ proclaimed political principles. Here is the area where British ‘selfishness’ allegedly comes out: until 1945 the British had ‘no political interest in seeing . . . a

vol. VIII: 1945–65 (London: Heinemann, 1988), p. 134; R. Palmer Domenico, *Italian fascists on trial 1943–1948* (Chapel Hill: University of North Carolina Press, 1991), p. 24; P. Pombeni, ‘Churchill and Italy, 1922–1940’, in R. A. C. Parker and C. Barnett (eds.), *Winston Churchill. Studies in statesmanship* (London: Brassey’s, 1995), pp. 65–82.

¹⁴ According to visiting American trade unionists, 29 August 1944, cit. in H. Macmillan, *The blast of war 1939–1945* (London: Macmillan, 1967), p. 548.

¹⁵ Ellwood, *Italy 1943–1945*, pp. 1–2, 8; Ginsborg, *A history of contemporary Italy*, pp. 39–42, 78–9.

¹⁶ K. Harris, *Attlee* (London: Weidenfeld & Nicholson, 1982), pp. 310–11; A. Bullock, *Ernest Bevin: Foreign Secretary, 1945–51* (Portsmouth: Heinemann, 1983), pp. 489, 536; J. Campbell, *Nye Bevan and the mirage of British socialism* (London: Weidenfeld & Nicholson, 1987), pp. 123–93; E. G. H. Pedaliu, *Britain, Italy and the origins of the Cold War* (London: Palgrave, 2003), pp. 58–95.

¹⁷ For example, R. Vickers, *The Labour party and the world*, vol. I: *The evolution of Labour’s foreign policy, 1900–1951* (Manchester: Manchester University Press, 2003), pp. 183–7.

¹⁸ R. Murphy, cit. in Ellwood, *Italy 1943–1945*, p. 109.

substantial Resistance movement, a vigorous anti-Fascist government in Rome or any other manifestation of the difference between a Fascist and an anti-Fascist Italy'.¹⁹ Their worry was that, had a credible antifascist government been established before the signing of the peace treaty, they would have been unable to reap the fruits of victory by imposing harsh terms on Italy: in other words, the British needed to preserve some of the Italian guilty men in office in order to be able to deal with a defeated *enemy*, rather than with a new-found *ally*.

It must be said that both Arcidiacono and Ellwood are prepared to accept that this picture should not be overdrawn: 'There was of course considerable tension between [British policy-makers] and . . . those on the spot [who] were invariably more favourably disposed towards the possibilities of the Italian situation than those at home'.²⁰ This was indeed the case, as illustrated by Harold Macmillan – no ordinary man on the spot. Repeatedly at odds with Eden over the question of an early peace treaty with Italy, he eventually managed to get rid of the Italophobe General Mason-Macfarlane and became the Allies' *supremo* in Italy.²¹ Throughout his stay in the country he insisted on the importance of restoring a degree of prosperity to the Italians as a British policy aim. He enabled the Italian government to function with greater independence, and eventually proposed the creation of a sterling balance in favour of Rome. Keynes's reaction – 'For Heaven's sake, refrain from gestures [towards Italy]'²² – was not a further instance of the deliberately punitive intention of British

¹⁹ Ellwood, *Italy 1943–1945*, p. 241. By the same token it is questionable whether 'the dispersion and disorientation' of the forces of the Resistance required much exertion of the skill and powers of Harold Macmillan, one of the few British politicians more favourably disposed towards Italy: we know that the movement was fractured enough from the start, and quite able to disperse itself without any British stage-management.

²⁰ Ellwood, *Italy 1943–1945*, p. 9; Arcidiacono, 'La Gran Bretagna e il "pericolo comunista"', pp. 246–7. For a few examples of 'men on the spot', see N. Lewis, *Naples' 44. An intelligence officer in the Italian labyrinth* (London: Eland Books, 2002); G. Spini, *La strada della Liberazione. Dalla riscoperta di Calvino al Fronte dell'VIII Armata* (Turin: Claudiana, 2002); and D. Healey, *The time of my life* (London: Penguin Books, 1990), pp. 82–3. Denis Healey was a veteran of the Italian campaign. With Harold Laski he addressed (in Italian) the 1947 congress of the Italian Socialist party on the themes of Anglo-Italian friendship and socialist unity (this was the congress at which the Italian Socialists split, with the anti-Communist wing breaking away to form the Social Democrats), 'Italian Socialists split into two congresses', *Manchester Guardian*, 10 January 1947. The Labour party soon recognised the Social Democrats in preference to the old Socialist party ('The choice for Italy', *The Times*, 31 March 1948). On the episode, see also B. Donoghue and G. W. Jones, *Herbert Morrison. Portrait of a politician* (London: Weidenfeld & Nicholson, 2001), p. 433.

²¹ A. Horne, *Harold Macmillan*, vol. I: 1894–1956 (New York: Penguin USA, 1991), pp. 222–3.

²² J. M. Keynes, 'Economic policy for Italy – civil supplies etc', 22 March 1945, Treasury papers (T160) 1380, TNA. Keynes feared what he described as 'a financial Dunkirk'. See *JMK*, vol. XXIV: *Activities 1944–1946: The transition to peace* (1979), p. 410.

policy-makers, but rather a reflection of the desperate difficulties faced by the British economy at that time. However, within the constraints imposed by such a situation, Macmillan had already started what he called the ‘New Deal’ for Italy, a programme to supply medical help and food to relieve ‘hunger, sickness and fear’ under UNRRA. In order to speed up the recovery, he encouraged ‘both the Italian Government and the Control Commission [to] operate on a system . . . based on our own Ministry of Supply at home’.²³

This is no evidence that he was ‘going native’. It is more likely that – like the American ECA (Economic Cooperation Administration) officials – he was inspired by a combination of national self-interest and New Deal idealism. After all, as Nigel Lawson has recently reminded us, he ‘had been greatly influenced by Keynes, a friend of his elder brother Daniel, Keynes’s publisher’.²⁴ In any case, there is no doubt that in Britain the legitimate resentment which many must have felt against a former enemy had not superseded the older and more deeply rooted Italophile feelings, especially among the educated classes. Even Churchill believed that fascism was the fault of ‘one man only’: once the latter was removed, the Italians would go back to being their normal ‘lovely’ selves. This was of course rather naïve, but indicative of his fundamentally Italophile feelings, if not of his power of historical analysis.²⁵

More sophisticated and better informed was the assessment of some of the country’s leading opinion-makers, in particular *The Times* and *The Economist*, both of which were favourably disposed towards the republican experiment and its related charter of social rights.²⁶ This reflected the editors’ political views and their intelligence networks. Between 1919 and 1945 *The Economist* devoted to the Italian political situation over 900 articles, written by Luigi Einaudi (172 articles), Arnold Toynbee and others, besides publishing letters from leading Italian intellectuals including Gaetano Salvemini and Achille Loria.²⁷ Among the editorial

²³ Macmillan, *The blast of war*, p. 544.

²⁴ N. Lawson, ‘Robot and the fork in the road’, *Times Literary Supplement*, 21 January 2005.

²⁵ Palmer Domenico, *Italian fascists on trial*, pp. 24, 28–9.

²⁶ In fact, among the foreign commentators, they may have been the best informed about, and the most sympathetic towards, the new republican Italy – in marked contrast to the French, the Russians, the Swiss and even the Americans: cf. A. Landuyt (ed.), *L’Assemblea costituente italiana nell’opinione pubblica europea*, *Quaderni del Circolo Rosselli* 15 (Florence: Giunti, 1999).

²⁷ S. Santagata, ‘“The Economist” e il fascismo, 1919–1940: storia di una moderna interpretazione’, unpublished paper. Einaudi wrote for *The Economist* from 1908 to 1946, although the journal was rather critical of his *laissez-faire* policies after 1945, as suggested by the following rather patronising comments: ‘After the orgies of autarky in which the Fascists indulged, a large school of Italian economists, bankers and businessmen believes in *laissez-faire* with the fervour of eighteenth century rebels against outworn mercantilism. According to these *liberisti* the root of Italy’s economic troubles lies in the

staff, Geoffrey Crowther and Barbara Ward were very interested both in welfare policies and in Italy. Crowther's family background was academic and politically Liberal, although in the 1940s he was prepared to support Labour on specific issues.²⁸ Barbara Ward had started to work for *The Economist* in 1939, writing on Italy and Turkey. She was linked to 'People and Freedom', the international Christian Democrat group founded in 1936, which included, among others, the exiled Italian Catholic leader Luigi Sturzo and the great Italophile Henry Wickham Steed of *The Times* and the *Review of Reviews* and later (until 1947), the BBC.²⁹

In many ways the political orientation of *The Times* was similar. Robin Barrington-Ward, its chief editor, had long been interested in the problems of unemployment and social rights.³⁰ Like Keynes and Lloyd George, during the inter-war period he identified poverty and the misery which came with economic depression as the first of the two great issues which the British government needed to tackle. The second problem was that of peace in Europe. An appeaser and a supporter of the revision of the Versailles Treaty, Barrington-Ward tried until March 1939 to persuade British public opinion to distinguish between Hitler and the German people, arguing that the latter should not be condemned for the fact that they had fallen victims to a despotic ruler. Like the historian E. H. Carr, also a *Times* leader writer, Barrington-Ward in the 1940s was a critic of Churchill's policy in Greece, and advocated co-operation with Moscow after 1945, in order to foster the process of European reconstruction.³¹ The appointments of François Lafitte, Donald Tyerman and Oliver Woods added three other great journalists to *The Times*. They were all Oxford-educated, and the former two had been academics for part of their careers. Woods had fought in the Italian campaign of 1943–5 before going back to *The Times* (for which he had already worked in 1934–9). Lafitte was a great supporter of Sir William Beveridge and the welfare state.³² Tyerman had acquired a 'left-wing' reputation when, like Carr,

socialistic practices of the new state' (from the Rome correspondent, 'Work and politics in Italy', *Economist*, 10 May 1947). For Einaudi's contributions, see R. Marchionatti, 'From our Italian correspondent': Luigi Einaudi's articles in *The Economist* 1908–1946, 2 vols. (Florence: Olschki, 2000) and S. Santagata, 'Einaudi giornalista e il fascismo', *Biblioteca della libertà* 35, no. 155 (July–August 2000), 81–102.

²⁸ Edwards, *Pursuit of reason*, p. 759.

²⁹ Cf. G. Farrell-Vinay (ed.), *Luigi Sturzo a Londra: carteggi e documenti (1925–1946)* (Soveria Mannelli: Rubbettino, 2003).

³⁰ I. Macdonald, *History of The Times. Struggles in war and peace 1945–1966* (London: Times Books, 1984), vol. V, pp. 15–16.

³¹ *Ibid.*, pp. 98–100, 117–24; cf. E. H. Carr, *Conditions of peace* (London: Macmillan, 1942).

³² Macdonald, *History of The Times*, vol. V, pp. 51, 127–31.

he criticised the Churchill government for its involvement in the Greek civil war.

Some at least of the war correspondents had a similar background. The main journalist stationed in Italy was Christopher Lumby. Cambridge-educated, he was fluent in both Italian and German, and had already been the Rome correspondent in 1937–9. During the war he had followed the British army to Crete, Greece and North Africa. With the 1943 invasion, he finally returned to Italy, where he stayed until his death.³³ He had witnessed the collapse of fascism and attended the inauguration of the first post-fascist mayor of Rome, the Prince Doria-Pamphili (whom Lumby had known from the days they rowed together in the Magdalene College boat at Cambridge).³⁴ In April 1945 Lumby was outside Milan with the Fifth Army. Instead of waiting for the latter to advance, he crossed the German lines and entered the city with the help of contacts in the Resistance. One night at the end of April, the partisans woke him and took him to Piazzale Loreto, where they showed to him the corpses of Benito Mussolini and his mistress Clara Petacci, who had recently been captured and killed. Lumby, who had known and interviewed Mussolini in 1937–9, was asked to identify the former dictator.³⁵

Two further examples of this Anglo-Italian liberal connection are provided by Cecil and Sylvia Sprigge. At different stages, they both operated as intelligence officers and correspondents for *The Times*, the *Manchester Guardian*, the BBC and Reuters. Cecil was also Italian correspondent for *The Economist* in 1947–53, after running the Public Relations and Information Services Control Branch at Bunde (West Germany, 1947–53), and before moving back to *The Manchester Guardian*. The son of Sir Squire Sprigge of the *Lancet*, educated at Eton and King's College, Cambridge, he had started to report from Rome as a *Manchester Guardian* correspondent (and a British intelligence officer) in 1923–4. His wife Sylvia had followed in his footsteps in 1927–31, when she established contacts with various antifascist leaders, including Carlo Rosselli. She was a great Italophile, a leader of the association 'Friends of Italy'. After the war she became an expert on the question of Trieste, about which she published a book.³⁶

As far as Italy was concerned, an anxiety frequently expressed by both *The Times* and *The Economist* in these years concerned the restoration of parliamentary democracy. There was full confidence that this could be

³³ *Ibid.*, p. 79 and n. 22. ³⁴ *Ibid.*, p. 89.

³⁵ He described these episodes in *The Times*, 30 April 1945.

³⁶ P. Sebastian, *I servizi segreti britannici e l'Italia (1940–45)* (Rome: Bonacci, 1986), pp. 53–74; L. Sponza, *Divided loyalties* (Berne: Peter Lang AG, 2000), pp. 166–81. I am grateful to Giovanna Farrell-Vinay for calling my attention to this remarkable couple.

achieved in what was again regarded as the land of Cavour, Garibaldi and Mazzini, whose names were cited – both in the British and Italian press – as shorthand for the pre-fascist tradition of liberty and parliamentarianism.³⁷ *The Times* argued that fascism had never been able to involve more than 10 per cent of Italians of both genders and all age groups: the rest of the people, the overwhelming majority, especially in the countryside, had always remained indifferent or passively hostile. The challenge for the antifascist parties was now to involve these masses in the national political process and educate them to democracy.³⁸ In contrast to Churchill, *The Times* had no sympathy for the Italian monarchy and welcomed its end, which was decided by a popular referendum in 1946.³⁹

According to these papers, the two principal problems facing the young democracy in Italy were to re-establish the legitimacy of parliamentary government and to restore national unity, especially in view of the fact that the referendum had showed an alarming disparity between the monarchist south and the republican north.⁴⁰ This concern for unity was accentuated by contemporary developments in Greece, where the conflict between Communists and Monarchists had degenerated into civil war.⁴¹ In this context it is interesting that articles from the *Manchester Guardian* – urging Italy both to empower antifascists and to adopt the British ideal of social democracy – were translated and circulated by some of the newspapers published by the Psychological Warfare Branch and the partisans' CLN (Committee of National Liberation).⁴² Social mediation, rather than confrontation, and the search for equitable solutions to the appalling social problems which plagued the peasant masses in southern Europe, were the twin strategies which the situation required in order to prevent class struggle from turning into civil war.

³⁷ 'The Italian question', *The Times*, 8 September 1945; 'Consulta opened in Rome', *The Times*, 26 September 1945; 'Quindici chilometri con gli Americani', *La Libertà. Quotidiano liberale*, 1 May 1945; 'La lista di Garibaldi è la lista del popolo', *L'Unità*, 18 April 1948.

³⁸ From the Rome correspondent, 'The rebirth of Italy. A country groping for democracy. Leaders from the North', *The Times*, 14 July 1945.

³⁹ 'Coming vote on Italian monarchy', *The Times*, 19 March 1946; A correspondent in Italy, 'After the Referendum', *The Economist*, 22 June 1946; 'An ill-advised delay', *The Times*, 12 June 1946.

⁴⁰ 'Divided Italy', *The Times*, 5 June 1946.

⁴¹ 'Italian Communists to forge another weapon', *Manchester Guardian*, 29 December 1947.

⁴² 'Un articolo del "Manchester Guardian" – Esame della politica alleata nei riguardi dell'Italia', *Corriere del Piemonte. Quotidiano di informazioni a cura del P.W.B.*, 20 June 1945; 'Un articolo del "Manchester Guardian". L'Italia banco di prova della politica alleata in Europa', *Corriere d'Informazione*, 20 June 1945.

These were further reasons why in Italy the constitutional process itself played an important role: the Constituent Assembly, elected by universal suffrage, and the long debate on the Constitution's actual text helped to recreate a new sense of purpose for the whole Italian people. The Constitution's emphasis on social rights was, in this respect, an attempt 'to find new landmarks for national unity and social development'.⁴³ For *The Economist*,

The *Progetto di Costituzione* is an interesting document. It is dominated by a determination to block the way to Fascism for ever and by an aspiration after the social and economic justice of which Italy is so sorely in need. By it Italy renounces war as an instrument of conquest, blesses the family, abolishes the death penalty, guarantees personal liberty, private enterprise, the right to work, the right to strike, and at least eight years' schooling to every Italian child; this last, should it be fulfilled, is perhaps the most revolutionary point of all, for hitherto the working population was lucky if its children had three or four years at school.⁴⁴

There was no criticism of those aspects of the charter which were allegedly inspired by the model of the Soviet constitution of 1936. For example, *The Times* praised both the fact that the republic was a democracy 'founded on labour' (article 1) as the embodiment of the newly found national unity, and the Communist Terracini for performing the function of president of the Assembly 'with admirable impartiality'.⁴⁵ On the whole, the Italian people were expected to stand a good chance of making a fresh start: 'the country's life is carried on in a spirit of self-reliance, which is the outstanding characteristic of post-war Italy'.⁴⁶ The most complete embodiment of this spirit was represented by the Partito d'Azione.

The Actionists not only have a splendid Resistance record; they are the children of the Rossellis' *Giustizia e Libertà* group, the vanguard of antifascism. They represent the individualism of people from all classes of society, but especially of the intellectuals . . . The Right wing, led by the Minister for Foreign Trade, La Malfa, wants the party to be a common sense democratic republican party, liberal in the English sense, and not very far from the left wing of the Liberals here, although the Italian Liberals are on the whole very much further to the Right. The Left wing Actionists, led by Lussu, a man who was imprisoned by the Fascists for years, wish to become a third Socialist Party. But there are many who stand between the two, and it should have been possible to re-formulate an earlier clandestine programme (of January 1943) in favour of a considerable degree of socialization with specific guarantees for individual liberty.⁴⁷

⁴³ 'A constitution for Italy', *The Times*, 24 December 1947.

⁴⁴ From the Rome correspondent, 'Shaping the New Italy', *The Economist*, 22 March 1947.

⁴⁵ 'Italy given new constitution', *The Times*, 23 December 1947; 'Republic founded on work', *The Times*, 24 March 1947.

⁴⁶ 'The state of Italy', *The Times*, 28 October 1946.

⁴⁷ 'The Italian Parties', *The Economist*, 23 February 1946.

In conclusion, these friendly and informed observers of the situation in Italy during the period of the Resistance and the foundation of the Republic advocated a Keynesian New Deal both in social policy and in international relations. They were not merely indicative of a certain 'Europhile' attitude among post-appeasement, liberal policy-makers in Britain. For it is well known to historians of the Resistance that, for example, *The Economist's* analysis and the ideas presented by E. H. Carr in *The Times* were influential in Italy as well, especially on the Catholic left,⁴⁸ and that Christopher Lumbly helped to shape the CLN's perception of the constitutional question of local and regional autonomies.⁴⁹

II

How important were these particular Anglo-Italian connections and more generally the British 'progressive' input in the recasting of democracy in post-war Italy? In answering this question the first thing to observe is that for a short period, especially from 1945 to 1947, Italian intellectuals and the sort of people most likely to be affected by British liberal opinion-makers enjoyed a comparatively authoritative position in politics.⁵⁰ Indeed Barucci has suggested that 'among the economists, those who had been able to study Keynes's *General Theory* . . . felt that they had access to new conceptual tools in the history of capitalist economy [and that with these] they could shape an economic system different from those of which they had historical knowledge'.⁵¹ However, as we shall see, this applies only to the younger generation who rose to academic prominence after 1947. By contrast from 1923 to 1947 the economists who best knew Keynes were also those most strongly opposed to his theories. In fact, the history of Keynes's reception in Italy is characterised both by a strong interest in his ideas and the consistent rejection of his unorthodox views by most antifascist economists.

From 1913 to 1953 Keynes's work was cited in at least 660 publications and received 91 reviews.⁵² As early as 1915 Italian scholars

⁴⁸ R. Moro, 'I movimenti intellettuali cattolici', in R. Ruffilli (ed.), *Cultura politica e partiti nell'età della Costituente* (Bologna: il Mulino, 1979), vol. I, pp. 252–3.

⁴⁹ C. Macchitella, 'L'autonomismo', in R. Ruffilli (ed.), *Cultura politica e partiti nell'età della Costituente*, vol. II, p. 70 and n.

⁵⁰ P. Barucci, *Ricostruzione, pianificazione, Mezzogiorno. La politica economica in Italia dal 1943 al 1955* (Bologna: il Mulino, 1978), p. 160.

⁵¹ Barucci, *Ricostruzione, pianificazione, Mezzogiorno*, pp. 62–3. See also the recent survey which he has edited entitled *Le frontiere dell'economia politica: gli economisti stranieri in Italia dai mercantilisti a Keynes* (Florence: Polistampa, 2003).

⁵² P. Bini, 'Keynes in Italia e la trasmissione internazionale delle idee economiche', in 'Keynes in Italia. Atti del convegno organizzato dalla Facoltà di Economia e commercio

showed considerable interest in his articles on ‘War and the financial system’ and ‘The prospects of money, November 1914’ (both published in 1914).⁵³ Over the next few years *Indian Currency and Finance* (1913) and *The Economic Consequences of the Peace* (1919) were eagerly discussed.⁵⁴ Moreover, the fascist seizure of power in 1922 seemed to have no effect on professional interest in his writings. In fact, interest increased from 1923, when his articles in the *Manchester Guardian Commercial* and *A Tract on Monetary Reform* (1923) were promptly echoed in Italian academic publications. More significantly, by 1926–7 Keynes’s ideas on monetary reform and *The End of Laissez-faire* were widely discussed in many of the quality broadsheets – including *Il Corriere della Sera*, *La Stampa*, Mussolini’s *Il Popolo d’Italia* and, of course, *Il Sole 24 Ore* (the Italian equivalent of the *Financial Times*). *The Treatise* was discussed from 1931, translated in 1932 by a leading academic publisher, and then widely reviewed in the mainstream academic journals. *The General Theory of Employment, Interest and Money* (1936) began to be cited and referred to as early as 1937. Reviewers included leading economists of diverse political and theoretical persuasion, such as the fascist-corporatists G. Arias⁵⁵ and Celestino Arena,⁵⁶ the Catholic Amintore Fanfani, the Paretian Giovanni Demaria,⁵⁷ and of course Einaudi and the other *laissez-faire* liberals. This rapid response was indicative of Italian openness to foreign economic culture, an openness which was also confirmed by the extent to which the works of other liberal economists – including F. von Hayek, A. C. Pigou, F. H. Knight, L. von Mises and M. H. Dobb – were reviewed and discussed. In fact, it was in the context of such debate that

dell’Università degli studi di Firenze, 4–5 giugno 1983’, *Annali dell’economia italiana* (1984), 100–1.

⁵³ M. Alberti, *L’economia del mondo, prima, durante e dopo la Guerra* (Rome, 1915). For a chronology, see S. Bartolozzi Batignani, ‘Keynes nei volumi degli economisti italiani. Un saggio bibliografico’, in *Keynes in Italia, Catalogo bibliografico* (Florence: Edizioni della Banca Toscana, 1983), pp. 123–54.

⁵⁴ G. Arias, *Principii di economia commerciale* (Milan, 1917); A. Cabiati, *Problemi finanziari e commerciali dell’Italia* (Milan: Treves, 1920); F. Flora, *Manuale di scienza delle finanze* (Leghorn: Tip. R. Giusti, 1921); A. Loria, *Aspetti sociali ed economici della Guerra mondiale* (Milan: Vallardi, 1921).

⁵⁵ G. Arias, *Corso di economia politica corporativa* (Rome: Società editrice del Foro italiano, 1937).

⁵⁶ C. Arena, *La carta del lavoro nello schema dell’ordine corporativo* (Milan: U. Hoepli, 1938). These were all mainstream academic economists at the time, and many of them retained their influence after the fall of fascism. Indeed, Arena eventually became a close academic collaborator of Gustavo del Vecchio, Budget Minister in 1947–8. Demaria held one of the most prestigious chairs of political economy in Italy, at the Bocconi University of Milan, and was also chief editor of the *Giornale degli economisti*.

⁵⁷ *La politica economica dei grandi sistemi coercitivi* (Milan: Litografia Gili, 1937) and *Elementi di economia politica corporativa* (Milan: G. Principato, 1938).

in 1931 Bruno Foà commented that ‘Keynes shares with the communist mindset the contempt for individual saving, for the petit-bourgeois, classical mindset.’⁵⁸ As we shall see, this view, which was frequently echoed both by fascist and liberal economists, would later have a considerable influence on Italian anti-Keynesianism.

If fascism did not prevent the development of an academic debate on Keynes, it certainly complicated the reception of his ideas after 1929, when both he and Mussolini abandoned orthodox liberal economics while the Western democracies were in the middle of the Great Slump. As Macchiario has pointed out, this provided fascist-corporatist economists with the opportunity to hijack and distort Keynes, whom they began to present as a sort of apologist for Mussolini’s way of running the economy. This included establishing a spurious equation between the latter’s *Carta del lavoro*, Roosevelt’s New Deal and Keynes’s *General Theory*.⁵⁹ One leading fascist went as far as inviting the Cambridge economist to join the Duce in a campaign for radical corporatism, an invitation which Keynes declined – with a joke.⁶⁰ However, there were enough parallels between corporatism and Keynes to generate a long-lasting suspicion about the latter’s real intentions.⁶¹ It may not have helped that *The General Theory* was published in German in 1936 to general Nazi acclaim, and with an unfortunate preface from Keynes himself (who claimed that macroeconomics was particularly applicable to ‘the conditions of a totalitarian state’ with strong ‘national leadership’).⁶² Almost inevitably, criticising his writings became a cryptic way for Italian liberal antifascist economists to attack Mussolini himself. In the process, many others used Keynes as an opportunity to address and discuss socialism, the planned economy and state intervention in general. It was an extraordinary debate which could only have happened under a regime which, despite being authoritarian, tolerated a strictly limited amount of academic freedom.

⁵⁸ Cit. in G. Becattini, ‘L’acclimatamento del pensiero di Keynes in Italia: invito ad un dibattito’, in ‘Keynes in Italia’, p. 20.

⁵⁹ A. Macchiario, ‘Il keynesismo in Italia nel periodo a cavallo della seconda guerra mondiale’, in A. Macchiario, *Studi di storia del pensiero economico* (Milan: Feltrinelli, 1970), pp. 635–7.

⁶⁰ Becattini, ‘L’acclimatamento’, p. 21.

⁶¹ As late as 1983 Federico Caffè – who, as we shall see, had been a leading proponent of Keynes’s ideas in post-war Italy – felt that it was necessary to stress the distinction between Keynesian and corporatist economics: F. Caffè, ‘L’acclimatamento a Keynes mediante l’insegnamento di tre maestri’, in ‘Keynes in Italia’, p. 33.

⁶² Cit. in R. Skidelsky, *John Maynard Keynes*, vol. II: *The economist as a saviour 1920–1937* (London: Papermac, 1994), p. 581. Also in Japan, the third major Axis power, *The General Theory* became influential from 1936: L. E. Hein, ‘In search of peace and democracy: Japanese economic debate in political context’, *Journal of Asian Studies* 53 (1994), 766. I am grateful to Richard Toye for both references.

Thus in antifascist circles the reception of Keynes was skewed by the fact that many of his most prestigious reviewers were both hostile to his ideas in principle and fiercely antifascist in practice. This is best illustrated by the case of Umberto Ricci. Writing from a proto-monetary standpoint, he was one of the first Italians to comment on and criticise both *A Treatise on Money* (1929)⁶³ and *The General Theory*.⁶⁴ Already in the mid 1920s Ricci emerged as a stern and unbending opponent of Mussolini's regime. A free market liberal in the same league as Einaudi, Antonio de Viti de Marco and Epicarno Corbino, he was much more outspoken than any of them in denouncing the regime. As a consequence, on 30 August 1928 he was attacked by *Il Popolo d'Italia*, the regime's newspaper, as the 'professor of antifascist political economy'. Soon afterwards he was sacked. He found himself jobless and without an income at the age of fifty, but managed to obtain a teaching position at the Egyptian University of Cairo, thanks to his friend Costantino Bresciani-Turroni, another *laissez-faire* liberal who was already teaching there.⁶⁵ Ricci was a brilliant scholar, a powerful academic and a man of integrity. Not surprisingly he became a role model for his students (in fact this was one of the reasons adduced by *Il Popolo d'Italia* in demanding his removal). His antifascism gave him prestige in the eyes of the younger generation who in time would provide intellectuals for both the Resistance and the Reconstruction. His hostility to Keynes engendered within them a strong suspicion of the Cambridge economist.

Keynes's most influential Italian critic was another antifascist, Luigi Einaudi. He had praised Keynes's early publications but found *A Tract on Monetary Reform* (1923) deeply troubling. Einaudi rejected Keynes's proposal of flexible exchange rates and stable internal prices, preferring instead to stick to the Gold Standard, stable exchange rates and flexible internal prices. He was further alienated by both *The Economic Consequences of Mr Churchill* (1925) and 'Economic possibilities for our grandchildren' (*Essays in Persuasion*, 1930).⁶⁶ The latter he found not only

⁶³ U. Ricci, 'Les crises économiques et la dépression présente', *L'Égypte Contemporaine* 22 (1931), 249–307. Cf. P. Bini, 'Progetti e ideali di politica economica di un economista militante', in P. Bini and A. M. Fusco (eds.), *Umberto Ricci (1879–1946): economista militante e uomo combattivo*, (Florence: Polistampa, 2004), p. 156.

⁶⁴ U. Ricci, 'Gioco, assicurazione e risparmio', *Giornale degli economisti* (marzo–aprile 1939), 5–36; R. Realfonzo, 'Moneta, risparmio e ciclo negli scritti di Umberto Ricci', in Bini and Fusco (eds.), *Umberto Ricci*, p. 156.

⁶⁵ A. M. Fusco, 'Umberto Ricci', in Bini and Fusco (eds.), *Umberto Ricci*, pp. 45 ff.

⁶⁶ R. Marchionatti, 'La "pericolosità del camminare diritti sul filo del rasoio"'. Einaudi critico di Keynes', in C. Malandrino (ed.), *Una rivista all'avanguardia: La Riforma Sociale 1894–1935: politica, società, istituzioni, economia, statistica* (Florence: Olschki, 2000), pp. 386, 390.

economically flawed but also morally objectionable because of its praise of leisure – to which Einaudi proudly opposed his own Smilesian ideal of a life of strenuous labour. In so doing, Einaudi claimed to speak on behalf of the ‘common man’, in contrast to the ‘brilliant’ self-indulgence of the Bloomsbury man.⁶⁷ In 1932 he attacked the relationship between savings and investments presented in *A Treatise on Money*. Although he accepted that Keynes’s reasoning offered potentially interesting *theoretical* insights, he denied that it had any *practical* relevance. Einaudi rejected the doctrine that the state should step in to mobilise private and public savings lying idle in bank accounts. Speaking on behalf of the ‘common man’, he reasserted the old notion that investments required existing savings and depended on the investors’ confidence in the stability of the economic situation.⁶⁸ There was a distinctly ‘Thatcherite’ tone in Einaudi’s self-righteous contempt for the vacuous English intellectual who not only dared to challenge the providential mechanisms of reward and retribution embodied in the Gold Standard and free market, but also regarded leisure as a laudable aim for future generations. Although Einaudi was not renowned for his religiosity, the intensity of his moralism and his fear of the ‘undeserved’ social mobility associated with a reckless monetary regime are reminiscent of Boyd Hilton’s work on the theological associations of classical political economy.⁶⁹

In 1933, in *The Means to Prosperity*, Keynes rebutted the arguments of this ‘frugality and hard work’ school and adopted the theory of the multiplier, which strengthened the case for public works. Einaudi replied promptly. He rejected Keynes’s analysis of the causes of the crisis, arguing rather that the latter was due to the micro-economic consequences of the First World War which had distorted human psychology (engendering greed, the delusion that wealth could be rapidly accumulated, impatience with hard work and rabid nationalism). There was nothing new in the Great Slump, which therefore did not require novel solutions.⁷⁰ This broadside was directed as much against fascist propagandists, who proclaimed the imminent downfall of liberal capitalism, as against Keynes himself.

⁶⁷ L. Einaudi, ‘Il problema dell’ozio’, *La cultura* 11 (1932), 36–47.

⁶⁸ L. Einaudi, ‘La crisi è finita?’, *La Riforma sociale* 39, 43 (1932), 73–9.

⁶⁹ A. Boyd Hilton, *The Age of Atonement* (Oxford: Clarendon Press, 1988); for Einaudi’s monetary moralism, see R. Romani, ‘La Teoria generale keynesiana e il liberismo italiano fra fascismo e ricostruzione: Costantino Bresciani Turrone, Giuseppe Ugo Papi e Giovanni Demaria (1936–1948)’, in ‘Keynes in Italia’, p. 200.

⁷⁰ L. Einaudi, ‘Della non novità della crisi presente’, *La Riforma sociale* 39, 43 (1932), 79–83.

In any case, for Einaudi the question was all about micro-economics: it depended on the equilibrium between costs and prices and the fact that investments required the previous accumulation of savings, which could only be found in the pockets of the savers themselves. In words that expressed his frequently boasted ‘homely’, ‘yeoman’, scorn for intellectuals and their abstractions, Einaudi illustrated his economic and political convictions through a culinary metaphor. He compared investments to a ‘hare pie’ and savings to the hare. He then complained that, while the ‘common man’ knew that ‘one cannot make hare pie without the hare’, Keynes proposed to make it with the ‘rabbit’ of credit, and, as even that did not exist, he was desperately trying to produce one out of some magic hat.⁷¹ The relationship between savings and investments was further discussed by both Einaudi and a young economist, Carlo Pagni, in three articles in 1933. They accepted the case for public works, but defined it within the limits of classical economic analysis.⁷² Furthermore, Einaudi was particularly annoyed by Keynes’s rejection of the quantity theory of money.⁷³ When *The General Theory* was published, Pagni wrote that it was ‘brilliant’ but ‘arbitrary’. Einaudi agreed.⁷⁴

Arbitrary was certainly the use to which Keynes was being put by the growing number of his fascist admirers. In 1939 Alberto de Stefanis published a series of articles in the daily *La Stampa* in which he claimed to adopt ideas and concepts from ‘Y. M. Keynes [sic]’ to shore up his own ‘labourist’ version of fascism.⁷⁵ Although de Stefanis misrepresented and exaggerated what Keynes had said, *laissez-faire* liberals felt that an author who could be used in such a way was really a sort of socialist with a tendency to advocate the confiscation of private capital.⁷⁶ The fact that Keynes was associated with the ‘unqualified’ expansion of

⁷¹ L. Einaudi, ‘Il mio piano non è quello di Keynes’, *La Riforma sociale* 40, 44 (1933), 129–42.

⁷² C. Pagni, ‘Fondo disponibile di risparmio e lavori pubblici’, *La Riforma sociale* 40, 44 (1933), 331–9; L. Einaudi, ‘Fondo disponibile di risparmio e lavori pubblici’, *La Riforma sociale* 40, 44 (1933), 340–52; L. Einaudi, ‘Risparmio disponibile, crisi e lavori pubblici’, *La Riforma sociale* 40, 44 (1933), 532–53.

⁷³ Marchionatti, ‘La “pericolosità di camminare diritti sul filo del rasoio”’, p. 411.

⁷⁴ C. Pagni, ‘Keynes contro i classici: una nuova teoria dell’occupazione, dell’interesse e della moneta’, *Giornale degli economisti* (March 1937), 197–201; L. Einaudi, ‘Della moneta “serbatoio di valori” e di altri problemi monetari’, *Rivista di storia economica* 4 (1939), 133–66; and the obituary by L. Einaudi, ‘J. M. Keynes caposcuola’, *Il Risorgimento liberale*, 23 April 1946.

⁷⁵ March–June 1939, then republished as *Per il migliore impiego della potenza di lavoro del popolo italiano* (1939): discussed in Macchioro, *Studi*, pp. 638–9.

⁷⁶ G. U. Papi, ‘Recenti vedute teoriche inglesi sulla disoccupazione’, *Giornale degli economisti* (January 1939), 1–27, esp. 25–6.

public expenditure and public works as a way out of the economic crisis, and often compared to contemporary Italian practice, compounded the scepticism and outright hostility with which liberal antifascist economists regarded 'il Piano Keynes'.⁷⁷

Italy declared war on the United Kingdom in 1940, but Keynes continued to be reviewed and translated. His articles on 'Paying for the war' (*The Times*, 14 and 15 November 1939) appeared as 'Il risparmio forzoso' [Forced saving] in the *Rivista delle Casse di Risparmio* in 1940, and was widely cited thereafter in economic journals and specialist publications. In 1941 the Federazione Nazionale Fascista degli Industriali published a book by A. degli Espinosa entitled *Il capitale come impegno a produrre* [Capital as a commitment to production] in which the author discussed *The General Theory*. This would seem to strengthen the view that part of Keynes's misfortune in Italy was to be unwittingly associated with fascist-corporatist economic analysis, together with the fact that the leading antifascist economists were free market liberals. Indeed in 1942, at the Pisa congress of economists on 'The problems of the new order' (predicated on the pious assumption that the Axis would win the war), Demaria dismissed planning and the related dream of a future European autarky and reasserted classically free trade, free market solutions to post-war reconstruction. His intervention was suppressed and did not appear in the published proceedings of the conference.⁷⁸ Fascist sympathy for British planning was confirmed by the great emphasis accorded to the Beveridge Plan in the *Rivista italiana di scienze economiche* at the beginning of 1943: the plan was viewed as comparable to the fascist *Carta del lavoro*.⁷⁹ In a further instalment of this bizarre contest between fascists and liberals, Bresciani-Turroni published a defence of the Gold Standard and a critique of the Keynesian multiplier.⁸⁰

It was only after the end of the war that Keynes could be examined in a more relaxed atmosphere in Italy. He then began to find sympathetic commentators among respectable economists and policy-makers. In 1946 the Assemblea Costituente discussed his ideas, especially with reference to strategies for paying for the war.⁸¹ In 1947 the appearance of the Italian edition of *The General Theory* in a prestigious series issued

⁷⁷ For example by Einaudi himself in *The Economist*, 1 June 1935 (cf. Marchionatti, 'From our Italian correspondent', vol. II, p. 693); and by E. d'Albergo, *La politica finanziaria dei grandi stati dal dopoguerra ad oggi*, Manuali di politica internazionale, no. 19 (Milan, 1939).

⁷⁸ Macchioro, *Studi*, p. 643 n.; Barucci, *Ricostruzione, pianificazione, Mezzogiorno*, p. 63.

⁷⁹ Macchioro, *Studi*, p. 640 n.

⁸⁰ C. Bresciani-Turroni, *Introduzione alla politica economica* (Turin: Einaudi, 1942).

⁸¹ Ministero per la Costituente, *Rapporto della Commissione economica presentato alla costituente*, vol. IV: *Credito e assicurazione* (Rome, 1946), pp. 559, 600 and 606 n. 69.

by the Turin academic publishing house UTET was followed by the full Italian ‘institutionalisation’ of the Cambridge economist, as he finally entered mainstream post-war textbooks as *one* of the great authorities.⁸² Indeed, that year the CGIL trade union congress had as its theme ‘A plan for full employment’, and Federico Caffè, a scholar of the younger generation then working for the Istituto di Studi sulla Congiuntura Economica established by the Azionista leader Ferruccio Parri, went to England to improve his command of Keynesian economics. Caffè played an important role in disseminating Keynesian ideas in Italy. In this he co-operated with a few other economists with a background in the old Partito d’Azione (which had split in 1946) and the socialist tradition, such as A. Bertolino, G. Fuà and P. Sylos Labini.⁸³ In 1949 another former Azionista, Ferdinando di Fenizio, published the first Italian textbook for university students to embody Keynesian ideas. It was based on his lectures at the elite Bocconi school of economics in Milan. He also founded and edited a journal (*L’industria*) devoted to popularising Keynes’s thought, and the Banca Nazionale del Lavoro founded another one, *Moneta e credito*, with the same aim.⁸⁴ It seemed that at last an Italian school of Keynesian economics was beginning to take shape.

III

‘[T]he theory called Keynesian seems already to have passed the apex of its success in the academic world. Among American economists it is already declining. If he were still alive, perhaps Lord Keynes would be the first to encourage this decline.’⁸⁵ This is what Einaudi wrote in 1950, while he was in the third year of his term as President of the Republic. Stretching the remit of the President’s powers, he maintained a hands-on

⁸² See also J. M. Keynes, ‘Come funziona la Borsa’, *Comunità* 1, no. 2 (1946), 5–6; the obituary by L. Lenti, ‘Ricordo di Keynes’, in *Lo stato moderno* 3 (1946), 207; and C. Bresciani-Turroni, *Corso di economia politica*, vol. I (Milan: Giuffrè, 1949), chap. 2.

⁸³ F. Caffè, ‘La politica delle priorità e il pensiero degli economisti inglesi’, *Critica economica* (1949), 1–7; and ‘Il mito della deflazione’, *Cronache sociali* 13 (July 1949). On these developments, see G. Becattini, ‘Federico Caffè. Un riformista coerente’, *Il Ponte* 44, 3 (1988), 47–53. Cf. A. Esposito and M. Tiberi (ed.), *Federico Caffè. Realtà e critica del capitalismo storico* (Catanzaro: Meridiana Libri, 1995); C. Macchitella, ‘L’autonomismo’, in Ruffilli (ed.), *Cultura politica e partiti*, vol. II, p. 253, n. 223; and P. Pombeni, *Il gruppo dossettiano e la fondazione della democrazia italiana (1938–1948)* (Bologna: il Mulino, 1979), p. 276.

⁸⁴ For a discussion of these developments, see Macchioro, *Studi*, pp. 646–8 and G. Garofalo, ‘Un canale di penetrazione della teoria keynesiana in Italia: “L’industria” 1945–1952’, in ‘Keynes in Italia’, pp. 207–18.

⁸⁵ L. Einaudi, ‘Risparmio ed investimento’ (20 October 1950), in *Lo scrittoio del presidente 1948–1955, Opere di Luigi Einaudi*, vol. I (Turin: Mercantiquo, 1956), p. 293.

approach to government appointments to the Budget Ministry and the Bank of Italy, and, uninhibited by constitutional subtleties, expressed his views on economic policy. Whatever the Constitution had to say about social rights and free ‘hare pies’ for all, Einaudi wanted the people to catch their ‘hare’ first, however long it might take and whatever the social cost. He argued that Keynes had arbitrarily generalised his findings and that his strategy was simply not applicable to Italy.

Orthodox economists, such as Bresciani-Turroni and Papi, but also some planners, including Saraceno, agreed with him that Keynes was indeed inapplicable to Italy, where unemployment was chronic, rather than cyclical.⁸⁶ Yet, Einaudi’s policies were politically very controversial. The enormity of post-war social problems – including extreme poverty, mass emigration, 2 million unemployed and per capita consumption at 40 per cent of the pre-war level with real-term incomes at 50 per cent of the 1940 figure – demanded radical economic policies. The Constitution reflected this need. The question which dominated the intellectual debate between left and right was *which* policies should be adopted to fulfil the constitutional promises of prosperity and social justice, and *how* they should be implemented. In Italy such debate could be aptly summarised using Keynes’s words:

Some people argue that a capitalist country is doomed to failure because it will be found impossible in conditions of full employment to prevent a progressive increase of wages. According to this view severe slumps and recurrent periods of unemployment have been hitherto the only effective means of holding efficiency wages within a reasonably stable range. Whether this is so remains to be seen. The more conscious we are of this problem, the likelier shall we be to surmount it.⁸⁷

with a quotation from Caffè – an Italian Keynesian – as a corollary:

the current English experience shows that there is much room for manoeuvre for a policy aiming at equality between individual fortunes, without [such policy] implying either the pursuit of the kingdom of utopia or the erection of a regime of fanatical intolerance . . . We must say (again paraphrasing Keynes) . . . that [the] difficulty consists not in becoming aware of the new ideas, but in escaping the grip of the old ones.⁸⁸

⁸⁶ Romani, ‘La *Teoria generale* keynesiana e il liberismo italiano’, p. 305. Cf. G. U. Papi, ‘Testimonianza’, in ‘Keynes in Italia’, pp. 57–61. For Saraceno’s criticism of Keynes, see his memoir ‘Keynes e la politica italiana di piena occupazione’, in *ibid.*, pp. 307–24 and Barucci, *Ricostruzione, Pianificazione, Mezzogiorno*, p. 206.

⁸⁷ J. M. Keynes, ‘The objective of international price stability’, *Economic Journal* (1943), 187.

⁸⁸ F. Caffè, ‘Significato dell’austerità’, *Cronache sociali*, 15 November 1947.

Many argued that there was no third way between communism and *laissez-faire* and, although Keynes was widely known, few escaped the grip of the old dogmas.

As we have seen, according to Tamburrano, ‘the left did not know Keynes and thought that economic policies were substantially two: either liberal capitalism or socialist planning’.⁸⁹ This is more accurate for the Communists than for the Socialists. The communists seemed indifferent not only to Keynes, but also to Beveridge and Jean Monnet. Their outlook was shaped by ‘the confused experience of the Government of the Popular Fronts in France, split between the desire for greater public initiative in the economic field and the goal of balancing the budget’.⁹⁰ As I have already indicated, their allies, the Socialists, were apparently more open-minded: in 1944 one of their journalists welcomed the Beveridge plan and the Labour party’s programme.⁹¹ Then in 1946 the magazine *Socialismo* published a substantial and authoritative analysis of Keynes by Aurelio Macchioro, claiming that:

This article has as its principal aim the dissemination among a wider public of concepts which deserve to go beyond the restricted sphere of professional economists. But it is also clear that this article has immediate relevance to the present situation in Italy because even now there is a thesis that maintains, as the best economic policy, the largest possible *laissez-faire* and the reduction of the monetary wages.⁹²

However, he went on to say that Keynes’s ‘policy of controlled and progressive inflation’ could only work in ‘normal times’ and was not applicable to Italy. Thus Macchioro reached the same conclusion as Saraceno and the liberal economists, although for different reasons. In particular, he thought that Keynes’s economic theory had a use which was mainly polemical, ‘as it unmasks a certain more or less classicising recipe book, which under the specious label of economic liberalism provides a simplistic picture of our most complicated present predicament’.⁹³ Ultimately the problem was that Keynes’s critique of capitalism

⁸⁹ Tamburrano, *Nenni*, p. 203.

⁹⁰ G. Conti, M. Pieretti and G. Perra, ‘Il “partito nuovo” e la Costituente’, in Ruffilli, *Cultura politica e partiti*, vol. II, p. 346, n. 209.

⁹¹ F. Taddei, ‘La costituente nella politica del PSI’, in Ruffilli, *Cultura politica e partiti*, vol. II, p. 34, n. 36, citing an article from the clandestine edition of the revived Socialist daily, published in the short-lived partisan Republic of Val d’Ossola: ‘Significato della lotta’, *Avanti!*, anno XLVIII, September 1944, n. 40.

⁹² A. Macchioro, ‘J. M. Keynes e l’economia classica’, *Socialismo* (November–December 1946), reprinted in Macchioro, *Studi*, pp. 613–28. The quotation is from p. 627.

⁹³ Macchioro, *Studi*, p. 628. Macchioro had been working on Keynesian concepts for a few years: see his ‘Congiuntura e politica dei consumi come rimedio alla depressione’, *Giornale degli economisti* (March 1941), 190–206.

was merely ‘theoretical’ and not ‘historical’: for a proper historical and comprehensive analysis one needed to go back to ‘Marx and Marxism’.

It was a fair summary of the position which his party, the Socialists, adopted in Parliament: basically, they had no use for Keynes and instead pressed for the nationalisation of major industrial ‘monopolies’. However, since such nationalisation was believed to be unfeasible without a proletarian revolution, in the short term there was little which the left could do but accept free market capitalism. The actual result of this ‘all-or-nothing’ approach was that, in terms of both economic theory and government practice, the Socialists and the Communists remained incapable of seizing the initiative from *laissez-faire* liberals, who won the ideological battle to an extent which historians have always found surprising.⁹⁴

Tamburrano has argued that the only exception to the left’s ignorance of Keynes was Ugo La Malfa, who belonged to the liberal, rather than the Marxist, left.⁹⁵ La Malfa claimed that it was in the 1930s – perhaps between 1933 and 1936 – when, as director of the Ufficio Studi of the Banca Commerciale, he ‘regained contact with the economic doctrine and practice of the great countries of democratic civilization. At that time we knew the value of Keynes and the American economists. We discovered the new theories of development and the new approaches to credit policy.’⁹⁶ Yet, the *extent* to which he actually ‘knew’ Keynes from 1936 is not totally clear. What is sure is that the Partito d’Azione, to which he belonged, represented the Italian equivalent of the New Liberalism. It included the liberal-socialists who had been championing social rights and welfare policies from the 1920s, first with Piero Gobetti’s call for a ‘rivoluzione liberale’ and Guido de Ruggiero’s prescriptive *Storia del liberalismo europeo nel secolo XIX* (1924), and then with Carlo Rosselli’s writings on socialist liberalism, which culminated in the publication of *Liberal Socialism* (1930).

Despite the fact that they were mainly a group of intellectuals without a mass following, the fascist regime regarded them as dangerous enough to warrant persecution and exile. The group had always been well informed

⁹⁴ Tamburrano, *Nenni*, pp. 188–9. ⁹⁵ *Ibid.*, p. 203.

⁹⁶ La Malfa in 1975, cit. in G. De Luna, *Storia del Partito d’Azione* (Milan: Feltrinelli, 1982), pp. 36–7. La Malfa had been an antifascist from the early 1920s, when he was a student at the University of Venice. By 1925 he supported the Unione Democratica Nazionale, which was led by Giovanni Amendola, a Liberal MP murdered by a fascist gang in 1926. La Malfa became a republican after realising that Amendola’s strategy was based on the misconceived hope that King Victor Emmanuel III was fundamentally reliable and would eventually stand up for parliamentary rule. See L. Valiani, ‘Il Partito d’Azione’, in L. Valiani, G. Bianchi and E. Ragionieri, *Azionisti, cattolici e comunisti nella Resistenza* (Milan: Franco Angeli, 1971), pp. 38–9.

about developments in foreign democratic thought. For example, de Ruggiero, who introduced the Italian public to the doctrines of Hobhouse, Hobson and Beveridge, had gained first-hand experience of the ‘New Liberalism’ in action when he was in London before the First World War, as the correspondent of the Bologna daily *Il Resto del Carlino*. However, for many of them the most formative experience came after the rise of fascism, during their exile in France, Britain or the USA, which provided them with an opportunity to establish close links with other democrats and liberals from all over the world.⁹⁷ Some drew inspiration from the ideas of the early Labour party. In 1924 Carlo Rosselli began to scrutinise Keynes’s contribution to economic theory, especially with reference to the problems of industrial reconstruction.⁹⁸ Among those who emigrated to America, Gaetano Salvemini became ‘part of an international consciousness of the New Deal’.⁹⁹ Yet as a whole the group continued to be fascinated by political and intellectual developments in Britain.¹⁰⁰

A turning point came in 1937 when Carlo and Nello Rosselli, perhaps the most dynamic of their leaders, were murdered by Mussolini’s agents in France. Then under the leadership of Guido Calogero, an idealist in the Croce tradition, the movement produced a clandestine *Manifesto del Liberal-socialismo* (1940) which presented political liberty and social justice as problems which were *ethical*, rather than *economic*. While his manifesto and subsequent *Precisazioni programmatiche* insisted on land reform and the nationalisation of the ‘great financial complexes’ and some industries, the main emphasis was on participatory citizenship, decentralisation and self-government. Even by 1944 the influence of Croce and the democratic and federalist traditions of Mazzini and Cattaneo were more evident than any modern Anglo-American input, especially in the Southern branch of the party.¹⁰¹

⁹⁷ Mazza, *Il Partito d’Azione*, p. 13.

⁹⁸ See, in particular, ‘Keynes sulla riforma monetaria’ (1924), in C. Rosselli, *Socialismo liberale*, ed. John Rosselli (Turin: Einaudi, 1973), pp. 264–8. R. Bellamy, ‘Idealism and liberalism in an Italian “New Liberal theorist”’: Guido De Ruggiero’s *History of European Liberalism*, *Hf* 30 (1987), 191–200; F. Fantoni, *L’ircocervo possibile. Liberalismo e socialismo da ‘Critica sociale’ ai ‘Quaderni di Giustizia e Libertà’* (Milan: Franco Angeli, 2003).

⁹⁹ Palmer Domenico, *Italian fascists on trial*, p. 23.

¹⁰⁰ ‘I think you are making a mistake in going to America now. America, *nowadays*, is England’, Emilio Lussu wrote to Carlo Rosselli on 25 October 1935. See E. Lussu, *Lettere a Carlo Rosselli e altri scritti di ‘Giustizia e Libertà’*, ed. M. Brigaglia (Sassari: Dessi, 1979), p. 115. See also N. Urbinati, ‘Introduction: another socialism’, in C. Rosselli, *Liberal Socialism* (Princeton NJ: Princeton University Press, 1994).

¹⁰¹ Mazza, *Il Partito d’Azione*, pp. 97, 141–7; A. M. Cittadini Cipri, *Il Partito d’Azione e la Questione Meridionale* (Palermo: Epos, 1982), pp. 19–31.

Lorenzo Ornaghi has suggested that a political awareness of Keynes spread throughout the party as a result of the debates on the Beveridge Plan.¹⁰² As we have seen, the plan had already been presented to the Italian public in 1943 by a fascist review, but in 1945–6 it was discussed again and, this time, from a political perspective closer to Beveridge’s liberal mindset. Remarkably, on this occasion, the debate went on not only in specialised publications and economic journals, but also in some of the periodicals and magazines which had mushroomed in the aftermath of the Liberation, and which addressed both the educated public and the political elite.¹⁰³ The Partito d’Azione’s 1944 manifesto advocated a welfare state based on a mixed economy, full employment and a plan for international economic reconstruction.¹⁰⁴ It was about recasting Italian democracy in the new mould of American and northern European ‘reformed’ capitalism – a factor which contributed to the group’s enthusiasm for European integration after the war.¹⁰⁵ On the other hand, they resisted the idea of the planned economy (which at the time was closely associated with communism) and seemed to use Keynes ‘more as a political reference point than as a “diffused economic culture”’.¹⁰⁶ In fact, one of the leading economists in the group, Ernesto Rossi, rejected Keynes’s economic prescriptions because he feared that they would become the excuse for an uncontrolled increase of public expenditure.¹⁰⁷ Their programmatic documents mentioned Beveridge and social reform in Britain, but such references came as part of an eclectic package which included allusions to other models and influences, such as the ‘democratic’ Soviet constitution of 1936.¹⁰⁸ However, at the time the latter reflected the ecumenical spirit of the Resistance rather than any sympathy for Soviet socialism – which the group had always emphatically rejected. It was partly to stress their liberal credentials that they emphasised the role of Keynes and Beveridge in their understanding of planning.¹⁰⁹

¹⁰² L. Ornaghi, ‘I progetti di stato’, in Ruffilli (ed.), *Cultura politica e partiti*, vol. I, p. 82 n.

¹⁰³ Benedetto Fenzi, *Il piano Beveridge*, with a preface by M. Cingolesi Rome, c. 1945); A. Ferrara, ‘Capitalismo e socialismo nei piani Beveridge’, *Nuova Europa* 2, 6 (1945), 4; P. Treves, ‘Beveridge maggiore e minore’, *Nuova Europa* 2, 32 (1945), 3; and Gaetano Stamatii, *Dal ‘Piano Beveridge’ al progetto laburista sulle assicurazioni sociali* (Rome: Associazioni Italo-britannica, 1946).

¹⁰⁴ See point VII of La Malfa’s ‘Ten points’ (1944), in Mazza, *Il Partito d’Azione*, pp. 200–1. There are only brief and occasional references to Keynes in U. La Malfa, *Scritti 1925–1953*, ed. G. Tartaglia, introduction by L. Valiani (Milan: Mondadori, 1988).

¹⁰⁵ L. Mechi, *L’Europa di Ugo La Malfa. La via italiana alla modernizzazione (1942–1979)* (Milan: Franco Angeli, 2003).

¹⁰⁶ De Luna, *Il Partito d’Azione*, p. 219.

¹⁰⁷ Salvati, ‘Amministrazione pubblica e partiti’, p. 490 n.

¹⁰⁸ Cittadini Cipri, *Il Partito d’Azione*, p. 249.

¹⁰⁹ L. Polese Remaggi, *‘Il Ponte’ di Calamandrei 1945–1956* (Florence: Olschki, 2001), p. 194.

By 1945 the Azionisti had narrowed their focus by identifying Attlee's Labour party as 'the most tangible fulfilment of a reformist, democratic, liberal socialism'. It celebrated the fact that 'the forces of the working class movement in Great Britain were able to fulfil in their government experience the ideas about social security and employment originating from men from the liberal school, including Lords Beveridge and Keynes'.¹¹⁰ In July 1945 the economist Alberto Bertolino observed that the time had come to fill 'the gap between economics and ethics' in the pursuit of a 'democratic revolution'.¹¹¹ He championed 'the Beveridgean ideal' which '[would] reconcile social needs with individual liberty' and adopted the Keynesian theory of the multiplier as part of his advocacy of radical state intervention, public investments and fiscal reform.¹¹² Already in the inter-war years, starting from the pre-classical tradition of economics and influenced in particular by John Locke's view of labour as the source of property rights, Bertolino had adopted an explicitly Keynesian approach. In 1945 he became the most prominent Keynesian in the Azionista tradition, most effectively as the economics editor of the group's most prestigious periodical, *Il Ponte*, and as a columnist in *Il Mondo*, a progressive liberal journal published in Rome. Keynes and Beveridge were now identified with the 'third way' between socialism and free market capitalism.¹¹³ Paolo Baffi further boosted Beveridge's influence with an article on President Truman's support for a policy of full employment, and in 1948 translated *Full Employment in a Free Society*.¹¹⁴ Beveridge's *The Price of Peace* (1945) had already been translated in 1946 (*Il prezzo della pace*), followed by *Why I am a Liberal* (1945), which appeared as *Perché e come sono liberale* in 1947. By then, as we have seen, an Italian edition of Keynes's *General Theory* had also appeared, and the Cambridge scholar's name was widely known even outside the circle of economic specialists.

These publications encouraged the development of what Federico Caffè described as the idea of 'democratic planning'. Based on an organicist understanding of the national economy, 'democratic planning' accepted the need for permanent state intervention and tried to recover and consolidate the values of the Resistance (solidarity, social equality and the importance of self-fulfilment) as part of a democratic economic strategy. Between 1945 and 1947, writing in *Il Ponte* or in

¹¹⁰ V. Spini, 'Socialismo liberale oggi', *Nel nome dei Rosselli 1920–1990*, in *Quaderni del Circolo Rosselli* 11, 1 (1991), 99.

¹¹¹ Polese Remaggi, *Il Ponte*, pp. 188–9.

¹¹² *Ibid.*, pp. 191, 195. ¹¹³ *Ibid.*, p. 198.

¹¹⁴ P. Baffi, 'Il messaggio di Truman: pieno impiego per tutti' in *Realtà politica* 1, 20 (1945), 22–3; and W. H. Beveridge, *Relazione sull'impiego integrale del lavoro in una società libera*, trans. P. Baffi and F. di Falco (Turin: Einaudi, 1948).

specialised economic journals, F. Caffè, S. Lombardini and A. Bertolino insisted that planning was a system of social values as well as an economic strategy.

The Partito d'Azione consisted mainly of secularists, with a number of Jews and Protestants, all proud of the traditions of the radical Risorgimento.¹¹⁵ Meanwhile, quite a different school of social reformers interested in Keynesian ideas was coming together at the Università Cattolica di Milano. There the first to respond to Keynes was apparently a young lecturer in the history of economic thought, Amintore Fanfani, in 1934.¹¹⁶ A more engaged and sophisticated attitude emerged from 1942 to 1943 in the *Rivista internazionale di scienze sociali*, published by the Università Cattolica. The *Rivista* hosted a series of articles reflecting an awareness of Keynes's ideas and discussing the Beveridge Plan.¹¹⁷ These ideas found fertile soil in the group of left-wing, antifascist Catholics led by Giuseppe Dossetti and Giorgio La Pira. Although they were virulently 'antiliberal' (that is, hostile to the liberalism of 1789 and the Risorgimento), they developed their own theory of human rights, which stressed the notion of 'the person' (supposedly more socially integrated than 'the individual'). In practice, in its outcomes, this theory was unwittingly similar to the Anglo-American liberalism which these Catholics intended to reject.¹¹⁸ In the process, they became open to new suggestions in terms of economic policies, which they adopted from non-Catholic sources, and especially from the (predominantly Protestant) British Labour party.¹¹⁹ By 1945 it seemed that Fanfani himself was developing something like a

¹¹⁵ De Luna, *Il Partito d'Azione*, pp. 28–9; Valiani, 'Il Partito d'Azione', pp. 85–92; D. Gay Rochat, *La resistenza nelle valli valdesi* (Turin: Claudiana, 1969); and Spini, *La strada della Liberazione*.

¹¹⁶ A. Fanfani, *Cattolicesimo e protestantesimo nella formazione storica del capitalismo* (Milan: Marsilio, 1934): for a discussion see Pombeni, *Il gruppo dossettiano*, p. 51 and n.

¹¹⁷ F. Feroldi, 'Il controllo della congiuntura e la teoria del moltiplicatore', and C. Ruini, 'Il moltiplicatore nella politica dei lavori pubblici e nell'economia di guerra', *Rivista internazionale di scienze sociali* (1942); and I. M. Sacco, 'Considerazioni intorno al piano Beveridge', *Rivista internazionale di scienze sociali* (1943). On the history of the *Rivista*, see Pombeni, *Il gruppo dossettiano*, p. 51 n. 80, and D. Parisi Acquaviva, 'La "Rivista internazionale di scienze sociali" e la prima accoglienza di Keynes in Italia', in 'Keynes in Italia', pp. 267–77.

¹¹⁸ The complexity of this 'personalist' doctrine and its ultimate reliance on the external authority of the Catholic church – as well as its eventual defeat in the constitutional debate – are analysed by P. Pombeni, 'Individuo/persona nella Costituzione italiana', *Parole chiave* no. 10/11 (1996), 197–218. Post-1945 Catholic antiliberalism and the misconceptions on which it was based is elegantly discussed in Pombeni's unpublished paper 'Some roots of antiliberalism in post-war Italy' (delivered at M. Freedén's research seminar at Oxford, 2002).

¹¹⁹ S. Lanaro, *Storia dell'Italia repubblicana. Dalla fine della Guerra agli anni Novanta* (Venice: Marsilio, 1992), p. 108; A. Scivoletto, *Giorgio La Pira. La politica come arte della pace* (Rome: Studium, 2003).

Keynesian strategy, linking economic reform to democracy in both the domestic and international spheres. Each citizen should be given the opportunity to realise the potential implied by his talents and this required state intervention and, effectively, a Beveridgean welfare state.¹²⁰

How significant was the latter as a model? It was certainly important for the Partito d'Azione, as we have already seen; but their electoral muscle did not match their intellectual prestige. By contrast the DC was in a very strong political position, but was far less homogeneous, with considerable differences between left and right. The party's leading thinker was Luigi Sturzo, an uncompromising antifascist who had spent twenty years in exile in London and was well connected with British, French and German Christian Democrats. Although in 1945 he argued that Italy would need '[a] plan like that of Beveridge',¹²¹ there is no evidence that he ever seriously considered Keynes's ideas. He focused instead on the co-operative movement and took a pragmatic approach to economic policy, moving from 'Christian corporativism' in 1938 to a rather conventional adherence to the canons of *laissez-faire* economics after the war. Like Einaudi, he was mainly concerned about the preservation of economic freedom, which he regarded as essential to political liberty. He thought that the state should limit its action to regulating the market, and should not try to shape the direction of economic development through planning and investments. In fact he became more and more hostile to state intervention as he realised that the latter was misused by DC government ministers, resulting in widespread corruption and the irresponsible manipulation of public funds.¹²² In this too he was close to Einaudi's liberal school.

As we have already seen, the attitude of the DC left, and especially the Dossettiani wing including Fanfani and La Pira, was very different. Pombeni has argued that members of this group were more attracted by the American 'New Deal' approach than by British welfare, having access to Keynesianism only at a later stage through the younger

¹²⁰ A. Fanfani, *Persona, seni, società in una rinnovata civiltà cristiana* (Milan: Giuffrè, 1945). See Pombeni, *Il gruppo dossettiano*, pp. 138–50. For the influence of these ideas on the making of the Constitution, see P. Pombeni, *La Costituente. Un problema storico-politico* (Bologna: il Mulino, 1995), p. 110.

¹²¹ L. Sturzo, *L'Italia e l'ordine internazionale* (Turin: Il Segnalibro, 2000), p. 141. I am grateful to G. Farrell-Vinay for calling my attention to this dimension of Sturzo's thought.

¹²² F. Piva, *Vita di Luigi Sturzo* (Rome: Cinque Lune, 2001), pp. 431–2; N. Andreatta, 'Potere pubblico e mercato: la natura economica dei partiti di ispirazione cristiana', in G. de Rosa (ed.), *Luigi Sturzo e la democrazia europea* (Rome: Laterza, 1990), pp. 302–6; and G. de Rosa's introduction to G. Argiolas (ed.), *L. Sturzo, Politica di questi anni. Consensi e critiche (dal gennaio 1957 all'agosto 1959)*, *Luigi Sturzo Opera Omnia*, 2nd series, vol. XIV (Rome: Gangemi, 1998), pp. vii–xiii.

generation of economists and social reformers.¹²³ However, it is not clear to what extent we can draw such a fine distinction between the American and British influence when it comes to the Italian appropriation of the rhetoric of the ‘New Deal’ in these years, in view of the contemporary popularity of the Beveridge Plan, the lively debates on Keynes among economists throughout the 1930s, the role of Harold Macmillan as Italian *supremo* until 1945, and the Labour party’s electoral victory of that year. Federico Caffé – who, as we have seen, was in England from the autumn of 1947 – was in contact with Dossetti and provided him with economic advice. Despite the fact that he was a *laico*, rather than a political Catholic, *Cronache sociali* invited him to contribute surveys of the policies of the Attlee government.¹²⁴ Indeed, Pombeni agrees that from 1947 the British influence was paramount among the Dossettiani, who became enthusiastic admirers of Stafford Cripps’s ‘Christian socialism’ and the Labour party in general (La Pira believed that Keynes himself was a *laburista*).¹²⁵

This influence was further consolidated from the early 1950s. In 1950 La Pira published two important and controversial articles in which he expanded on Keynes and his relevance for Italy.¹²⁶ Extensively citing *The Economist*, Jesus Christ, Beveridge and Keynes (all apparently enjoying equal authority in economic, if not spiritual, matters), La Pira celebrated the ‘revolutionary’ potential of the Cambridge economist, whose theories allegedly embodied ‘the “economic and financial policy” of the Gospel’ and were bound to attract ‘God’s blessing’.¹²⁷ If the modern reader feels bemused by La Pira’s dogmatic style, the historian must bear in mind that his words reflected the hopes of the rising generation of progressive

¹²³ Pombeni, *Il gruppo dossettiano*, pp. 276–7. For the debate within the Christian Democrat movement, see P. Roggi, *Riviste cattoliche e politica economica in Italia negli anni della ricostruzione: un contributo alla fortuna di Keynes in Italia* (Milan: Franco Angeli, 1988).

¹²⁴ F. Caffé, ‘Consiglio economico e problemi della pianificazione’, *Cronache sociali*, 15 September 1947; and ‘Significato dell’austerità’, *Cronache sociali*, 15 November 1947.

¹²⁵ Pombeni, *Il gruppo dossettiano*, pp. 378, 380–1. La Pira’s belief that Keynes was a ‘Labourist’ helped him to ignore the uncomfortable truth that he, a good Catholic, was now borrowing ideas from the *liberal* tradition. For an example of the Dossettiani’s Labour inclinations, see G. La Pira, ‘Le due fasi dell’esperienza laburista’, *Cronache sociali*, 15 November 1947, p. 9. There, in true Whiggish style, La Pira praised ‘The British evolutionary drive which, in contrast to what often happens in continental Europe and elsewhere, hardly ever stops for long . . . revolutions are fulfilled by instalments with a gradualism capable of bridging the deepest ideological divides’. As for Stafford Cripps’s influence, the Dossettiani sponsored the translation of his *Feet on the Ground* in 1950.

¹²⁶ G. La Pira, ‘L’attesa della povera gente’, *Cronache sociali*, 15 April 1950; and ‘Difesa della povera gente’, *Cronache sociali*, 1 July 1950.

¹²⁷ La Pira, ‘L’attesa della povera gente’, 3–4.

Christian Democrats who would soon rule the country, including Nino Andreatta.¹²⁸

Dossetti, Fanfani, La Pira and the secular-minded Azionisti were among the Constituent Assembly's leading lights. From the start, the Assembly accorded special emphasis to the citizens' social and economic rights (whose definition was entrusted to a special sub-committee, different from the one which worked on political rights). They too looked at the Soviet constitution of 1936 as one of their models.¹²⁹ What emerged was the idea of a constitution as a social-democratic programme for the new Italy. In particular, Fanfani insisted on full employment as both a social right and a duty, regarded social welfare as part of the right to life and emphasised demands for universal education, trade union rights and the 'social control of economic life'. The Constitution's final draft affirmed all these principles as well as more conventional liberal rights, such as private property and freedom of economic enterprise. Throughout the document there was an uncanny coming together of Catholic and Beveridgean ideas, as *The Economist* pointed out. It was the ultimate embodiment of Correlli Barnett's nightmare: an unholy alliance between secular idealism and Christian utopianism.

IV

Thus, in terms of attitudes to social rights and economic policies there was genuine common ground between Azionisti and Dossettiani. Their prescriptions converged (although did not coincide) with those of Catholic planners, like Pasquale Saraceno and Ezio Vanoni, who belonged to other progressive groups within the DC. They too had been working on the idea of a 'third way' or 'pluralist' approach to planning, which they saw not as the antithesis of the market, but as a strategy to 'direct and better guarantee [its] working', ensuring both that it delivered social justice and prevented the formation of private monopolies. These scholars and politicians wished to provide a counter-attraction to communism and revolutionary socialism in all its forms and turn the idea of 'democratic planning' into a general aspiration, consistent with both the ideals of the Resistance and the practice of post-war Western democracy.

¹²⁸ Andreatta, who was then a young lecturer at the Università Cattolica and a subscriber to *Cronache sociali*, actually moved to Cambridge to study under Kaldor in the 1950s. He was to become one of the architects of the Italian 'welfare state'. N. Andreatta, *Cronache di un'economia bloccata* (Bologna: il Mulino, 1973), pp. 245–78. I am grateful to P. Pombeni for calling my attention to this book.

¹²⁹ Pombeni, *Il gruppo dossettiano*, pp. 227–8.

Unfortunately for the Italian poor, it was and remained for too long an aspiration, rather than government policy. In 1947–9 occasional gestures towards the policies advocated by Dossetti and La Malfa were delayed in Parliament and half-hearted when implemented, with some departments demanding investments while the Budget Ministry insisted on cutting expenditure. In 1948 a proposal to consult the main trade union organisation (CGIL) in the preparation of a housing programme was resisted. In this context there took place a running battle between the Keynesian-minded American administrators of the Economic Cooperation Administration – who demanded a policy of state investments to increase employment and wages – and the Italian Treasury, which pursued monetary stability and was mainly concerned to sustain exports, even at the cost of exporting surplus labour through mass emigration.¹³⁰ Einaudi reiterated the position which he had already expressed in 1933: investments required the prior accumulation of private savings – which meant prioritising the growth of middle-class incomes and confidence.¹³¹ For the Keynesians this would indeed achieve equilibrium, but at the cost of permanent unemployment and the underutilisation of the country's existing manufacturing capacity. But the 1948 general election resulted in a landslide majority for the parties of the centre-right and provided the free market economists with the political backing they needed to resist planning. Einaudi made sure that his successor at the Bank of Italy was Donato Menichella, a man who shared his economic convictions and monetary policies.

Unshakeable in their Hayekian certainties (the *Road to Serfdom* had been translated in 1946), Einaudi, Menichella, Bresciani-Turroni, Demaria and others remained consistent opponents of planning – which they damned as 'extremely dangerous', denying that there was a 'third way' between full socialism and the free economy.¹³² One preoccupation shared by all these scholars was that deficit spending would foster uncontrollable inflation, eventually resulting in open civil war between the impoverished middle classes and unemployed workers. In other words, they feared that Republican Italy would follow in the footsteps of the Weimar Republic.¹³³ It was only with the changed international situation

¹³⁰ Salvati, 'Amministrazione pubblica e partiti', pp. 512–15.

¹³¹ Einaudi, 'Risparmio ed investimento', p. 300.

¹³² Barucci, *Ricostruzione, pianificazione, Mezzogiorno*, pp. 233, 236.

¹³³ This applies in particular to Bresciani-Turroni, who had spent time in Germany during the hyperinflation and the depression of 1924–31 after which he published *Le vicende del marco tedesco* (Milan: Univ. Bocconi Editrice, 1931) and *Previsioni economiche* (1932), on the psychological, financial and economic causes which brought about the crisis of the Austrian Kredit-Anstalt.

and the decline of the electoral fortunes of the centre-right after 1953 that a new political space for ‘democratic planning’ began gradually to emerge.

Thus the crux of the problem of Keynes’s late acceptance was not ‘ignorance’ or provincialism, but active and deliberate resistance. Established academics such as Einaudi and del Vecchio were entrusted with the responsibility to shape the financial policies of the new Republic. They had long known Keynes, but strongly disapproved of his theories.¹³⁴ The most powerful statesman of the period, the DC leader Alcide de Gasperi, shared their hostility to the Keynesian project of a welfare state.¹³⁵ Furthermore, even some of the economic experts who were sensitive to the problems of unemployment and mass poverty – like Ernesto Rossi – were ‘strongly allergic’ to Keynes because they feared that in the Italian milieu his doctrine would become the excuse for a reckless increase in public expenditure.¹³⁶ However, in the post-war context the deflationary policies implemented by Einaudi and his successors erred in the opposite direction, with serious consequences. In particular, while Italian industry had suffered only very limited damage during the war (average 8 per cent), output remained well below the 1938 level until October 1951, when, as an effect of the Korean War, foreign demand expanded and compensated for the sluggish domestic consumption.¹³⁷ But throughout this period the government saw labour costs as the main cause of lack of competitiveness, and pursued a strategy which included depressing wages and boosting middle-class savings and incomes. In the short term the result was inflation, unemployment and emigration.

Obsessed with the memory of fascist-corporatism and state control over the economy, Italian policy-makers even refrained from asking for more ERP (European Recovery Program, or Marshall Plan) help. They were concerned about the political consequences it might have, notably in terms of government interference with industrial restructuring.¹³⁸ Eventually they used part of the aid they received ‘to build up their gold and foreign exchange reserves’, which grew from \$70 million in September 1947 to \$921 million in September 1950.¹³⁹ While Correlli Barnett has

¹³⁴ Although del Vecchio was one of the ‘three teachers’ who, unwittingly, stimulated Caffè to ‘discover’ Keynes: F. Caffè, ‘L’accostamento a Keynes’, pp. 36–7.

¹³⁵ F. de Felice, ‘Nazione e crisi: le linee di frattura’, in *Storia dell’Italia repubblicana*, vol. III: *L’Italia nella crisi mondiale. L’ultimo ventennio* (1996), p. 161.

¹³⁶ M. Salvati, ‘Amministrazione pubblica e partiti’, p. 490 n.

¹³⁷ De Cecco, ‘Economic policy in the Reconstruction period’, p. 158.

¹³⁸ Salvati, ‘Amministrazione pubblica e partiti’, p. 510; de Cecco, ‘Economic policy in the Reconstruction period’, p. 177.

¹³⁹ De Cecco, ‘Economic policy in the Reconstruction period’, p. 178. Einaudi resented American demands for the Italians to upgrade their investment policy and complained

contrasted Britain with Italy, arguing that the former prioritised imports and the maintenance of gold and dollar reserves, rather than industrial investments, this was exactly the order of priorities adopted by the free market policy-makers in Rome.¹⁴⁰

In other respects they carried out the sort of policies which Correlli Barnett would have liked implemented in Britain. Their success – culminating in the boom of the 1950s – would seem to corroborate his analysis of the economic advantages of free market economics in continental Europe, in contrast to British ‘socialism’. A number of leading economic historians have reached similar conclusions: they think that, although in many ways counterintuitive at the time, Einaudi’s overall economic strategy yielded long-term growth: in the 1940s he was ‘betting on the future’.¹⁴¹ However, other scholars point out that the Italian ‘economic miracle’ came at a huge human and social cost and was ultimately the result of exogenous factors rather than the government’s free market ‘gamble’. In particular, the Korean War boom ‘proved, by sending production figures so high in so short a time, how much spare capacity there had been in the [previous] three years of squeeze’.¹⁴²

After the centre-right was weakened at the 1953 election the Christian Democrats became more amenable to Keynesian proposals. This resulted in the government’s adoption of the *Schema di sviluppo dell’occupazione e del reddito in Italia 1955–1964* on 29 December 1954. It was conceived and drafted by Ezio Vanoni, a Catholic economist who had gradually accepted Keynesian ideas as a solution to his Christian concern for preserving human dignity and social justice within a market system. Known as the *Schema Vanoni*, this document had the three aims of full employment, development of the South and balancing of the trade deficit. However, it was never implemented, partly because of the government’s changed political outlook after the deaths of both de Gasperi and Vanoni (in 1954 and 1956 respectively) and partly because the increased

about ‘the [Keynesian] twisting of ideas which runs through the Anglo-Saxon world’ (Einaudi to Ernesto Rossi, 17 March 1950, cit. in Salvati, ‘Amministrazione pubblica e partiti’, p. 514 n.).

¹⁴⁰ C. Barnett, *The lost victory. British dreams, British realities 1945–1950* (London: Macmillan, 1995), pp. 367–8, 374–5. Like some of their counterparts at the British Treasury, the men who directed Italian economic policy after the war regarded a strong and stable currency as ‘a reservoir of [moral] values’: Romani, ‘La Teoria generale keynesiana e il liberismo italiano’, p. 299.

¹⁴¹ V. Zamagni, ‘Betting on the future. The reconstruction of Italian industry, 1946–1952’, in J. Becker and F. Knipping (eds.), *Power in Europe: Great Britain, France, Italy and Germany in a postwar world, 1945–1950* (Berlin: Walter de Gruyter, 1986), pp. 283–300; J. Cohen and G. Federico, *The growth of the Italian economy, 1820–1960* (Cambridge: Cambridge University Press, 2001), pp. 87–106.

¹⁴² De Cecco, ‘Economic policy in the Reconstruction period’, p. 179.

foreign demand created by the European Economic Community (EEC) from 1958 resolved some of the problems which the plan had originally targeted.¹⁴³

By then ‘Keynes’ had become an inevitable term of reference in the political discourse, but had also been ‘domesticated’ to render him less revolutionary and more consistent with classical political economy – a strategy which Macchioro has ironically dubbed the ‘Corbynesian revolution’, from the name of the free market liberal Epicarno Corbino, who presided over the emasculation of Italian Keynesianism. The outcome was a consolidated eclecticism which ensured that old practices would continue with minimal concessions to both the demands of the times and the new centre-left majority in Parliament.¹⁴⁴ It was only in the 1960s that the new EEC-led external demand and the radicalisation of industrial relations at home ushered in an Italian version of the welfare state. The latter relied on Keynesian analysis and rhetoric, but also resurrected older practices and expectations inherited from the fascist period. These included the notion of the ‘party’ as the intermediary between the individual and the state and as a ‘quasi-public entity with administrative, as well as propaganda, functions’.¹⁴⁵ Basically, this reflected the politicisation of the economic debate and the related belief that, as Bini has put it, ‘Keynes’ most innovative contribution was not the forging of new analytical tools, but the widening of the field of social phenomena which could be subjected to scientific treatment.’¹⁴⁶

Harper has suggested that ‘If Keynesian doctrine is relevant to the Italian experience . . . it served mainly to provide an ex-post rationalization for an ad hoc, politically inspired, and uniquely Italian strategy.’¹⁴⁷ He is probably right, but this does not necessarily reflect any Italian ‘exceptionalism’. For, on the one hand, it is now generally accepted that, not only in Italy, but in all other Western European countries there was substantial continuity between pre-war experiments in planning and social assistance, and post-war welfare: in this respect Italy was not unusual.¹⁴⁸

¹⁴³ A. Magliulo, *Ezio Vanoni. La giustizia sociale nell'economia di mercato* (Rome: Studium, 1991), pp. 72, 78–9. See E. Vanoni, ‘Pianificazione economica in regime democratico’ and ‘Lo “Schema generale”: linee di sviluppo e metodologia’ in P. Barucci (ed.), *La politica economica degli anni degasperiani* (Florence: Felice Le Monnier, 1977), pp. 314–20 and 339–59 respectively.

¹⁴⁴ Macchioro, *Studi*, pp. 648–51.

¹⁴⁵ Salvati, ‘Amministrazione pubblica e partiti’, p. 426.

¹⁴⁶ Bini, ‘Keynes in Italia e la trasmissione internazionale delle idee economiche’, p. 123.

¹⁴⁷ J. L. Harper, *America and the reconstruction of Italy, 1945–1948* (Cambridge: Cambridge University Press, 1986), p. 165. Cf. C. Pinzani, ‘L’Italia nel mondo bipolare’, in *Storia dell’Italia repubblicana*, vol. II: *La trasformazione dell’Italia. Sviluppo e squilibri* (1995).

¹⁴⁸ For a recent survey, see I. Masulli, *Welfare state e patto sociale in Europa: Gran Bretagna, Germania, Francia, Italia 1945–1985* (Bologna: CLUEB, 2003).

Therefore it is not surprising that post-war social policies built upon the experience of the 1930s. On the other hand, in terms of the intellectual debate, it is difficult to accept without qualification Salvati's claim about the 'profound foreignness of Italian economic culture . . . in relation to the Keynesian philosophy which inspired most of the American officials' criticism'.¹⁴⁹ Italian economists, and a number of politicians in both the liberal and the Catholic left were well aware of the Keynesian revolution. However, those who would have wanted to adopt it were not in a position to shape financial policy, while those who *were* in charge of the latter were resolutely opposed to Keynes. The Italian delay and development peculiarities were not the result of a conflict between the Italian and the British or American economic cultures, but of one *within* Italian culture between two clear-cut strategies and related ideologies. Such a clash was not 'peculiar' to Italy, for both economic and political schools were also present in the Anglo-American world. However, its outcome was different: in Britain, Keynesianism triumphed for a generation, until it was rolled back by Thatcher from 1979. In Italy, its equivalent and the 'liberal-socialist' culture of the Resistance, which at one stage was incorporated in the Constitution, was defeated by Einaudi, a man who, like Thatcher, had an unshakable, semi-religious faith in the righteousness of the free market and the long-term benefits of its rigid application.

¹⁴⁹ Salvati, 'Amministrazione pubblica e partiti', pp. 513–14.

Part III

Economic forces and their significance

8 Where did it all go wrong? Cultural critics and ‘modernity’ in inter-war Britain

Stefan Collini

I

‘The history of twentieth-century Britain threatens to become a history of decline, centred on the question: where did it all go wrong?’ Peter Clarke’s observation, from the introduction to *Hope and Glory: Britain 1900–1990*, refers primarily to matters connected to loss of Great Power status and to diminishing economic competitiveness.¹ But the ‘where’ and the ‘all’ in this rhetorical question also invite us to consider a related set of questions. Diagnoses of a more deep-seated *cultural* decline became commonplace, and anxieties about the *morally* debilitating character of ‘modernity’ enjoyed a particular prominence in cultural commentary in the first half of the century, above all in the inter-war years, the period on which this essay will focus. In their most interesting form, these diagnoses were not merely free-standing denunciations of selectively perceived current trends: they relied upon an interpretation of English (and sometimes more general) history that reached back into earlier periods for their explanations, thus making the question of ‘where’ it ‘all’ went ‘wrong’ a topic, or series of topics, on which historical – and, particularly prominent and influential in this period, literary-historical – scholarship fed into wider public debate.

At the heart of such polemical analyses by cultural critics lay, I wish to propose, a challenge to the category of ‘the economic’, the central analytic category presumed by those discussions of the relation between policy and prosperity which, in one form or another, constitute much of the subject-matter of the other essays in this volume. For understandable reasons, questions about the place, power and limitations of the economic in human life enjoyed a particular salience in educated discourse in inter-war Britain, albeit sometimes in displaced and disguised forms. Most straightforwardly, economic issues impinged on public consciousness particularly

¹ P. F. Clarke, *Hope and Glory: Britain 1900–1990* (London: Penguin, 1996), p. 3.

forcibly, from the post-war inflation and its social costs, through the question of maintaining or abandoning the Gold Standard, and on to the Wall Street crash and the Great Depression. The central questions of politics seemed to turn more and more on economic policy, on the promotion or destruction of prosperity, increasingly on the macro-management of 'the economy' as a whole. Moreover, by the 1930s the chief political and intellectual challenge to inherited liberal pieties appeared to come from Marxism, understood at the time as a doctrine which asserted the primacy of the economic in determining both the course of history and the political and cultural possibilities available at any moment within it. More broadly, reactions against advertising, the motor car, the spread of the suburbs, and other outriders of 'the modern', demonised economic forces as the agents of cultural decline.

Correspondingly, a structuring modality in critiques of 'modernity' – whenever the era designated by that essentially ahistorical category was assumed to have begun – involved the portrayal of 'modern' society as in some way especially or uniquely or unrestrainedly given over to the pursuit of 'merely economic' goals. The logic of such critiques required both the adumbration of some alternative, superior scale of values, and a historical account of how and when this distinctively modern pathology had displaced the healthier state of affairs which was alleged to have preceded it. In both respects, an effort had to be made to relativise in some way the familiar, long-naturalised, category of 'the economic'.

Such efforts represented an obvious continuity with the kinds of moral and aesthetic critiques of 'the cash nexus' and 'the manufacturing system', together with attacks on their supposed legitimation by the accompanying 'dismal science', familiar in 'condition-of-England' writing from the early nineteenth century onwards. The persistence into the inter-war years of updated versions of well-established charges against these alleged deformations of English society (of any humanly decent society) may be seen as a further instance of 'the survival of Liberal England', whether 'strange' or not. But the inter-war years witnessed a notable broadening of this traditional critique. Two features of the redirection of attention that was involved stand out. First, it promoted a more sustained questioning of the place of economic activity in human life and a more wide-ranging exploration of the alleged cultural significance of its accepted centrality in 'modern' society. Second, it entailed reaching back 'behind' the Industrial Revolution, the usual suspect where charges of a catastrophic moral or cultural decline were concerned, to the period which both enabled and legitimated the kinds of economic activity which were held to have brought about the dramatic transformation of English society in the late eighteenth and early nineteenth centuries.

Historians, economists, philosophers and other commentators addressed these issues in various ways, but among cultural critics, especially those working from a base in literature, a particular stimulus – and, at the same time, a peculiar vagueness – was imparted to this historically more ambitious critique by the remarkable authority enjoyed from the 1920s to at least the 1950s by T. S. Eliot's claims about a 'dissociation of sensibility', alleged to have taken place in the middle of the seventeenth century. Eliot had proposed such an idea almost as a series of asides in the course of reviewing an anthology of seventeenth-century poetry in 1921, though it was the version of this review-essay reprinted first in his *Homage to John Dryden* (1924) and then in his *Selected Essays* (1932) that became the canonical text. In the poetry of the late sixteenth and early seventeenth centuries there was said to be 'a direct sensuous apprehension of thought'; 'a thought to Donne was an experience: it modified his sensibility'. But then something 'happened to the mind of England between the time of Donne or Lord Herbert of Cherbury and the time of Tennyson and Browning'. 'In the seventeenth century a dissociation of sensibility set in, from which we have never recovered.' Henceforth, 'thought' asserted its imperium as something rational and impersonal, relegating feelings or sensibility to the realm of 'the sentimental'.²

What began as an almost casual piece of provocation by Eliot the literary reviewer became, in the course of the next couple of decades, the basis of an established orthodoxy, first in literary history and then in cultural criticism more generally.³ The terms of Eliot's celebrated, though also nebulous and notoriously slippery, claim may initially seem far removed from the likely terms of any challenge to the category of 'the economic' in contemporary discussion. However, I shall suggest some of the ways in which a particular interpretation of the emergence in the seventeenth century of 'modern' society, with 'the economic' as its defining category, came to be absorbed by literary and cultural critics in an understanding of the seventeenth century which represented, in effect, an expansion of Eliot's claims about its poetry and sensibility.

² T. S. Eliot, 'The metaphysical poets', in *Selected Essays* (1st edn, 1932; London: Faber, 1951), pp. 281–91; the piece had originally appeared as a review-essay on H. J. C. Grierson (ed.), *Metaphysical lyrics and poems of the seventeenth century: Donne to Butler* (Oxford: Clarendon Press, 1921) in the *Times Literary Supplement* (20 October 1921), 669–70.

³ For the literary-historical story, see J. E. Duncan, *The revival of Metaphysical Poetry: The history of a style, 1800 to the present* (Minneapolis: University of Minnesota Press, 1959), esp. chap. 8; for a participant-observer's view, see F. W. Bateson, 'Contributions to a dictionary of critical terms, II: "dissociation of sensibility"', *Essays in Criticism* 1, 3 (July 1951), 302–12; and for a modern summary, see C. Baldick, *The Modern Movement 1910–1940*, *The Oxford English Literary History*, vol. X (Oxford: Oxford University Press, 2004), pp. 256–7.

The primary locus of this understanding in the cultural criticism of the period is to be found in *Scrutiny*, a quarterly launched in 1932 and in effect inspired and directed by F. R. Leavis. Contributions to the journal were marked especially by the application to the cultural critique of contemporary society of the new intensity in reading and responding to works of literature associated with 'Cambridge English', which itself drew inspiration and authority from the poetry and criticism of Eliot.⁴ But Leavis and his associates, pointedly accentuating their distance from, and eventually antagonism towards, these immediate forebears, represented the University Militant, spurning any accommodation with the corrupted world around them. Their view of the moral health of contemporary society was a notoriously gloomy one. 'Change has been so catastrophic', asserted Leavis in 1930, that it has caused grave 'injury to the standard of living (to wrest the phrase from the economist)'.⁵ The attempt to 'wrest . . . from the economist' both the idiom in which, and the authority by which, 'flourishing' and 'decline' were to be measured was a recurring motif in the work of this group in the 1930s and 1940s, and it was bound up, I want to suggest, with a reinterpretation of the seventeenth century. For that task, one recent work of historical scholarship was already making itself unignorable.

A few months after the original version of Eliot's essay appeared in the *Times Literary Supplement*, R. H. Tawney delivered at King's College, London the first in a series of lectures established to commemorate the churchman and social reformer Henry Scott Holland under the general rubric 'the religion of the Incarnation in its bearing on the social and economic life of man'. Perhaps no single work of historical research had more impact on educated opinion between the wars than the book which issued from these lectures, entitled *Religion and the Rise of Capitalism*.⁶ Its effect 'on both social and historical thought in Britain was profound',⁷ and it later received the accolade of being denounced by G. R. Elton as 'one of the most harmful books written in the years between the wars. At least one generation, and that a crucial one, was given grounds for believing that

⁴ The standard work on *Scrutiny* is still Francis Mulhern, *The moment of 'Scrutiny'* (London: New Left Books, 1979); for a brief introductory account of 'Cambridge English', see Stefan Collini, 'Cambridge and the study of English', in S. J. Ormrod (ed.), *Cambridge contributions* (Cambridge: Cambridge University Press, 1998), pp. 42–64.

⁵ F. R. Leavis, 'Mass civilization and minority culture' (1930), repr. in *For continuity* (Cambridge: Minority Press, 1933), p. 17.

⁶ R. H. Tawney, *Religion and the rise of capitalism: A historical sketch* (London: John Murray, 1926); hereafter page references to this edition will be given in the text (RRC).

⁷ R. H. Tawney's *commonplace book*, ed. J. M. Winter and D. M. Joslin, *Economic History Review Supplement* (Cambridge: Cambridge University Press, 1972), 'Introduction', p. xxiv.

everything that contributed to the greatness and success of their country derived from sinful selfishness and money-grubbing wickedness.'⁸ Aldous Huxley was, as so often, a spokesman for this generation when deploring 'those detestable Puritans to whom we owe, not merely Grundyism and Podsnappery, but also (as Weber and Tawney have shown) all that was and still is vilest, cruellest, most anti-human in the modern capitalist system'.⁹

II

References to 'the Weber–Tawney thesis' may now be less common than they were, but the assumption that Tawney and Weber were essentially addressing the same topic – the part played by Calvinism in the rise of capitalism – can still obscure the true nature of *Religion and the Rise of Capitalism*.¹⁰ The fundamental difference between their projects may be brought out in the following terms. Weber was attempting, within the framework of a massive comparative sociology of world civilisations, to isolate the variables that led capitalism to develop in western Europe, with decisive consequences for the history of the entire globe, rather than in any one of several other cultures, some of which were at various points technologically in advance of Europe. His famous pair of essays on the spirit of capitalism attempted to show that the values and character-type fostered by Calvinism were peculiarly favourable to the development of the sense of work as a 'calling', together with thrift, abstinence and regularity, all of which helped to promote and legitimate the kinds of economic activity characteristic of early capitalism.¹¹

⁸ G. R. Elton, 'Letter', *Times Literary Supplement* (11 February 1977), 156; quoted in M. J. Wiener, *English culture and the decline of the industrial spirit 1850–1980* (Cambridge: Cambridge University Press, 1981), p. 194.

⁹ Quoted in H. M. Robertson, *Aspects of the rise of economic individualism: A criticism of Max Weber and his School* (1st edn, 1933; Cambridge: Cambridge University Press, 1935), p. 208.

¹⁰ For example, even Michael Bentley has recently referred to its 'famous thesis linking the development of Protestantism with the value-structure of nascent capitalism' as 'reiterat[ing] in historical form the insights of Weber' on the Protestant ethic. M. Bentley, *Modernizing England's past: English historiography in the age of Modernism 1870–1970* (Cambridge: Cambridge University Press, 2006), pp. 54–5.

¹¹ Weber's two essays on 'Die protestantische Ethik und der Geist der Kapitalismus' were initially published in *Archiv für Sozialwissenschaft und Sozialpolitik* in 1904–5, and reprinted in his *Gesammelte Aufsätze zur Religionssoziologie* in 1920. They first appeared in English, trans. Talcott Parsons, under the title *The Protestant ethic and the spirit of capitalism* in 1930. For discussion of 'the Weber–Tawney thesis', see R. W. Green (ed.), *Protestantism, capitalism, and social science: The Weber thesis controversy* (Lexington, MA: Heath, 1973).

Tawney may at first appear to be addressing a similar question, since his book focuses on relations between the Reformation and the comparatively early acceptance of capitalism in England, with Puritanism being assigned a prominent role. But both the purpose and the intellectual framework of Tawney's book were different from Weber's (and indeed in a couple of long footnotes he explicitly took his distance from the latter's already celebrated account).¹² Tawney wanted to discover how it had happened that whereas in the medieval period all aspects of human life, including economic activity, were assessed within the ambit of a religious conception of man's purpose, by the end of the seventeenth century economic life was assumed to be beyond the purview of religious teaching, no longer a matter of the moral relations between members of a community but rather an autonomous sphere of activity with its own internal regularities according to which pursuit of individual gain was legitimate, constrained only by the sanctions of positive law.

Tawney is not, therefore, trying to *explain* 'the rise of capitalism'. He charts the main changes in economic life in England from the middle of the fifteenth century to the end of the seventeenth, but insofar as any explanation is implied in his account, it takes the form of developments endogenous to economic activity itself, above all the opening up of trade routes to both East and West and the vast influx of bullion that resulted. The effects of those forces, especially the ensuing price-inflation of the sixteenth century, together with the economic consequences of the dissolution of the monasteries, created new opportunities for trade, investment and profit that overturned the custom-governed agrarian subsistence economy of the Middle Ages. There is a sense, therefore, in which Tawney regards capitalism as less singular, less in need of explanation, than Weber had: new opportunities arose and individuals naturally took advantage of them. His question, rather, is how it came about that religion retreated from asserting its dominion over economic life.

This is not exactly the same thing as trying to account for 'secularisation'. Tawney has no doubt that at the end of the period he is discussing (and indeed in the period in which he is writing) religion is still a strong force in the lives of individuals and the Church a considerable presence in the life of society. So, quite how to characterise the transformation that does concern him becomes, as we shall see, no easy matter. However, for the moment we can say it involves a change from customary economic activity, regulated by long-established principles derived from or at least

¹² Tawney, *Religion and the rise of capitalism*, pp. 319–21; he did, however, acknowledge his debt to Weber on the significance of the notion of 'the calling' on p. 325. See also his later references to Weber's work in the 'Foreword' to the 1937 edition of the book.

endorsed by the teachings of the Church, to innovative economic activity not subject to the authority of religious doctrine.

It is important to note that Tawney does not represent this 'retreat' as inevitable. Rather, it constituted a failure to adapt conventional religious teaching to new conditions. That teaching

had tried to moralize economic relations, by treating every transaction as a case of personal conduct, involving personal responsibility. In an age of impersonal finance, world markets and a capitalist organization of industry, its traditional social doctrines had no specific to offer, and were merely repeated, when, in order to be effective, they should have been thought out again from the beginning and formulated in new and living terms. (*RRC* 184)

He returns to this thought in the book's Conclusion: the shift was partly due to 'the natural, and not unreasonable, diffidence' of those who saw that the old doctrines did not fit the new circumstances 'but who lacked the creative energy to state them anew, in a form applicable to the needs of a more complex and mobile social order' (280–1). It could have been done; it could, therefore, still be done.

At this point we need to move away from an exposition of Tawney's declared aims to a more symptomatic analysis of what his writing discloses, perhaps despite his intentions. We need, in particular, to look in some detail at his various 'before-and-after' characterisations of English society, and especially to note their rhetorical excess.

It is only in the seventeenth century, he claims, that we see 'the emergence of an objective and passionless economic science'. 'The doctrine of the self-contained department with laws of its own begins generally to be applied to the world of business relations' from the early part of the century, and even then 'to discuss questions of economic organization purely in terms of pecuniary profit and loss still wears an air of not quite reputable cynicism' (7). Already in these opening flourishes the focus is a little unsteady: 'an economic science'; 'the doctrine of the self-contained department with laws of its own'; the discussion of 'questions of economic organization purely in terms of pecuniary profit and loss'. These are obviously related phenomena, but they are by no means identical or even mutually entailed (for example, the *analytical* identification of a sphere of activity possessing certain regularities of its own does not entail the *prescriptive* injunction to exclude certain considerations when deciding on a course of action).

He then goes on to state, or overstate, the contrast with the preceding period in terms that are still more revealing. What begins to wane in the middle of the seventeenth century is 'the claim of religion . . . to maintain rules of good conscience in economic affairs'; by the latter part of the

century, ‘the attempt to maintain the theory that there was a Christian standard of economic conduct’ becomes impossible. Where it used to be believed that ‘a moral rule is binding on Christians in their economic transactions’, now it is accepted that in this sphere ‘no moral rule beyond the letter of the law exists’ (9–10). He concedes (or affects to concede) that ‘the immutable appetites of the economic man’ are nothing new; what has changed is how these are regarded.

Between the conception of society as a community of unequal classes with varying functions, organized for a common end, and that which regards it as a mechanism adjusting itself through the play of economic motives to the supply of economic needs; between the idea that a man must not take advantage of his neighbour’s necessity, and the doctrine that ‘man’s self-love is God’s providence’; between the attitude which appeals to a religious standard to repress economic appetites, and that which regards expediency as the final criterion – there is a chasm which no theory of the permanence and ubiquity of economic interests can bridge. (12–13)¹³

Three further contrasts are superimposed on each other here. There is, first, the contrast between what might for the moment be abbreviated as organic and mechanical conceptions of society; there is then the contrast between condemning the pursuit of self-interest and legitimating it; and third, there is a contrast (which it is even harder to express with any exactness) between invoking religion to curb economic appetite and appealing to ‘expediency as the final criterion’. The conclusion of the passage clearly suggests it is important to Tawney not to allow worldly-wise commentators, invoking the old economic Adam, to play down the significance of some version of these contrasts.

The exaggeration or rhetorical surplus in his characterisations of English society after this fundamental change then start to pile up. At each point he overstates the contrast: ‘mere money-making’ is now lauded; society is interpreted ‘as the expression of economic self-interest’; debate is dominated by the ‘doctrine which silences scruples and closes all accounts with the final plea of economic expediency’; ‘the idea of a rule of right is replaced by economic expediency as the arbiter of policy and the

¹³ Cf. the cadence of the following passage from the Hammonds: ‘Between the spirit of Athens and that of a goldfield, between a number of persons whose bond of union is their enjoyment of art, religion, beauty, and amusement, and the same number of persons whose bond of union is that each of them hopes to become a rich man, there is a difference that affects the depths and not merely the surface of social life.’ J. L. and B. Hammond, *The bleak age* (London: Longman, 1934), p. 140; see the discussion in S. Collini, ‘The literary critic and the village labourer: “culture” in twentieth-century Britain’, *TRHS* 14 (2004), 93–116.

criterion of conduct'; and so on (23, 24, 28, 278). He claims that from the end of the seventeenth century until the present 'a tacit agreement . . . excluded economic activities and social institutions from examination or criticism in the light of religion' (though he notes encouraging recent signs of dissent from this 'agreement') (4). It is, one cannot help remarking, hard to see what historical reality in seventeenth- or eighteenth-century Britain could be taken to correspond to this description. Similarly, he more than once refers to the new society as founded upon 'the unfettered play of economic self-interest' (148). Faced with the vast web of legislation within which economic activity was carried on by the end of his period, one has to search to see the sense in which he could believe such play to be 'unfettered'. But there is no mistaking his sense of the magnitude of the change: 'It is in the conception of the place to be assigned to economic interests in the life of society that change has in recent centuries been most comprehensive in its scope, and most sensational in its consequences' (277–8).

As they mount up, it becomes more and more implausible to regard these flourishes as accurate descriptions of their ostensible object, the state of English society at the end of the seventeenth century. Rather, Tawney's actual explanandum is, in effect, that stereotype of *nineteenth-century* society put about by its critics. Further, the nub of that critical case had long been, from the Romantic generation onwards, that the true logic of that society was revealed in the teachings of political economy, which in turn legitimated the 'heartless' and 'selfish' attitudes that determined economic and social policy.¹⁴ One way to grasp the nature of *Religion and the Rise of Capitalism* is to see it as attempting to underwrite these long-familiar criticisms with a detailed historical account of the origins of the assumptions that made both a science of economics and a policy of *laissez-faire* possible.

Two entries in the commonplace book Tawney kept before the outbreak of the First World War give some insight into the perspective he brought to this enquiry. The entry for 11 September 1912 announces, 'The following books want writing', setting out a list of five topics. The first two are studies in Tudor and Stuart history, and then the third entry reads (in full): 'The rise and development of the idea of "Laissez-faire" and the movement away from the state policy of the 16th century. I

¹⁴ For the longevity of this tradition of criticism, see D. Winch, 'Mr Gradgrind and Jerusalem', in S. Collini, R. Whatmore, and B. Young (eds.), *Economy, polity, and society: British intellectual history 1750–1950* (Cambridge: Cambridge University Press, 2000), pp. 243–66.

wonder if Puritanism produced any special attitude towards economic matters. I believe Schulze-Gaevernitz has some remarks on this.¹⁵ The germ of much of his later work is clearly evident here, including the pregnant query about Puritanism. For my purposes, it is significant that the explicit focus is the rise of ‘the idea of “Laissez-faire”’; he is seeking to account for the character of nineteenth-century Britain, even if his research addresses the earlier centuries. It is also worth remarking that the transition he would be seeking to understand at this point would not be that from the world of medieval religious regulation of economic life but from ‘the state policy of the 16th century’, suggesting a concern with the development of free trade or market individualism out of mercantilism.

The second entry, for 11 December 1913, contains an uncompromising declaration of faith: ‘There is no such thing as a science of economics nor ever will be. It is just cant, and Marshall’s talk of the need for social problems to be studied by “the same order of mind which tests the stability of a battleship in bad weather” is twaddle.’¹⁶ Tawney had made an effort to read political economy during these years, but his resistance to the very conception of such a discipline was profound. That resistance issued in the same objections as those made by Ruskin and a string of Victorian critics: political economy was based on an artificial abstraction of one human appetite from the complex whole; it disregarded the ethical questions which attended all human matters; and it legitimated policies that ignored or overrode those deep human needs that could not be measured in monetary terms.

Religion and the Rise of Capitalism amply embodies both this historical perspective and this hostility, with nineteenth-century reference points making themselves felt all along the line. It suggests, for example, that we should not be surprised at the Church’s failure to condemn the excesses of the early years of the Industrial Revolution (perhaps a reference to the well-known attack by his friends the Hammonds on the eighteenth-century Church for just this failing).¹⁷ ‘The surrender had been made long before the battle began. The spiritual blindness which made possible the general acquiescence in the horrors of the early factory system was, not a novelty, but the habit of a century’ (193). The centrality of the Industrial Revolution to his implied readers’ preoccupations surfaces frequently. ‘It is sometimes suggested that the astonishing outburst of industrial activity,

¹⁵ *Tawney’s commonplace book*, p. 29. The fifth topic returns to this theme: ‘The intellectual antecedents of 19th-century liberalism in economic matters.’

¹⁶ *Ibid.*, p. 72.

¹⁷ The *locus classicus* was J. L. and B. Hammond, *The Town Labourer 1760–1832* (1917); see S. A. Weaver, *The Hammonds: A marriage in history* (Stanford: Stanford University Press, 1997), pp. 135–44.

which took place after 1760, created a new type of economic character, as well as a new system of economic organization. In reality, the ideal which was later to carry all before it, in the person of the inventor and engineer and captain of industry, was well established among Englishmen before the end of the seventeenth century' (273). Whether Stuart spice merchants were really adumbrations of Carlyle's 'captains of industry' might be one question to ask here; whether any such ideal ever carried 'all' before it might be another.

Political economy, and especially the authority of the new science in policy discussions, is a constant background presence which only rarely reveals itself openly in Tawney's account. Its origins betray its real character: 'Economic science developed in England . . . as the interpreter of the practical interests of the City.' It helped to 'glorif[y] the economic virtues', lauding thrift, abstinence and foresight. 'The lean goddess, Abstinence, whom Mr Keynes, in a passage of brilliant indiscretion, has revealed as the tutelary divinity of Victorian England, was inducted to the austere splendours of her ascetic shrine by the pious hands of Puritan moralists' (251).¹⁸ The highly coloured writing expresses his delight both in this historical irony but also in being able to cite a leading economist as something of an informer against his own side. Once again, Victorian society provides the reference point. A less explicit instance occurs in another of his 'before-and-after' characterisations where the latter involves 'the general acceptance by thinkers of a scale of ethical values, which turned the desire for pecuniary gain from a perilous, if natural, frailty into the idol of philosophers and the mainspring of society' (277). It may seem a peculiarly obstructive kind of historical pedantry to ask which philosophers actually made 'desire for pecuniary gain' their idol or the summit of their 'scale of ethical values'. Some such characterisation was, after all, part of the common nineteenth-century parody of Adam Smith and the classical economists. But this simply emphasises again the extent to which Tawney's historical project was animated by precisely that Victorian caricature.

Or consider the significance of the half-hidden presence of nineteenth-century concerns in the following three examples. The first comes from his description of the merchant's life in mid-seventeenth-century

¹⁸ Tawney gave no reference for his citation of Keynes; he was presumably alluding to the passage in *The Economic Consequences of the Peace* where Keynes dilated upon the accumulation of wealth in the century before 1914: 'The duty of "saving" became nine-tenths of virtue and the growth of the cake the object of true religion. There grew round the non-consumption of the cake all those instincts of puritanism which in other ages has withdrawn itself from the world . . .' and so on. John Maynard Keynes, *The economic consequences of the peace* (London: Macmillan, 1919), p. 17.

England: 'In that keen atmosphere of economic enterprise, the ethics of the Puritan bore some resemblance to those associated later with the name of Smiles. The good Christian was not wholly dissimilar from the economic man.' (253). In reality, Samuel Smiles, earnest Victorian advocate of 'duty' and 'character', was hardly a propagandist for that mythical beast 'economic man', but by the early twentieth century the author of *Self-Help* had long been taken by hasty critics to be emblematic of 'nineteenth-century individualism'.¹⁹ The second example also comes from Tawney's discussion of how Puritan merchants distrusted the very idea of state economic policy, especially as essayed in the mercantilist schemes of the period of personal rule in the 1630s. As a result, 'the commercial classes were, even before the Civil War, more than half converted to the administrative nihilism which was to be the rule of social policy in the century following it' (238). Modern historians would have some difficulty, to put it mildly, in encompassing the social policy of the years from 1660 to 1760 under the description of 'administrative nihilism'; the phrase actually came from T. H. Huxley's critique of the extreme individualism of Herbert Spencer's political theory in the later nineteenth century, another sign of the rootedness of Tawney's concerns in the polemics of that period.²⁰ And thirdly, one may note a passing allusion within his quite subtle account of the effect of Calvinism, which had at first favoured the minute moral regulation of economic as of all other activity, but which came in time to throw off all authority other than that of individual conscience. 'The social theory of Calvinism', as he puts it, 'had begun by being the very soul of authoritarian regimentation. It ended by being the vehicle of an almost Utilitarian individualism' (227). The capitalised adjective serves as acknowledgement that there is a well-known historical benchmark when it comes to 'individualism'.

Over and over again, Tawney emphasises that what was valuable about the medieval theory was the attempt to subordinate economic appetites to a set of larger spiritual or ethical restraints. Indeed, it can sometimes seem that what he values is the attempt itself, however flawed or feeble its practical outcomes. At bottom, one senses, he finds economic appetites offensive; the indifferent or blasé acceptance of their legitimacy he regards as outrageous. So although at some points in this book he writes with a kind of worldly knowingness about the presence and power of base

¹⁹ See, for example, K. Fielden, 'Samuel Smiles and self-help', *Victorian Studies* 12 (1968), 155–76; cf. S. Collini, *Public moralists: Political thought and intellectual life in Britain 1850–1930* (Oxford: Oxford University Press, 1991), p. 100.

²⁰ T. H. Huxley, 'Administrative nihilism', *Fortnightly Review* 10 (1871), 525–43.

motives in all ages, at other times – and these are both more frequent and the occasion for greater eloquence – he cannot contain his astonishment and his indignation in the face of modern acceptance of the ethical neutrality of legally acquired profit and return upon capital. Right up to the end, his worldly-wise air and moralistic tone can co-exist within the same paragraph: 'Few who consider dispassionately the facts of social history will be disposed to deny that the exploitation of the weak by the powerful . . . has been a permanent feature in the life of most communities that the world has yet seen'. But 'the quality in modern societies' that marks their distinctiveness is the assumption 'that the attainment of material riches is the supreme object of human endeavour and the final criterion of human success' (286). Rhetorical excess such as this cannot be written off as stylistic carelessness in a writer as skilful and powerful as Tawney can be. The sarcasm expresses an outrage that cannot quite identify its object, at least not without conspicuously overshooting it. If his prose lays about itself with marked zeal at such moments, it is surely because he so hates the legitimacy which the society around him accords to the accumulation of wealth, hates that this is so readily accepted and little questioned.

A deep antipathy to economic activity haunts Tawney's account, and at times he can scarcely contain his amazement that modern society should be so blind to its inherent rapacity and selfishness. The brave new world that had come into being by the end of his period furnishes 'the smiling illusion of progress won from the mastery of the material environment by a race too selfish and superficial to determine the purpose to which its triumphs shall be applied' (283). The taint of 'selfishness' is never far away in Tawney's moralising recoil from the economic. He acknowledges the greed and exploitation present in medieval society, but nonetheless the attempt to treat 'the least tractable of human appetites' within a moral system 'still glows through it all with a certain tarnished splendour'. 'If it is proper to insist on the prevalence of avarice and greed in high places, it is not less important to observe that men called these vices by their right names, and had not learned to persuade themselves that greed was enterprise and avarice economy' (60). The moral indignation in passages such as this is directed not so much at exploitation or injustice as at a kind of generalised hypocrisy, at that dulling of the moral sense that has to have taken place for 'profit', 'interest' and similar terms to be used without reference to the human reality involved, that ruthless taking advantage by one person of another person's needs that he passionately believes to be inherent in economic activity. Tawney the Victorian public moralist is never more in evidence than when ostensibly writing as a scholar of early-modern religious and social thought.

III

Tawney's work was cited frequently and with enthusiastic approval by the *Scrutiny* circle, but a process of cultural transmission was involved which led to its absorption into a subtly different account of the significance of the changes of the seventeenth century. The general emphasis informing that account was signalled by the title phrases from Leavis's foundational pamphlet of 1930: 'mass civilization' versus 'minority culture'.²¹ *Scrutiny* pursued an implacably negative analysis of the philistinism and materialism of the 'mass' society that was produced by a 'machine economy', and it looked to the cultural resistance of an educated elite, still in touch with the 'finer living' of an earlier period, as the last hope for a qualitatively better future. Moreover, by the early 1930s Leavis and his associates recognised, as Tawney had not had to a decade before, that the most significant challenge to contemporary society's complacent view of itself (which they parodied as 'Wellsian optimism') now came from Marxism. An important part in the Scrutineers' polemics against the current dominance of economic categories was played by their claim that Marxism shared in and expressed this dominance rather than offering a genuine critique of it.

Thus, throughout the 1930s *Scrutiny* took issue both with the claims of orthodox economic theory and with its main theoretical rival. Denys Thompson, one of the journal's editors, rehearsed the traditional case against economics in an early number:

But there can be no such science as pure economics, absolved from any concern for non-material standards of living. We must desiderate in economists a pervasive understanding of what a culture is, an implicit apprehension of the kind of life to be aimed at in the working of their systems. For once they start on concrete proposals there will arise numerous questions which cannot be solved by economics alone; that 'higher standard' must be measured in other than plumbing terms.²²

The same number carried an exchange on the role of contemporary economic theory (taking Lionel Robbins's newly published *An Essay on the Nature and Significance of Economic Science* as representing the current neo-classical orthodoxy). H. E. Batson, leading for the defence, noted with some regret that 'nowadays, there seems to be a revival of the old hostility to economic science', and he attempted to uphold the discipline's validity as a set of deductions from purely hypothetical premises. But Donald F. Kitching, for the prosecution, insisted that 'There is no need

²¹ See note 5 above.

²² D. Thompson, 'The machine unchained', *Scrutiny* 2, 2 (September 1933), 188.

more urgent than that of an Economics differently conceived.' At least political economy in its classical form had attempted to guide practice by encompassing desirable ends, but 'Political Economy no longer exists as a live body of thought'. One contender to fill the vacuum was obvious: 'Marxism claims to answer in modern terms the questions with which classical Political Economy once dealt.'²³

The pseudo-legitimacy of economists' concepts was one of *Scrutiny's* recurring targets. Leavis's deliberate estranging of the familiar phrase 'the standard of living', quoted earlier, was not an isolated instance.²⁴ But on similar grounds, Leavis and his associates were not willing to accord any legitimacy to Marxism's endowing of economic forces with explanatory priority. 'There can be no doubt that the dogma of the priority of economic conditions, however stated, means a complete disregard for – or, rather, a hostility towards – the function represented by *Scrutiny*.'²⁵ A particularly revealing moment came when Leavis was challenging those Marxists who appeared to believe there could be a valid form of human culture after the revolution, even though that revolution would be based on the fullest development of the capacities of capitalism, the machine economy. He acknowledged that some version of this problem 'confronts us all':

For it is true that culture in the past has borne a close relation to 'the methods of production'. . . . When England had a popular culture, the structure, the framework, of it was a stylization, so to speak, of economic necessities; based, it might fairly be said, on the 'methods of production' was an art of living, involving codes, developed in ages of continuous experience, of relations between man and man, and man and the environment in its seasonal rhythm. This culture the progress of the nineteenth century destroyed, in country and in town; it destroyed (to repeat a phrase now familiar) the organic community. And what survives of cultural tradition in any important sense survives in spite of the rapidly changing 'means of production'.²⁶

²³ D. F. Kitching, 'Will economics follow the Robbins road?', and H. E. Batson, 'Mr Kitching on the insignificance of economics', *Scrutiny* 1, 2 (September 1933), 165–74, 175–81; H. E. Batson, 'Amateurism and professionalism in economics', *Scrutiny* 3, 1 (June 1934), 37–43.

²⁴ See note 5 above. Having denounced the deadening passivity and fantasy-feeding qualities of film, 'now the main form of recreation in the civilised world', Leavis returned to the task: 'It would be difficult to dispute that the result must be serious damage to the "standard of living" (to use the phrase as before)'; *For continuity*, p. 21. Similarly, Thompson declared that he would be more willing to take politicians seriously 'if they showed any capacity to discuss with intelligence the nature of a "high standard of living"'; D. Thompson, 'England and the octopus', *Scrutiny* 3, 2 (September 1934), 175.

²⁵ F. R. Leavis, 'Under which king, Bezonian?', *For continuity*, p. 162.

²⁶ *Ibid.*, pp. 164–5.

This seems to suggest that ‘culture’ and ‘economy’ had once been benignly interdependent, but that at some point in English history since Shakespeare’s time they had become uncoupled. Such ‘culture’ as survives – no longer genuinely ‘popular’ but only a minority possession – does so independently of the current ‘methods of production’. Those forces have now assumed their malign ‘purely economic’ form, from which no humanly worthwhile culture could be a natural outgrowth. Hence, ‘to aim at solving the problems of civilization in terms of the “class war” is to aim, whether wittingly or not, at completing the work of capitalism and its products, the cheap car, the wireless and the cinema’.²⁷ Such a purely ‘economic’ civilisation could only produce the mechanical simulacra of culture.

It is easy to see how versions both of Eliot’s ‘dissociation of sensibility’ and Tawney’s ‘rise of capitalism’ could be absorbed into this kind of critique, supplementing it, opportunistically, with an overarching historical narrative. *Scrutiny*’s complex relations to Eliot, both of debt and antagonism, have been extensively charted,²⁸ but the much slighter, though still significant, presence of Tawney’s analysis in its cultural criticism has not been noted. Explicit references in its pages to *Religion and the Rise of Capitalism* were invariably positive. For example, Denys Thompson, writing in 1936 about the lives of rich American industrialists, cited Tawney twice on the sanction the Puritan tradition gave to commerce, concluding airily: ‘Millionaires flourish in a world which has substituted acquisition for the saving of one’s soul as the end of life.’²⁹ And although he is not mentioned by name in L. C. Knights’s article in the same number on ‘Shakespeare and profit inflations’, his work informs the whole project from which this piece was extracted, as I shall show in a fuller account of that project below.³⁰

But first we may jump forward a few years to look at the most telling indication of the absorption of Tawney’s work into the *Scrutiny* programme, the series of articles in 1940–2 in which Leavis laid out his

²⁷ *Ibid.*, p. 172.

²⁸ See, for representative discussions, Mulhern, *Moment of scrutiny*, chap. 1; M. Black, ‘A kind of valediction: Leavis on Eliot, 1929–75’, *New Universities Quarterly* 30, 1 (Winter 1975), 78–93; B. Bergonzi, ‘Leavis and Eliot: The long road to rejection’, in B. Bergonzi, *The myth of Modernism and twentieth-century literature* (Brighton: Harvester, 1986); J. Harding, *The Criterion: Cultural politics and periodical networks in inter-war Britain* (Oxford: Oxford University Press, 2002), esp. chap. 3.

²⁹ D. Thompson, ‘The robber barons’, *Scrutiny* 5, 1 (June 1936), 9, 11; cf. 9, p. 113; 19, pp. 187, 193.

³⁰ L. C. Knights, ‘Shakespeare and profit inflations: notes for the historian of culture’, *Scrutiny* 5, 1 (June 1936), 48–60; this was to form the first chapter of *Drama and society in the age of Jonson*, published the following year.

ideal for the university in general and for the proper teaching of English in particular.³¹ In setting out a detailed blueprint for a desirable syllabus in English, Leavis made the study of the seventeenth century its centrepiece. He justified its place as the one required special period on the grounds that it was 'a key passage in the history of civilisation. . . . In the course of it capitalism "arrives", finally overcoming the traditional resistances, so that its ethos becomes accepted as law, morality and controlling spirit in the economic realm.' This is the period when 'the notion of society as an organism gives way to that of society as a joint-stock company' (Tawney is acknowledged as the relevant source here). Leavis emphasised that this educational programme was not intended to turn out future scholars of English Literature: 'the aim is to produce a mind that will approach the problems of modern civilization with an understanding of their origin'. To this end, one of the required exercises was to be an essay on 'the process of change by which England of the Seventeenth Century turned into the England of to-day' (the student 'would be told what besides the books of the Hammonds he certainly must know of'). When he went on to give 'a rough list of heads' that any committee establishing such a course might want to make provision for in the teaching, Leavis effectively reprised this strand of the historiography of the previous twenty years – 'The reaction against Whig history', 'The rise of capitalism', 'Economic individualism', 'Its alleged relation with Protestantism', and so on. Students would be encouraged to pursue their interests into various sources, but – the offhandedness betokening the obvious – 'every-one would read, for example, R. H. Tawney's *Religion and the Rise of Capitalism*'.

IV

The most significant and extended treatment of the seventeenth century to come out of the *Scrutiny* circle itself was, by some margin, L. C. Knights's *Drama and Society in the Age of Jonson*, published in 1937.³² This book enjoyed considerable standing among intellectuals on the non-Marxist left. Raymond Williams recalled that he 'read and re-read' it through the late 1940s and early 1950s; E. P. Thompson later spoke of

³¹ The series began with 'Education and the university: Sketch for an English school', *Scrutiny* 9, 2 (September 1940); they appeared in book form as *Education and the University: Sketch for an 'English School'* (London: Chatto, 1943).

³² L. C. Knights, *Drama and society in the age of Jonson* (1st edn, 1937; Harmondsworth: Penguin, 1962).

it as a 'truly seminal' work.³³ Knights, like Leavis himself, had switched from History to English during his undergraduate years at Cambridge, obtaining a distinction in Part II of the English Tripos in 1928; he was one of the founding editors of *Scrutiny*, and wrote for it extensively in the 1930s.

Knights's book explicitly addresses itself to 'one of the most important problems of our own time: the relation between economic activities and general culture'.³⁴ He cites several commentators on this theme, but it is clear that he regards Marxism as the most important contemporary attempt to account for that relation. Although initially some energy is devoted to discrediting the reductivism involved in all attempts to 'explain' literature by reference to the stage of economic development, the book soon moves beyond this negative contention to try to show, through detailed readings of the individual dramatists, how (in the approved *Scrutiny* manner) good literature 'embodies' rather than merely reflects social experience. But at a conceptual level, the book constitutes an extended challenge to the category of 'the economic' itself. Knights does not bring this to any kind of successful resolution, his difficulties manifesting themselves, as we shall see, in his somewhat desperate resort to the use, sometimes within the same sentence, of the term 'economic' in two senses, only unsteadily discriminated by quotation marks. And these difficulties, in turn, reflect a preoccupation with what Knights takes to be the defining, and deforming, character of 'modern' society – as exhibited, I want to suggest, by nineteenth-century England.

His first statement of his theme addresses it in its most general form:

When we discuss the relations between economic conditions and 'culture' what, exactly, are we talking about? . . . Are the non-economic activities that we call 'culture' – forms of activity that are engaged in as ends, not as means – in any way related to bread-and-butter activities as effect and cause? If so, exactly how are they determined by economic activities? Are there any other factors besides the purely economic ones that determine the culture of a particular place and time? Is there any essential difference between the popular culture of the present and that of, say, the sixteenth and seventeenth centuries? How has the relationship between earning a living and 'end' activities altered since the Industrial Revolution? What do we mean by 'economic'? And what do we mean by 'culture'?³⁵

Although these questions may appear to be framed in very open terms, there is a palpable and somewhat disconcerting shift in the level of abstraction about two-thirds of the way through this passage when these entirely

³³ R. Williams, *Politics and letters: Interviews with New Left Review* (London: New Left Books, 1979), p. 92; E. P. Thompson, 'Left Review' (1971), repr. in E. P. Thompson, *Persons and polemics* (London: Merlin, 1994), p. 234.

³⁴ Knights, *Drama and society*, p. 9. ³⁵ *Ibid.*, p. 15.

general considerations suddenly give way to two highly specific historical questions, about the popular culture of the sixteenth and seventeenth centuries and about changes since the Industrial Revolution. For Knights, the answers to the general questions are inseparable from his convictions about the answers to these two historical (or ostensibly historical) questions – and it is already implicit that his answer to the latter pair of questions will be, respectively, 'yes' and 'for the worse'. These questions also suggest that his discussion of drama in the age of Jonson is driven by a 'before-and-after' framework, and that contemporary society is not going to come well out of this contrast; where *did* it all go wrong?

The nub of his account of the Jacobean dramatists, to which the second half of the book is devoted, is that the best of them could draw upon the categories of traditional morality in responding to the excesses of the new economic behaviour of the early seventeenth century. Their responses were embodied in dramatic literature that retains its power both because they were able to draw upon the resources of an established morality that has since been lost – their moral sensibilities had not yet been dulled by familiarity into regarding aggressively acquisitive behaviour as normal – and because their responses were not those of an embattled minority, as was the case for modern authors. Rather, they drew confidence and vitality from being part of a broader popular culture. Jonson and company could share the responses of 'the journalists and moralists of the common people, whereas the few poets and novelists who count at the present day not only cannot share, they are inevitably hostile to, the attitudes of suitable readers of the *Star*, the *Sunday Express*, or the *Tatler*'.³⁶

It is not sufficient, Knights argues, to try to sustain the Marxist interpretation by claiming that this older morality had in turn been derived from the earlier 'methods of production', for

the economic organization from which the bulk of Elizabethan social morality derived was that of the small local community *in which 'human problems can be truly perceived'* – an organization, then, that was not merely 'economic' – not merely determined by 'economic' motives. But what is 'economic'? Clearly, the sense in which a medieval township was an 'economic' unit is very different from the sense in which a large-scale industrial undertaking is 'economic'. The category, in short, is, here, a misleading abstraction.³⁷

³⁶ *Ibid.*, p. 17. Such contemporary contrasts are pursued with characteristic *Scrutiny* relentlessness: for example, even those in the early seventeenth century who remembered little of the plays they saw were at least 'not doomed to pass their lives in the emotional and intellectual muddledom of the readers of the *Daily Mail*' (*Ibid.*, p. 259), and so on.

³⁷ *Ibid.*, p. 18. The embedded quotation, in italics in Knights's text, is from E. F. Heckscher, *Mercantilism*, trans. Mendel Shapiro (London: Allen and Unwin, 1935).

One senses that Knights is right up against the bounds of the analytical discrimination he can make at this point, and that the quotation marks around some uses of ‘economic’ but not others signal a kind of frustration with the limitations of the conventional vocabulary. Beginning the second sentence with ‘clearly’ attempts to appeal to a distinction which his implied readers will recognise intuitively, and certainly Knights himself does not get very far in elaborating it. ‘The sense in which a medieval township was an “economic” unit is very different from the sense in which a large-scale industrial undertaking is “economic”.’ But is it? The point of a generalised analytical category such as ‘the economic’ is precisely to isolate the common elements in otherwise heterogeneous activities: in both these cases, it picks out (depending on the idiom in which one is writing) those activities involved in production, distribution and exchange, or the reproduction of material life; ‘getting and spending’ in more colloquial terms. In this sense any social unit that sustains itself over time engages in ‘economic’ activity. So what is the distinction that Knights is signalling here? The most charitable interpretation might be that a large-scale industrial undertaking is *solely* governed by the aim of generating profits; its rationale is purely economic. The medieval township, by contrast, is a whole way of life, incorporating economic activity but as part of an elaborate network of social relations whose governing aims may be ethical, religious, aesthetic, and so on rather than purely economic. But this reveals that he is not really comparing like with like: one would need to compare the medieval township to, say, a modern town, which likewise embraces the various dimensions of a community’s activities. Knights is, I suspect, led to put his contrast in his chosen terms by something else, namely a conviction that medieval society not only *did* not know, but *could* not know, an organisation like a modern industrial enterprise that is (allegedly) solely devoted to the generation of profit. In other words, his second sense of ‘economic’ refers to a kind of autonomy granted to economic activity which he assumes was impossible within medieval society.

A tell-tale detail in this case is his gloss on the phrase ‘not merely “economic”’ – namely, ‘not merely determined by “economic” motives’. The lack of a sufficient degree of analytical abstraction makes itself felt again here. The reduction to motive narrows the category, confining it to activity that issues from one particular form of individual calculation. But it also, of course, makes it suspect. ‘Economic motives’ are low motives. Medieval society could not have an enterprise ‘merely determined by “economic” motives’, for *that*, after all, is the distinctively modern pathology. Tawney hovers behind this argument. Citing *Religion and the Rise of Capitalism*, Knights asserts that it was the development of international

finance from the late sixteenth century that prepared the way for 'the doctrine of the moral irresponsibility of economics'.³⁸ Later, 'the vastly increased importance of money in the early seventeenth century' is interpreted as part of 'a movement that has resulted today in the complete dominance of money in an acquisitive society'.³⁹

However, there is one way the literature and 'the economic ordering of society' can be seen to have been related in Elizabethan times; illustrating this case with a quotation from Leavis indicates that this is to be taken more seriously than any of the efforts discussed up to this point. 'Shakespeare did not create his own language': this language grew out of a way of life, predominantly agricultural, and that idiom gave its users 'advantages in habits of perception and discrimination, in emotional and intellectual organization – in sensibility'.⁴⁰ He then goes on, in a passage which is too long to quote in full, to elaborate by way of contrast:

What those advantages were is revealed by comparison with that 'impersonal language that has come, not out of individual life, not out of life at all, but out of necessities of commerce, of parliament, of board schools, of hurried journeys by rail'. They were the advantages that spring from 'living at first hand', in close touch with 'primary production'. Today, unless he is exceptionally lucky, the ordinary man has to make a deliberate effort to penetrate a hazy medium which smothers his essential human nature, which interposes between him and things as they are; a medium formed by the lowest common denominator of feelings, perceptions, and ideas acceptable to the devitalized products of a machine economy . . .

If, as is often said, a critic's quality is most surely indicated by his choice of what to quote, this choice from Yeats's *Essays* may not speak well for Knights. The embedded quotation is a characteristic expression of Yeats's romantic aversion to the modern world, but it is too much a grumpy medley of crotchets to help Knights's argument.⁴¹ In any case, he seems to come perilously close to accepting that in modern society the 'methods of production' *do* determine culture. How was it that they did not in the earlier period? This is where Knights's struggles with the category of 'the economic' land him in particular difficulties:

³⁸ Knights, *Drama and society*, p. 47. ³⁹ *Ibid.*, p. 107.

⁴⁰ *Ibid.*, pp. 20–21. This is a slight misquotation from the passage quoted at note 26 above: 'The point might be enforced by saying (there is no need to elaborate) that Shakespeare did not invent the language he used . . .'; Leavis, *For continuity*, p. 164.

⁴¹ Cf. Knights's 1941 essay on Yeats in which he quotes the poet's dictum on the loss of 'unity of being' in the modern world: 'The mischief began at the end of the seventeenth century when man became passive before a mechanised nature.' 'Poetry and social criticism: the work of W. B. Yeats' [originally published in *The Southern Review* in 1941], repr. in *Explorations: Essays in criticism mainly on the literature of the seventeenth century* (1st edn, 1946; Harmondsworth: Penguin, 1964), p. 190.

To say that the qualities embodied in Shakespeare's English had an economic base, is to remind ourselves that making a living was not merely a *means*, and that the 'economic' activities which helped to mould that supremely expressive medium fostered qualities (perceptions and general habits of response) that were not 'economic' at all. We remind ourselves, in short, of the dangerous facility with which the word 'economic' tempts us to beg the essential questions.⁴²

The same contrast between the past and the present is being smuggled in here. By implication, making a living *is* now 'merely a means': the 'economic' is divorced from other aspects of life. The presence of some such claim is also revealed by his otherwise curious insistence that 'the "economic" activities' which helped to mould Shakespeare's language fostered qualities that 'were not "economic" at all'. In other words, when we say that Shakespeare's language grew out of a way of life which rested on its own 'methods of production', we are nearly seduced into understanding this as an example of the determination of 'culture' by the 'economy'. But those 'activities' out of which the language grew were not *purely* economic, though this is what we in the modern world have come to take 'the economic' to mean ('In the Middle Ages, activities connected with getting a living included a very great deal that cannot be brought under the modern category "economic"').⁴³ Once again, modernity is characterised by the existence (and in some versions, the dominance) of the 'purely' or 'narrowly' economic – which is what 'the economic', he is implying, has come to mean.

And this is why, in Knights's view, the drama of the Jacobean period possesses such value in the twentieth century. His book is intended 'to show how, in a few great plays, "that living body of assumptions as to the right conduct of human affairs" helped to nourish qualities that we can admire' (here the embedded quotation comes from Tawney's *The Agrarian Problem in the Sixteenth Century*).⁴⁴ Jonson, in particular – he is in effect the hero of the book – still speaks to 'us' because he 'is one of the main channels of communication with an almost vanished tradition', a tradition that judged economic behaviour in individual moral terms. In the nineteenth century (always present as a negative reference point in *Scrutiny* circles) the notion of an impersonal economic system had established itself, but in the early seventeenth century the focus was still on the failings of individuals. 'The diagnosis was moral rather than economic. Or, to put it another way, the dramatic treatment of economic problems showed them as moral and individual problems – which in the last analysis they are.'⁴⁵ In other words, the plays remind us that the notion of

⁴² Knights, *Drama and society*, p. 21. ⁴³ *Ibid.*, p. 28.

⁴⁴ *Ibid.*, pp. 149–50. ⁴⁵ *Ibid.*, p. 149.

the autonomy of the economic sphere is illusory: there are no 'purely economic' problems of any human consequence.

He spells this out in his discussion of Jonson's *The Devil is an Ass*, a play that 'goes beyond economics and questions of expediency. Since it is the work of a great artist it cuts beneath the superficial follies, the accidental forms, and goes to the root of the disease, shaping the material in the light of an humane ideal that is implicit throughout.'⁴⁶ Economics is here lined up with 'disease', the 'superficial' and the 'accidental', against 'great art' and 'an humane ideal'. 'Humane' means 'more than economic'; art, it seems, *cannot* give a positive picture of 'acquisitive' economic activity. 'If this book establishes anything it should be that the reactions of a genuine poet to his environment form a criticism of society at least as important as the keenest analysis in purely economic terms.' 'At least as important' is a form of mock modesty here: since 'the essential life of a period is best understood through its literature', literary criticism constitutes the most important form of social criticism. By its very nature, literary criticism will counterpose 'an humane ideal' against 'the purely economic'; by returning to the great drama of the early seventeenth century, we are put in touch once more with ways of experiencing the social world that pre-date the conception of 'the purely economic', and thereby helped to relativise the category itself.

V

Writing about Francis Bacon in *Scrutiny* in 1943, Knights summarised a new orthodoxy which, he implied, was not confined simply to that journal's pages.⁴⁷ 'The last twenty or thirty years have seen a revolution in our attitudes towards the seventeenth century' was his confident opening. This change was partly due to reinterpretations arising out of more detailed historical research, especially into 'the commercial and industrial enterprise of Elizabethan and early Stuart times' – 'some historians have brought out the persistence of mediaeval modes of thought and action beyond the close of the mediaeval period, others have pushed back the beginnings of the Industrial Revolution'. The net effect of these enquiries had been to displace the old Whig interpretation of the constitutional struggle between liberty and autocracy with accounts which emphasised 'the part played by economic pressure'. But Knights acknowledged that the change was not merely the by-product of historical research: 'it is

⁴⁶ *Ibid.*, p. 183.

⁴⁷ L. C. Knights, 'Bacon and the seventeenth-century dissociation of sensibility', *Scrutiny* 9, 3 (Summer 1943); repr. in *Explorations*, pp. 101–19.

due primarily to a shift in evaluation intimately related to the needs and interests of the present'. 'We can see this most clearly', he declared, in a somewhat surprising turn, 'in recent literary criticism', instancing the revaluating of the Metaphysical Poets and some of the Elizabethan and Jacobean dramatists. 'The major change, however, is something that cannot be described purely in literary terms.' For although the seventeenth century could still be seen as the beginning of 'the modern world', this was no longer thought of as a story of 'unqualified progress'.

The modern reassessment of the seventeenth century is largely a recognition of what was lost as well as gained by the transition to the modern world, a transition that took place not only in the sphere of practical achievement and conscious intellect but in those more subtle and more profound modes of perceiving and feeling that underlie men's conscious philosophies and explicit attitudes, and that have become so ingrained and habitual that it is only by a deliberate effort of the intelligence that we can recognise them as *not* inevitable, absolute, and unchanging, the permanent *données* of 'human nature'.

In other words, his central theme, as announced in the title of his article, is nothing less than that 'dissociation of sensibility', from which, 'as Mr Eliot remarked in his brilliantly suggestive essay, "we have never recovered"'.⁴⁸

Having discussed Bacon's work in some detail in the body of the article, Knights returned to his theme by way of conclusion. In helping to promote the divorce of reason from the feelings, Bacon 'points forward to the conscious and unconscious utilitarianism of the nineteenth century of which we ourselves are the embarrassed heirs' – embarrassed, it would seem, largely because we are now starting to see the limitations of the 'belief in unlimited material progress' that characterised that much-demonised century. But if our present situation requires us to be 'busy in overhauling the values of the last three hundred years', this does not involve any repudiation of the proper work of reason: writing in 1943, Knights saw the dreadful consequences of *that* choice all around in Europe. Rather, the task is 'simply to recognise that reason in the last three centuries has worked within a field that is not the whole of experience, that it has mistaken the part for the whole, and imposed arbitrary limits on its own working'.⁴⁹ By this point, we seem to have moved a long way from his opening reflections on those researches which had revealed 'a direct line of connection' between 'the commercial and industrial enterprise of Elizabethan and early Stuart times' and the Industrial Revolution. But to Knights (and by implication to all those embraced in his opening use of the first-person plural) the intimacy of the connections among

⁴⁸ *Explorations*, pp. 101–2. ⁴⁹ *Ibid.*, pp. 283–5.

the various elements covered in this retrospect had become progressively more obvious in the course of the previous couple of decades.

The central node, both conceptually and historically, is signalled by the reference to 'the conscious and unconscious utilitarianism of the nineteenth century'. This is the dominant temper of the society created by the Industrial Revolution of the late eighteenth century, and hence indirectly by those social and economic changes in the previous two centuries that made it possible. 'Utilitarianism' does not appear to be being used here in any exact or historical sense, but rather to symbolise the defining characteristics of modernity – calculation, expediency, individualism, and so on. At the heart of Knights's trans-historical generalisations lies a claim about the relation between the distinctive economic formation of post-medieval society and 'those more subtle and more profound modes of perceiving and feeling that underlie men's conscious philosophies and explicit attitudes', though no causal priority seems to be assigned to either element in this summary. The present, he implies, is now able to see the period stretching from the early seventeenth century to the early twentieth not just as a particular historical phase, but as a pathology, a sickness from which the possibility of recovery is now becoming visible. An implicit parallelism obtains between the notion of 'disassociated' reason on the one hand and the category of 'the economic' on the other. The 'reevaluation of the seventeenth century' that took place in the inter-war period ultimately rested on the attempt to find a locus of human value that would enable both these elements to be circumscribed, relativised and transcended.

The general tenor of Knights's remarks, about both the seventeenth and twentieth centuries, was echoed in a good deal of cultural commentary by literary critics in Britain from the 1930s to at least the 1950s, a time when such critics arguably occupied a more prominent place in the national culture than either before or since.⁵⁰ The status of this interpretation as orthodoxy was illustrated by a series of articles by a young American Leavisite, Harold Wendell Smith, that appeared in *Scrutiny* in the journal's closing years.⁵¹ With the zeal of the acolyte, Smith almost

⁵⁰ 'For a few years, there was a climate in both England and America in which literary criticism could make claims for intellectual centrality'; B. Bergonzi, *Exploding English: Criticism, theory, culture* (Oxford: Oxford University Press, 1990), pp. 70–1. One early expression of scepticism about the historical value of Eliot's 'theory' came from Bonamy Dobrée in a review of *Explorations*: 'The claims of sensibility', *Humanitas* (Autumn 1946), 55–8.

⁵¹ H. W. Smith, "'Reason" and the Restoration ethos', *Scrutiny* 18, 2 (Autumn 1951), 118–36; "'The dissociation of sensibility"', *Scrutiny* 18, 3 (Winter 1951–2), 175–88; 'Nature, correctness, and decorum', *Scrutiny* 18, 4 (June 1952), 287–314; 'Cowley, Marvell, and the Second Temple', *Scrutiny* 19, 3 (Spring 1953), 184–205.

unnoticingly ran together the idioms of the ‘dissociation of sensibility’ and the ‘rise of capitalism’. In the article in the series bearing the former phrase as its title, the modern source most frequently cited was not in fact Eliot’s essay but *Religion and the Rise of Capitalism*. This, claimed Smith, exhibits how ‘the schism of abstract and material’ (itself perhaps a vulgarised version of Eliot’s original formulation) leads to the establishment by the Restoration of a ‘comfortable, but confident, even jubilant, materialism’. By the latter part of the seventeenth century, the ‘world of the spirit’ that had flourished in ‘the agrarian days of the early Elizabethans’ has disappeared, replaced by ‘a material world, urban and mercantile’.⁵² In the not fully controlled vocabulary of such workaday criticism we can observe a phrase that began life as a way of discriminating phases of poetry being put to work to explain the rise of a distinctively modern form of economy.⁵³

One reason why the frameworks inherited from Eliot and from Tawney could be so readily subsumed into a single account is that the category of ‘the economic’ itself had come to be used in such a tendentious way, as a placeholder for anxieties and aversions provoked by contemplation of the contemporary world. The rhetorical excess which I noted in characterisations of ‘purely economic’ activity not only reveals the presence of larger moral or even aesthetic antipathies, but also underlines just how little these characterisations corresponded to actual features of contemporary economic life. For in reality, such activity was shot through with social and legal considerations which clearly promoted concerns other than that of ‘unrestrained pursuit of gain’. Some of these were what Durkheim had termed the ‘non-contractual elements in contract’, that is, the shared practices and expectations that needed to be in place for a contractual agreement to be possible in the first place, to have meaning and possess binding force.⁵⁴ But more generally, contemporary economic activity had, when viewed more closely and less hostilely, several of the features which these critics were prone to identify as belonging to some notional ‘pre-economic’ epoch such as the Middle Ages. For example, it could be

⁵² Smith, ‘Dissociation of sensibility’, 187–8.

⁵³ It may have been that by the early 1950s professional historians were less disposed to accept this interpretation. The historian Marjorie Cox wrote in after the first of Smith’s articles to complain that ‘There seemed to be over-much reliance on a single work, Tawney’s *Religion and the Rise of Capitalism*’, and to object that ‘Mr Smith’s article shows a too easy acceptance of the equation of “puritan” and “bourgeois”’ (*Scrutiny* 18, p. 189).

⁵⁴ Durkheim made this case as part of his criticism of Herbert Spencer’s individualism in *De la division du travail social* (Paris: Alcan, 1893); see the discussion in S. Lukes, *Emile Durkheim, his life and work: A historical and critical study* (London: Allen Lane, 1973), chap. 7.

said that just as medieval guilds were celebrated for having a concern for their members' welfare which exceeded the narrow preoccupation with increasing their productivity, so companies, business associations, professional bodies, friendly societies, trade unions and the myriad other organisations that made up the texture of nineteenth- and twentieth-century economic life all in various ways restrained, limited or supplemented any notionally 'pure' extraction of profit. In this respect, the continuity with nineteenth-century critics of 'industrial society' and of its legitimisation by 'the dismal science' is marked. In this tradition of criticism the abstract model of human behaviour assumed for the purposes of economic theorising has to be projected as the dominant characteristic of whatever form of society is deemed, within a binary structure, to constitute 'modernity'. This always tends to obscure both the actual nature of contemporary societies, in all their 'non-economic' complexity and diversity, and the important part played by narrowly 'economic' calculation in earlier societies. The functions which the contrast serves demand a simpler story in which wholeness gives way to atomism, just as it does in the implied narrative of the 'dissociation of sensibility'.

As far as the life-span of this particular conjunction of perspectives is concerned, the part of the Owl of Minerva was played, doubtless unwittingly, by Frank Kermode. In his *Romantic Image*, published in 1957, he reflected on the way in which writers in the first half of the twentieth century who wished to legitimate the notion of 'the image' as the essence of modern poetry searched for a historical divide before which the kind of unity the image can now only symbolise was substantively exhibited by art and society as a whole. Yeats, for example, placed the great divide around 1550, the beginnings of a world dominated by the 'shopkeeping logicians'.⁵⁵ Kermode noted that of all these quasi-historical stories, Eliot's 'dissociation of sensibility' had been the most influential, partly because of his authority and persuasiveness, 'partly perhaps because of the growing scholarly tendency to medievalise the Renaissance, so that a later date for the split became more acceptable'. He quoted both Eliot's original 1921 statement of the theory and his qualified reaffirmation of its validity in 1947, drawing attention in the latter statement to Eliot's cautious reservation that 'the causes are too complex and profound to justify our accounting for the change in terms of literary criticism'. Kermode clearly felt that this was a needless qualification by that date, since by then such enquiries had been in train for some time.

⁵⁵ F. Kermode, *Romantic image* (1st edn, 1957; London: Fontana, 1971), p. 160, quoting Yeats.

Almost every conceivable aspect of seventeenth-century life had been examined by scholars anxious to validate the concept, though it is true that the investigators were usually historians of literature by profession. In very general terms it might be said that the notion of a pregnant historical crisis, of great importance in every sphere of human activity, was attractive because it gave design and simplicity to history; and because it explained in a subtly agreeable way the torment and division of modern life.

Such enquiries necessarily exceeded the bounds of the literary since they were 'in search of some golden age when the prevalent mode of knowing was not positivist and anti-imaginative; when the Image, the intuited, creative reality, was habitually respected; when art was not permanently on the defensive against mechanical and systematic modes of enquiry'.⁵⁶

Kermode was surely right about the appeal of such a 'golden age' within literary circles, but his characterisation also points to what was at stake in these enquiries more generally. As always, the 'modern' is the scene of 'torment and division', its modes of knowledge 'positivist' and 'mechanical'. But things had been otherwise before the Fall: then life was whole, unified; the 'creative' was at home in the world and art was not 'on the defensive'; such 'intuited' realities were 'habitually respected'. 'Habitually' says it all: the Land of Lost Content is always figured as settled, custom-governed, inexplicit – a world, we might say, that had not yet been transformed by the restless, individualist, calculating modes taken to be the defining features of modernity. The category of 'the economic' served as the negative synoptic expression of these modes, and a lot of bad history was written, especially but not exclusively by those who were 'historians of literature by profession', in the attempt to account for its dominion over the modern world.

⁵⁶ *Ibid.*, pp. 155, 158.

9 Moral choice and economics: British political economy in the twentieth century

Barry Supple

Peter Clarke's substantial contributions to British history have been concerned with many themes. But they have been productively unified by a consistent, often innovative, and always refreshing, attention to the relationship between ideas, events and policy-making – and, more finely, by an exploration of the influences that run between politics and economic ideas, usually from the latter to the former, but occasionally, and tellingly, from the former to the latter. The result has been a deeply perceptive understanding of political economy, which explores its dynamics and evolution in the setting of the twin worlds of pragmatic, often pressing, problems, and intellectual architecture. The capacity for this to include ample scope for moral assumptions, sometimes structuring economic arguments, sometimes hiding within them, has been amply demonstrated in other essays within this collection.

This chapter considers merely one aspect of these issues by discussing some of the moral implications and consequences of a limited number of important themes in the economic history of modern Britain: the long-run performance of the economy; the structural changes associated with that performance; and the attitudes and actions which were shaped by the experience and even more by the perceptions, first of macro-economic and structural change, and second, of the ways in which the fruits of growth might be distributed.¹ At the same time, however, its principal focus is not on the explicit exercise of moral choices but on the degree to which *any* economic or social policy decisions have unacknowledged, mostly unplanned, and often ignored, consequences with substantial distributional and therefore moral impact. Economic theory may not always

This is a revised version of the Coffin Lecture originally given under the auspices of the Institute of Historical Research on 3 February 1999 and published in *Historical Research* 73 (2000), 66–79. I am particularly grateful for various constructive comments from Cambridge University Press's anonymous reader.

¹ I shall not, however, deal directly with some obvious aspects of inequality – for example, in income and wealth, in access to health and education, or between men and women.

be the best guide to economic practice and to public perceptions of economic outcomes.

At the most general level, of course, if we were to measure morality in terms of the supply of goods and services, improvement – as so many Victorians noted with gratification – has been the long-run theme. Admittedly, for much of the twentieth century, and especially in the psychologically critical decades after victory in the Second World War, the growth of the British economy and its competitive standing in the world fell below the achievements of some other leading countries. And as a result, Britain both lost its dominance in the world economy and abandoned its pre-eminent role as a global and imperial power. On the other hand, however, over the long run there was, as there continues to be, significant growth in output and consumption. Indeed, taken in the aggregate, each generation in the United Kingdom, even while their country has grown less prominent on the world's stage, has been better off than their predecessors – more healthy, longer lived, better educated, and wealthier. By its own historical standards and in terms of material benefits for the mass of the population, the British economy has performed well. And this has helped underpin its social institutions, which, again in the round and in the long run, show much more improvement than retrogression. If, therefore, morality were to be assessed very crudely in terms of the increased provision of the tangible elements of economic and social welfare to increasing numbers, then modern British economic history would be a fairly unambiguous story of moral progress.

However, this is clearly an inadequate approach to the question of 'progress' or 'improvement', let alone 'morality'. At one level, the moral or psycho-social implications of economic activity cannot be measured by changes in the total or even the average flow of goods and services to consumers: affluence – even individual affluence – can bring disharmony and insecurity, and economists have been hard put to demonstrate that increasing incomes are associated with increasing happiness.² At another level, the conventional measure of the material standard of living is a slippery concept, involving the crude bundling together of costs and benefits – polluting activities and creature comforts, more food and more frustration, higher incomes and resentment at inequalities, workplace stress and longer vacations, annoying commuting and enlightening

² Avner Offer's penetrating study of *The challenge of affluence: Self-control and well-being in the United States and Britain since 1950* (Oxford: Oxford University Press, 2006) examines this issue from many angles. His extended and elaborate analysis leads to the conclusion that 'Improving the aggregate level of economic well-being does very little to improve the sense of individual well-being' (p. 368).

vacation travel.³ On the other hand, even if it were possible to do the sums – that is, to add together all goods and services generated by economic activity, and allow for negative and positive elements, and for the intangible as well as tangible proceeds – neither the benefits nor the costs nor the final products nor individual reactions to the processes of change will have been uniformly distributed between groups in the population at any one time or between different generations over time. In addition, it is the consequent uneven allocation of the good and the bad things in life, and the pressures of change, which raises issues of justice, fairness and, ultimately, morality. As William Hazlitt argued in a swingeing critique of Thomas Malthus's *Essay on Population*, Malthus's appeal to the laws of nature and of God are 'no other than a limited fertility and a limited earth. Within those bounds the rest is regulated by the laws of man. The division of the produce of the soil, the price of labour, the relief accorded to the poor are matters of human arrangement.'⁴ And such 'arrangement' includes, of course, the evolving institutions of society and the policies that shape them: 'A labouring man is not allowed to knock down a hare or a partridge that spoils his garden: a country-squire keeps a pack of hounds: a lady of quality rides out with a footman behind her on two sleek, well-fed horses.'⁵

It seems obvious that the distribution of rewards and utilities should be central to a discussion of the morality of economic activity; but statistics can be misleading here as well. For our sense of well-being is a relative as well as an absolute matter, and will vary over time and between groups (and individuals). It therefore follows that the moral outcome of economic change is itself a function of hopes and aspirations, possibilities and comparisons – and of changes in these intangibles. Any given level of social or economic deprivation is perceived as more or less unfair not only in terms of its resulting effect on arithmetical equality in the access to goods and services, but also in terms of what is possible, on what the deprived aspire to attain and on the extent to which others are more advantaged. Deprivation, like wealth, is a subjective as well as a statistically relative matter. Consequently, its significance will vary between people and groups, and will be affected by contrasts and changes in outlook. It will vary over time because of changes in outlooks as well as because of changes in circumstances. The moral implications of economic change are therefore determined not only by the impact of that

³ Both these aspects (the potentially disruptive consequences and the implicit social costs of higher output) are dealt with admirably in Offer, *The challenge of affluence*.

⁴ W. Hazlitt, *The spirit of the age* (1824–5) (London: Collins, 1969), pp. 171, 175.

⁵ *Ibid.*, p. 175.

change on the distribution of goods and services, but by the *perceptions* of what might be the outcomes of economic processes and performance – in the same way that perceptions of ‘Keynesianism’ were as important as what Keynes actually said.⁶

At this point, however, it is important to introduce a number of caveats. First, the approach of this chapter is primarily concerned with morality viewed in terms of the redistribution of resources which results from economic change, and not with the morality or supposed moral choice inherent in the presumed virtues of individualism, independence, prudence and thrift. Second, the prime focus is on the implications of policy choices or their absence – that is, on the management or neglect of the economic system, rather than with the moral or immoral behaviour of private economic actors – of employers or employees, firms or unions. Finally, in considering the human consequences of economic change and even more of the responses to change, because the discussion concentrates on the flow of goods and services, it will necessarily neglect two aspects of the question to which modern social scientists have (rightly) paid great attention. These are first, the psychological costs or benefits of industrial development, economic affluence or social modernisation, and second, those determinants of well-being which are not directly material in character: health, life expectation, literacy, democracy, and the ‘social capital’ assumed to be accumulated by the coherence of unofficial and often informal institutions.

More than this, the argument considers the flow of goods and services in a fairly rough and ready manner, with no attempt at detailed measurement or any fine-tuned assessment of the utilities involved. It assumes that moral implications are unavoidably present in economic changes by virtue of the fact that policies which shape or neglect those economic changes generate or do not restrain the redistribution of resources, and even life chances, between individuals, between groups of people, between regions and between generations. Finally, it is also based on the obvious, but frequently neglected, fact that policy inactivity as well as policy interventions necessarily entails redistributive consequences.

I

One obvious if superficial manifestation of the distribution of costs and benefits in modern British economic history has been the change in the structure of the economy – that is, in the *pattern* of activity. Over the last one hundred years the grand staple industries of textiles, coal, iron and

⁶ See especially Toye, Green and Biagini, above, pp. 172–3, 183, 204–8, 243–4.

steel, and engineering have boomed and collapsed; motor-car manufacturing has followed them. In general, mass-produced consumer goods industries have expanded but then succumbed to competition from less developed economies. High-technology production has replaced the basic energy- and raw material-based industries, and then itself been subject to the vagaries of international competition. Britain has ceased to be a predominantly manufacturing nation (indeed, statistically, it never was one – but that is another story). Service occupations and outputs have risen and themselves undergone protean transformations.⁷ Of course, each of these economic processes – in the short as well as the long run – has involved the redistribution of work and rewards, pressures and tensions, markets and welfare. And, unavoidably, the incidence of that redistribution has been uneven between different social, economic and, above all, occupational groups.

In essence, then, the moral resonance of economic experience is in part generated by the changing distribution of economic costs and benefits – and therefore by a number of different pressures. Some of these are only indirectly related to policy in that they operate within contexts that are not directly created, but can in practice be changed (albeit not always predictably), by government intervention. These include the impact of market forces; the uneven distribution of interest-group influence; social and cultural discrimination (for example in access to education or employment or comparable incomes) which shapes the material and psychological welfare of groups such as women and ethnic minorities. Other pressures on distributional equity are more obviously within the explicit range of state policies. These notably include: macro-economic policies designed to influence the behaviour of the economy as a whole, but which nevertheless have differential effects on different people; the provision of public services and the fiscal policies designed to pay for them and/or influence the distribution of real incomes; and the direct intervention, or failure to intervene, of government in sectoral activity

⁷ The relative decline of Britain's nineteenth- and early-twentieth-century staple manufacturing industries has been much discussed by economic historians – and is a topic not always disentangled from the more general, and more problematic, question of the performance of the British economy as a whole ('The decline of Britain'). For a flavour of these debates, see B. Supple, 'Fear of failing: economic history and the decline of Britain', *EcHR* 47, 3 (1994), 441–58; B. Elbaum and W. Lazonick (eds.), *The decline of the British economy* (Oxford: Oxford University Press, 1986); J.-P. Dormois and M. Dintenfass (eds.), *The British industrial decline* (London: Routledge, 1999); S. Broadberry, *The productivity race: British manufacturing in international perspective, 1850–1990* (Cambridge: Cambridge University Press, 1997); S. Pollard, *The wasting of the British economy* (London: Croom Helm, 1982); B. Supple, *The history of the British coal industry*, vol. IV: 1913–46. *The political economy of decline* (Oxford: Clarendon Press, 1987).

(agricultural subsidies, for example, or attempts to prop up declining industries or stimulate promising ones).

Industrial policy has very obvious and consistently controversial consequences for the distribution of activity and material welfare. However, the same is true – if less directly – of monetary policy. Consider, for example, debates about interest-rate policy during periods when a rigorous financial outlook appeared to be keeping rates uncomfortably high. This has been an intermittent phenomenon in modern British history. In part, of course, debates about interest rates were themselves generated by a concern about industrial performance – and especially international competitiveness. The higher interest rates involved in monetary stringency were seen as a means of keeping down manufacturing costs. But they were also sought as a means of curbing inflation generally – thus not only mitigating excessively rapid expansion and avoiding ‘boom and bust’, but bringing harmony and stability to social relations. Indeed, in this sense a regional disparity might be involved: disproportionately high house prices in the relatively prosperous South-East would be countered by raising interest rates and making conditions worse in the relatively depressed areas of the North and West. Indeed, there was also a severe structural problem in that a relatively high interest rate not only made investment more expensive, but maintained a relatively high rate of exchange for sterling and made exporting difficult. As a result, those groups whose welfare was bound up with manufacturing generally and exporting in particular argued that they were disadvantaged by a policy which, whatever its possible macro-economic benefits, had uneven structural implications. And this has been frequently accepted as inevitable – witness the Governor of the Bank of England’s agreement, in 1998, with the view that job losses in the North were an acceptable price to pay for the curbing of inflation in the South.⁸ To the government, these regional and structural pains – a squeeze on those parts of the country dependent on staples, and on the exporting sector generally – seemed a necessary price to pay for economic health, while the fundamental recuperation of industry depended on productivity not exchange rates. To its critics, however, since the pain initiated by policy was unevenly distributed by market forces, it seemed that those who bore it were paying a disproportionate part of the price in return for a negligible share in the benefits. Even if inflation was a threat, the cost of countering it was (it was argued) unfairly concentrated on the manufacturing and export industries, and in certain regions of the country.

⁸ BBC News, 22 October 1998.

This is a familiar story. The bitter wrangling before Britain fell out of the Exchange Rate Mechanism in September 1992 produced the same sort of tensions – while its main contours are easily recognisable in the debates about the return to the Gold Standard in the 1920s. When Keynes argued in 1925 that the coal-miners were ‘the victims of the economic juggernaut’ resulting from the obstinate adherence to the pre-war rate of exchange,⁹ he was pointing to a similar moral dilemma (except that he did not think it a particularly unavoidable dilemma).

Nor is this sort of issue merely a matter of the balancing of interests between different contemporaneous industries and groups. Let us assume that in the circumstances of a rigorous monetary policy, the advocates of prudence above all are right. In that case, the presumed long-run rewards of financial stringency (say price stability and orderly growth) would be enjoyed by people living at a different time from those who were asked to bear the costs (say an increase in unemployment or a reduction in profits). Politicians very rarely offer, and conceivably are incapable of devising, a calculus which would enable a balancing of all these costs and benefits between the different people involved, or between people at different stages of their lives. Unemployment may indeed be a price worth paying. But it is not at all clear that those who pay the price, secure the reward – and in paying the piper, they certainly rarely call the tune.

This is, of course, merely one example of the problem. But in a nutshell it suggests how far policy, whether by inaction or by intervention, always carries some unacknowledged moral baggage because it involves explicit or (more often) implicit choices about the distribution of resources, opportunities and welfare – between generations and within generations, between debtors and creditors, between rich and poor, between manufacturers and firms, between consumers and producers, between farmers and beef-eaters. And this is the case whether policy is explicit (as the determination of interest rates used to be when under the direct management of the Treasury) or delegated (as is the determination of interest rates by the Bank of England Monetary Policy Committee, operating within statistical and technical guidelines).

On the other hand, however, just as economic choices have moral consequences, so moral choices have economic consequences. A trade imbalance or an anti-inflationary policy may be used to justify increased interest rates or cuts or restraints in public expenditure, from the effects of which some suffer more than others. Equally, a decision to protect the interests of beleaguered interest groups by holding down interest rates or increasing welfare expenditure is likely to mean less resources for others, and

⁹ *JMK*, vol. IX: *Essays in persuasion* (1972), pp. 222–3.

may well lead to an untimely boom or an unbalanced budget or a run on sterling – that is, to financial instability and ultimate unemployment, or to price inflation for all. And, of course, these economic consequences will, in their turn, have moral consequences in the sense in which I use that term. Economics and morality are, like life itself, a package deal.

In the rest of this chapter, I want to approach this subject in the context of three perspectives on modern British history: first, the relationship between policy towards economic structure and Britain's changing position in the international economy; second, the implications of macro-economic policy in the context of the European communities and the United Kingdom's 'European' policy; and third, the ways in which the fruits of growth have been used for the collective provision of welfare services and pensions.

II

Since the 1970s, debates over the United Kingdom's relationship with Europe's economic institutions have made us all too familiar with the tensions of national policy-making in relation to the rest of the world.¹⁰ At the proto-political level the desire for national autonomy competes with the sense that strength is to be found in an association with larger economic entities – or, to use less creditable phraseology, insularity clashes with dependency. At another level, and perhaps more prosaically, but no less significantly, the issue is one of industrial, fiscal and monetary policy: how, and with what degrees of freedom, are taxes, levels of public expenditure, and interest rates to be determined?

Nonetheless, the problems now defined as those of 'Europe' echo much longer-standing issues: how far can British economic policy be independent? Do 'free markets' or formal institutional relationships offer the greater scope for enhancing economic performance? And, in accommodating the national to the global economy, should policy objectives focus exclusively on the level of prices (whether of goods or of sterling) without regard to the distribution of domestic costs?

Britain entered the twentieth century as a free-trading, free-standing economy; outward-looking in the sense that the strength of its economy was realised through its global economic relationships. It was perceived as needing few formal institutional economic associations with other countries and as immune from any particularly harmful consequences from the

¹⁰ For the post-war origins of this controversy, see A. S. Milward, *The rise and fall of a national strategy, 1945–1963* (London: Frank Cass, 2002). For a longer and more general perspective, see J. W. Young, *Britain and European unity, 1945–1992* (Basingstoke: Macmillan, 1993).

operations of international market forces. To its still powerful industrial eminence was joined a pre-eminent financial and commercial standing on the world scene. Success appeared to justify a deep commitment to a cosmopolitan outlook and an assumption of autonomy – and, by the same token, to free trade, minimal government, a balanced budget and low taxes.

During the century, however, as Britain's international economic performance, role and standing grew less prominent and weaker, public debate and policy responded by focusing on issues of commercial policy and competitiveness, and for much of the time on the advantages and disadvantages of a more protectionist and publicly regulated industrial and commercial and financial system, and on a higher-taxing higher-spending state. Since the 1960s, the question of protection at a national (or, frequently, at any) level has generally faded into the background, and the debate has been extended to consider the desirability of joining with other countries in some sort of formalised and regulated co-operation. These developments have themselves involved issues of choice in the allocation of resources and rewards. Of even more relevance has been the sub-text of policy objectives defined in terms of international competitiveness, price stability (or at least the avoidance of inflation) and fiscal prudence.

The point here is that national policy with respect to Britain's international performance and standing inevitably involves fiscal and monetary instruments – and moral issues emerge from the consequential clash between the propriety of fiscal/monetary discipline and its differential effects between people and over time.

As the twentieth century opened much of this was still in the future, largely because of Britain's economic strength. In terms of the amounts involved, fiscal policy was pretty small beer – although in terms of the principles involved, and the implications for Britain's role in the world economy, it raised at least one very far-reaching question. The Edwardian campaign for tariff reform involved seeing protectionism as a means of fending off the future consequences of latent economic weaknesses in the face of industrialisation elsewhere. It was a means of reintegrating the Empire's division of labour, safeguarding the basic industries, and stemming the structural changes which, because they involved the growth of financial services and a dependence on investment income, seemed to foster a financial parasitism and hence to undermine the foundations of military sentiments and strength.¹¹

¹¹ See E. H. H. Green, *The crisis of Conservatism: The politics, economics and ideology of the British Conservative party 1880–1914* (London: Routledge, 1995).

This debate, conducted in terms of geopolitics and national economic power, had moral (indeed, explicitly moral) as well as economic overtones. On the one side, the inherited policies of free trade, minimal government and low taxes seemed fair because they appeared to reduce the cost of imported food, relieved the working and middle classes of interference and financial burdens, and favoured no sectional interest – at least, not overtly. On the other side, the Colonial Secretary, Joseph Chamberlain, attempted to harness political and moral support to tariff reform by suggesting that the likely increase in the price of bread could be counterbalanced by using tariff revenue to introduce welfare measures in the form of old age pensions. In the event, of course, the potential absorption of any increased revenue by his proposed reduction of duties on tea and sugar (itself designed to stabilise working-class budgets) put paid to this possibility – whereas social legislation (in the form of very modest levels of national insurance and old age pensions) was soon introduced for welfare more than economic reasons, and on the basis of a healthier economic foundation than Chamberlain had anticipated.¹²

The bathetic denouement of Chamberlain's tariff reform campaign did not put an end to the economic issue of protection – although the moral aspects became less prominent. In the inter-war period, global dislocation and domestic unemployment hit home, and import duties became more acceptable to protect existing industrial activity as the fall in the price of internationally traded foods mitigated the moral impact on the cost of living. By then, however, more far-reaching controversies about fiscal and monetary policies relevant to Britain's position in an international economy loomed. And they fairly clearly involved tensions between welfare measures and the market – or, rather, between welfare measures and a particular definition of the market (presupposing, for some time, free trade and, for somewhat longer, balanced budgets, a Gold Standard and a traditional value for sterling). In some respects, much of this controversy contained a moral concern, if only because those who advocated or opposed particular policies in the 1920s and 1930s could not ignore the impact on material welfare. But morality in the sense in which we might understand it was certainly not the main driving force. Rather, controversy then as now stemmed from the pressure of economic ideas and of particular interest groups – from different theories, ideologies and

¹² For other material on the tariff reform movement and the subsequent welfare measures, see P. F. Clarke, *A question of leadership: Gladstone to Thatcher* (London: Hamish Hamilton, 1991), chaps. 3 and 4; P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978); A. Sykes, *Tariff reform in British politics, 1903–13* (Oxford: Oxford University Press, 1979); B. Semmel, *Imperialism and social reform* (London: Allen and Unwin, 1960), chaps. III, IV and V.

industries rather than from different income levels and needs. Above all, at the level of official public policy, the continued dominance of 'orthodoxy' appeared to preclude a sensitivity to either the condition of the relatively deprived (the chronically unemployed, the residents of the depressed areas, the very poor) or to the distributional consequences of economic prudence.

The conventional picture of economic policy during the inter-war years is one of harsh, even inhumane, orthodoxy. Labelled homogeneously as the 'Thirties', the period is popularly seen as a desolate field of neglect, from the results of which the post-war welfare state was a commendable revulsion. However, it is hardly necessary to emphasise that economic and social historians take a somewhat more nuanced view of these two critical decades.¹³

In the first case, and of some direct relevance to the question of moral choice, the years between the wars were by no means devoid of welfare interventions and reforms – even if they were often introduced in a back-handed or pragmatic way and to a counterpoint of orthodox 'prudence'. In the immediate aftermath of the First World War Lloyd George's coalition government introduced a substantial extension of unemployment insurance, and a range of educational and housing reforms. However, these measures were based not merely on a general sense of the imperatives of social justice, but also on more prosaic anxieties about the need to counter presumed revolutionary tendencies of unemployed ex-servicemen or aggrieved strikers. In any case, the transient boom and dramatic wage inflation which had underpinned so much complacency in the immediate post-war years very soon gave way to perhaps the worst slump of the century and to a ruthless reconsideration of macro-economic policy. Welfare plans as well as wage prosperity were soon eroded by the 1921 depression and by the flight to fiscal propriety on the cutting

¹³ For succinct accounts of inter-war policy issues and their context, see B. Eichengreen, 'The British economy between the wars' and S. Bowden and D. Higgins, 'British industry in the interwar years', in R. Floud and P. Johnson (eds.), *The Cambridge economic history of modern Britain*, vol. II: *Economic maturity, 1860–1939* (Cambridge: Cambridge University Press, 2004). For more general surveys of policy in this period, see A. Booth and M. Pack, *Employment, capital and economic policy: Great Britain, 1918–1939* (Oxford: Blackwell, 1985); B. Supple, 'Official inquiry and Britain's economic decline: the first fifty years', in M. O. Furner and B. Supple (eds.), *The state and economic knowledge: The American and British experiences* (Cambridge: Cambridge University Press, 1990), pp. 325–53; J. Tomlinson, *Problems of British economic policy, 1870–1945* (London: Methuen, 1981). The definitive analysis of the economic and political debates on the subject of Keynesian policy is P. F. Clarke, *The Keynesian revolution in the making, 1924–1936* (Oxford: Clarendon Press, 1988). Also see P. F. Clarke, 'The Treasury's analytic model of the British economy between the wars', in Furner and Supple (eds.), *The state and economic knowledge*, pp. 171–201.

edge of the severe official economies known as the 'Geddes axe' and 'anti-waste'.¹⁴ Nevertheless, the ratchet effect of reform operated then as now: a more articulated social provision (notably of unemployment benefits) survived even amidst the devastation of the formerly great industrial areas, and in the mid 1920s a reforming Neville Chamberlain secured non-trivial advances in the pension system.¹⁵

The next great depression – that of 1929–31 – witnessed a comparable interaction between moral pressure and political necessity on the one hand, and financial prudence and harsh market economics on the other. Bolstered by the increases in purchasing power derived from falling prices, unemployment insurance and the dole provided some protection against the worst effects of poverty and worklessness. But the financial collapse of 1931 (like the collapse which took place ten years before) led to another bout of painful orthodoxy in the form of the acceptance of the proposals for cuts in social welfare by the May Committee on national expenditure, although, as policy evolved, the most telling departures from the extremes of inherited orthodoxy – explicit protection, the lowering of the rate of interest and the willingness to manipulate the exchange rate – did usher in a new atmosphere. But this at least can be said of the policy upheavals following the depressed 1930s: the political economy of protection, a more managed currency, a slightly more flexible monetary policy, and the beginnings of a more sympathetic view of Keynesian heresy, had at its foundation an anxiety about and concern with the plight of the poor and the unemployed. No doubt the desire to avoid dislocation and unrest played a part in such anxiety – as did the bankruptcy of more orthodox responses to Britain's economic plight. But in such matters it is never possible to assess the exact balance between social control and altruism.

There is also a second reason for not accepting the popular view of the distinctive horrors of the 1930s. And that is that both economic performance and economic policy were harsher in the 1920s than in the next decade. It was in the early 1920s, for example, that the major export industries first encountered the bleak realities of market collapse and financial orthodoxy. By contrast, for much of the 1930s, although many problems were still crippling present, industrial diversification, a degree of recovery, and a relaxation of fiscal and monetary policy introduced a few ameliorative notes into economic experience. Indeed, it had been during the 1920s that there occurred the most striking clash of perceived

¹⁴ For the moral arguments made in favour of cuts by Anti-Waste candidates and supporters of the Middle Classes Union, see R. McKibbin, *Classes and cultures: England 1918–1951* (Oxford: Oxford University Press, 1998), pp. 50–59.

¹⁵ For the growth of welfare provision, see D. Fraser, *The evolution of the British welfare state* (London: Macmillan, 1973).

economic 'necessity' and apparent moral choice. The 1925 controversy about the return to the Gold Standard at the pre-war dollar–sterling exchange rate was a classic instance of the tension between a prudent interpretation of orthodox finance and a moving exhibition of the drastically uneven distribution of pains and benefits.¹⁶ Behind it, no doubt, lay the monolithic difficulty that Britain's pre-war industrial structure – its commitment to massive, labour-intensive, export industries – encountered in adapting to a disastrously changed post-war world. The storm of international competition foreseen by Joseph Chamberlain earlier in the century, now struck home – and Britain's staple industries proved too large, too costly, or both. Those hundreds of thousands who suffered from unemployment, immobility and poverty (the outcome of structural rigidity) could not look to anything other than the most modest public effort to redistribute resources in their aid.¹⁷

This is not to deny all claim to moral sensitivity or commitment by inter-war policy-makers. For one thing, the feasibility of any action other than direct welfare aid was very doubtful – as the interminable discussion of the coal industry's overcapacity demonstrated throughout these decades.¹⁸ And it is by no means obvious that welfare intervention would have facilitated the occupational and geographic mobility that were in the last resort the only solutions to the dire human problems of overcapacity. But beyond all this, the pressure of economic ideas and interest groups itself contained a sort of mirror-image of conventional morality, much as the advocacy of free trade had done earlier in the century. As the endemic problems of Britain's staple export industries were compounded by the constrictions of the world economy, those who advocated an internationalism represented by the Gold Standard and free trade were moved by a sort of moral fervour which was nonetheless sincere for its producing painfully austere public policies. They seemed to be genuinely persuaded that deflation, limited expenditures and a strong pound would yield the best and widest benefits – as well as generating profitable advantages to the interest groups with which they were in intimate contact. Applying painful policies for the ultimate good of those who suffered most was not devoid of a challenging morality. Indeed, even when, in the storm of the Great Depression, the front lines of free trade and the traditional Gold Standard had to be abandoned, the orthodoxy which had traditionally characterised domestic fiscal and financial policy was retained – at least

¹⁶ See the discussion in Clarke, *Keynesian revolution in the making*.

¹⁷ W. R. Garside, *British unemployment 1919–1939: A study in public policy* (Cambridge: Cambridge University Press, 1990).

¹⁸ Supple, *British coal industry*.

in terms of the public articulation of prudential measures – although it is relevant to emphasise that, as the budgets of the later 1930s suggested, what we might call ‘prudential orthodoxy’ was made easier by the modest extent of inflationary pressures.

In retrospect, although there were times during these debates when the morality card was played in the context of controversy about macro-economic and monetary policy, this element lacked the intensity and fervour that a modern generation might bring to the discussion of mass unemployment, poverty and deprivation. By contrast, contemporaries in the inter-war period tended to focus on the pain of structural implosion – especially where it was dramatised by geographical concentration. Depressed areas and depressed industries understandably attracted most sentimental attention from economists, social investigators, politicians, churchmen and journalists. And it was (and is) in those arenas that the moral discussion of economic choice – making its historic appearance as policy neglect – took place.

To take the example most frequently and intensely discussed by both contemporaries and historians, the awful plight of the coal-miners is, of course, a constant refrain of inter-war literature – whether in the form of novels such as Walter Greenwood’s *Love on the Dole* (1941), documentary studies such as George Orwell’s *The Road to Wigan Pier* (1937), or the constant stream of inquiries and social surveys that shamed virtually all middle-class readers. As Orwell wrote in *The Road to Wigan Pier*:

it is brought home to you, at least while you are watching, that it is only because miners sweat their guts out that superior persons can remain superior. You and I and the editor of the Times Lit. Supp., and the poets and the Archbishop of Canterbury and Comrade X, author of Marxism for Infants – all of us really owe the comparative decency of our lives to poor drudges underground, blackened to the eyes, with their throats full of coal dust, driving their shovels forward with arms and belly muscles of steel.¹⁹

And even in more modern times, when so many people expressed sympathy with the much more affluent miners of the 1970s and 1980s, it is impossible not to recognise a moral tragedy in the plight of the mineworkers in the 1920s and 1930s. However, on reflection it is also difficult not to acknowledge that the coal industry has exemplified a problem indissolubly inherent in the course of economic change in the twentieth century – and reflected, with whatever smaller degree of publicity, in shipbuilding, heavy engineering, cotton and other traditional British staples. Indeed, the essence of the story which began to unfold in the harsh environment

¹⁹ G. Orwell, *The road to Wigan Pier* (1st edn, 1937; London: Penguin, 1962), p. 31.

of the 1920s was not diluted by the Second World War and its expansionary aftermath. Wartime needs merely postponed events. Taking a broader and longer view, it can be argued that for almost ninety years Britain's core industrial problem has been the need to allow some of the large manufacturing sectors on which the country's original industrial supremacy had been built to decline in the face of competition and the pressure for structural change. The resistance to that politically sensitive need, and the pain and anguish felt by workers and communities, made it impossible to make the transition smoothly.²⁰

For some decades, the squeeze on staple industries (including agriculture) was intermittently thrown into high relief by its encounter with an economic orthodoxy committed to protecting the value of sterling and a consequent acceptance of the occasional need for a deflationary financial policy, or merely non-intervention. Certainly, very little was done before the Second World War. But even in the years after 1945 (when an interventionist stance became more politically acceptable) structural change was not decisively arrested – nor its pains ultimately alleviated. Once international competition and technical innovation replaced the artificial needs of the immediate post-war years, the staples (new as well as old) resumed their decline, and the costs of change were borne unevenly by those unlucky enough to be born into or brought up in the wrong industries and the wrong places. Of course, this moral impact of change, transmuted into political pressures, led to diverse policy responses. Ideas of 'backing winners' jostled with the protection of lame ducks; inspirational assertions about the white heat of technology gave way to a reliance on market forces – tempered (as in Lady Thatcher's transient attitude to coal-mine closures in her early years, or in the post-1997 Labour government's attitude to coal-fired power stations) by a sensitivity to the politics rather than the morality of the market-place. But in the end, and with as much logic as in the 1920s and 1930s (although with less catastrophe), the issue of structural change boiled down to lost jobs, and an acceptance of the differential distribution of pain which accompanied the difficulty of attaining the mobility (geographic as well as occupational) which is the only long-run answer to the core of the problem.

Over the years, even apparently benign policies – nationalisation, subsidies, community effort, rigged market contracts – could not staunch the ultimate flow. War and pressure groups gave brief support. Organisational experiments engendered fleeting hope. Currency manipulations have offered a spurious promise. The victories of strikers attracted only temporary underpinnings. In the event, structural change has proved inevitable.

²⁰ See references in note 7, above.

Lame-duck industries, like lame-duck firms, had to decline – even if overall relative decline was not inevitable.²¹

If *some* decline was unavoidable, the moral implications were (or should have been) more susceptible to the ‘human arrangement’ referred to by Hazlitt a century and a half earlier.²² For to say that some industries had to give way to change is not to say that more could not be done by way of retraining, help for the mobile, benevolence for the inadequate – or (even if more problematically) by public incentives to modernise firms and industries. But in the end the problem as normally perceived – which is to say preserving the jobs that exist at adequate levels of pay – is an insoluble one: living standards and full employment cannot be maintained on the basis of an unchanging industrial structure. And it is perhaps not too callous to say that the moral issue involved in the decline of traditional industries is not the decline itself, but the management of that decline and the adjustments to it – including the encouragement of compensating structural change and growth. Without such management, the costs of adjustment are unfairly borne. Indeed, it is possible that encouraging decline (albeit in a civilised manner) rather than resisting it has, or might have, proved the more moral course. In the post-war decades, effective structural policies in the face of global competition still eluded politicians, while it remains a regrettable fact that the alternatives to positive intervention – ‘realism’ or ‘rationalisation’ – have been bound up with apparent callousness, harshness, neglect, and even triumphalism. Hence, through either ignorance or callousness, it has proved extraordinarily difficult to introduce temperate, effective and balanced policies facilitating change. Instead, the long-run response to structural decline was to allow the exchange rate to deteriorate, to toy with piecemeal subsidies and to experiment with organisational (or, as it was ultimately put, ‘supply-side’) reform. This last no doubt holds out much the best prospect of a realistic yet humane response to the inevitability of partial decline and human inconvenience and pain. But even at its best, it must allow that inconvenience to work itself out – most often in the form of shrinking industries and the buffered but never painless transfer of human resources.

²¹ See D. H. Aldcroft, *The inter-war economy: Britain, 1919–1939* (London: Batsford, 1970); B. W. E. Alford, ‘New industries for old? British industry between the wars’, in R. Floud and D. N. McCloskey (eds.), *The economic history of Britain since 1700*, vol. II: 1860 to the 1970s (Cambridge: Cambridge University Press, 1981); Broadberry, *The productivity race*; S. Broadberry, ‘The performance of manufacturing’, in Floud and Johnson (eds.), *Cambridge economic history of modern Britain*, vol. III: *Structural change, 1939–2000*, pp. 57–83.

²² Hazlitt, *Spirit of the age*.

However, if the problem of mitigating inequality could only be solved by the inculcation of the ability to produce other things than those for which a market (or at least a market for British products) was disappearing, behind it lay the even less tractable problem of training, and behind training, education. It is perhaps this aspect – the inadequacy of the education of the people – which is possibly at the heart of the long-run moral issue of structural change. From time to time, of course, politicians pay lip-service to this need – and occasionally undertake far-ranging policies in an effort to meet it. Yet although education and training are probably easier responses than any so far proposed to tackle the unequal impact of macro-economic prudence, it has proved extraordinarily difficult to transform them. The wholesale reform of education is too challenging and even problematic, its resource needs too costly, its benefits too remote, and its operations perhaps too focused on the children of people other than those who formulate policies, to occupy the priority position it deserves.

There are, then, varied moral implications inherent in the human impact of changes in economic structure. The fact that such changes are inevitable, and in the long run desirable, raises an interesting philosophical question: is it possible to make moral judgements about the inevitable? And phrased in this way, there might be only one discouraging answer. On the other hand, the inevitability of a particular outcome does not preclude a choice among a variety of routes and processes to attain that outcome. Certainly, attempts to postpone, rather than ease, change do no great long-run good to those involved; but easing there can be, and even straight redistribution (for example, by financial compensation) needs careful management.

III

Turning from the problems of industrial structures and balance, to the moral implications of macro-economic policies, there were great contrasts between the pre- and post-war decades. In particular, the experience of war and the evolution of economic ideas meant that after 1945 there was a marked increase in the readiness to deploy macro-economic levers, and an intensification of the political pressure which has led (or at least used to lead) to the ‘stop-go’ policies of the ‘managed’ economy. Nevertheless, there was a fundamental sense in which little changed: the underlying questions, as well as the tendency to approach them as technical rather than moral issues, persisted beyond 1945. This has certainly been the case as regards the putative control of performance and prices: although booms can be manipulated for political purposes, and even presented as

conveying immediate universal benefits, stringency justified as prudence has never been inhibited by moral compunction. More than this, and more generally, the technical rather than the moral perspective has also shaped responses to the issue of national economic autonomy.

During the post-war global boom – the ‘golden age’ of modern capitalism between the late 1940s and the early 1970s – experience confirmed that there was still a profound tension between two visions of Britain. In one, it was seen as an autonomous great-power economy, aspiring to determine its own destiny (through fairly stringent financial and economic policies) with little reference to others and on the basis of economic and financial strength. In the other vision, Britain was seen as a nation operating in a world undergoing the sort of transformation which exposed the economic vulnerabilities of its inherited international role,²³ and for many this led to a fear that it would be under pressure to accept a more subservient and dependent role. The possibility of a lower status was implicit in the taking of the easy way out – that is, allowing the exchange rate to deteriorate, offering subsidies to weak sectors, and hoping that continued global expansion would facilitate survival without too much pain. At the same time, however, economic pressures naturally raised the question of whether there was, finally, a need to co-operate with, and even aspire to membership of, international associations with whose support or behind whose walls, economic strength could be sustained, even if transformed in kind.

The policy debates and political upheavals which stemmed from these developments are familiar. At one level, they were exemplified in the persistence of an intermittent crisis atmosphere during the 1960s and 1970s: the decline of sterling, reluctant devaluations, intermittent trade and exchange-rate crises, financial and fiscal rigour and welfare cuts, and political tensions. By the early 1980s, and at the extremes, the resulting frustration generated a brief divergent flowering of old-fashioned radicalism within both the Conservative and Labour parties. In the former a fleeting monetarism was followed by a more enduring free market orientation – at its most virulent, a somewhat rabid ideology erected on the more enduring foundations of privatisation and an ambiguous claim that ‘you can’t buck the market’.²⁴ In the case of Labour, even while the party itself was being turbulently polarised in opposition, radicalism took a far more transient form, as the left plucked, like a dead parrot from a hat, arguments in favour of a siege economy for what is one of the

²³ Milward, *Rise and fall of a national strategy*.

²⁴ Clarke, ‘Thatcherism: the remaking of the Conservative party’, in *A question of leadership*, chap. 13; W. Keegan, *Mrs Thatcher’s economic experiment* (London: Allen Lane, 1984).

most globally exposed of the world's countries.²⁵ The former, albeit in an attenuated form, has proved a more enduring basis for policy, in both main political parties, than the latter.

Nevertheless, ever since the 1950s the enduring sub-text to much of this was the overlapping search for a costless version of international collaboration – in EFTA (the European Free Trade Association), in a vanishing 'special relationship' with the United States of America, and then in a purely Common Market version of the much more complicated European Community or Union.²⁶ Indeed, the modern phase of Britain's political economy has been best illustrated quite precisely by the love-hate relationship with 'Europe': the humiliating wooing of the European Community, the persisting arguments over the funding arrangement for Britain's membership when that was finally achieved, the reluctance to accept the full implications of such membership, the disastrous experiment with the Exchange Rate Mechanism, the issue of the single currency and Economic and Monetary Union, and, in more recent years, the issue of political federalism, enlargement, and the corroding controversy over budgetary reform.

The moral issue in all these policy choices is perhaps more implicit than explicit. But it is surely present. It hinges, like the debate about 'Europe' itself, on the issue of autonomy. To critics of the European Union and the European idea, distancing the country from European institutions and a unified currency is a means of retaining control of economic policy – and (it is argued) thereby the ability to use interest-rate, exchange-rate and fiscal policies to foster not only British economic interests (including vested interests) but also domestic welfare. On the other hand, somewhat different, but nonetheless sincerely held, moral and group commitments no doubt influence the proponents of a closer European bond. For them, the presumed beneficial influence of the European Union on efficiency and flexibility, the possibility of expansion, the avoidance of national marginalisation, the liberation from inward-looking vested interests, and the prospect of global pressures to sustain growth and rising living standards – all speak in favour of a departure from an autonomy which in any case appears spurious in a globalised world.

Yet the fact remains that except for the residual argument about long-run effects on living standards, the debate about Europe has never been conducted with much attention to the moral implications of major policy initiatives. Nonetheless, those implications are certainly both present and

²⁵ For the economic policy of this period, see M. Wickham Jones, *Economic strategy and the Labour party: Politics and policy-making, 1970–83* (London: Palgrave, 1996).

²⁶ Milward, *Rise and fall of a national strategy*.

far-reaching. For example, the apprehension about the likely determination of economic policy by the European Union rather than by domestic politicians looks in the main to overarching interest-rate and fiscal policies. And yet even with independence those policies simply cannot be autonomous nor as sensitive to different needs as is implied. First, because interest-rate policy has been delegated out of the political sphere to the Bank of England's Monetary Policy Committee, and this committee, even more than a political administration, necessarily takes a technical rather than a moral view of ends and means. It was this that led the Governor to make the political gaffe already referred to.²⁷ Second, because even if the government retained all the strings, it could hardly pull them without strict and continuous reference to what happens in Europe – let alone developments in a global economy in which Britain occupies a much smaller role than it did a hundred years ago.

The moral implications (that is, the varying impact on the welfare of different groups stemming from an absence of genuine, *de facto* as well as *de jure*, autonomy) are no less present in the opposite scenario. Dedicated membership of the European Union's economic framework must necessarily involve first institutional and then monetary and fiscal harmonisation. And here, too, therefore, policy autonomy – and with it the possibility of national determination of the distributional consequences of policies – would be a prime victim. With uniform interest rates and prices (perhaps even uniform tax policies) it is hard to see any escape from the unremitting inequality of regions and industries other than by the one route that would offer success – mobility of resources, and especially human resources. Indeed, distanced even further from an ability to adjust taxes and subsidies to the needs of particular areas and industries, a British government would be even less capable than it now is of playing the morality or welfare card in formulating and applying policies.

After all, then, the posture towards the European Union presents as much a moral as an economic dilemma. It is a moral choice either way. And as with 'conventional' domestic policy nothing is to be gained by the pretence that there are no distributional choices involved in any policy that might be adopted.

IV

So far the discussion has examined the general theme from the perspective of economic policies which have moral implications. It is also possible to

²⁷ See above, note 8.

turn the problem round by considering some welfare-cum-moral policies which have economic overtones. In this instance as well, the two aspects cannot be disentangled. For just as economic change intensifies the need, if not the efficacy of the pressure, for moral intervention to temper the wind to the shorn lambs, so the increase in the social provision of goods and services made possible by sustained economic growth is often inhibited by new assumptions about the economic consequences and changing ideas of what is feasible – of what, in a somewhat arbitrary phrase, the country can ‘afford’.

The argument developed above has already touched on the first point – that economic change intensifies social need, sometimes in absolute but invariably in relative terms. Of course, if we consider the statistical wealth of the nation, then at first sight this looks like a non-problem, since we are so much richer than we once were. We should therefore be the better able to satisfy needs. But, as was emphasised at the outset, needs are socially and psychologically determined, and since the Industrial Revolution the apparent needs of many have frequently outpaced the rate at which new resources have become available. As deprivation is relative to what others enjoy and what is possible, so needs arise in terms of inequality as well as absolutes. Even subsistence levels are constantly redefined, while the potential for ameliorating poverty or deprivation through the supply of services (in the National Health Service, for example) are constantly changing with expectations, knowledge and technology. At the most general level, economic and social expectations (about an acceptable living standard for the retired, for example) are constantly rising. More than this, even the definition of what is ‘affordable’ has changed and will no doubt continue to change. This, combined with the perceived appetite for improvement in the provision of social services (notably in health, education and pension arrangements), creates the basis for a central paradox: the more the economy grows and can therefore ‘afford’ an enhanced welfare provision, the more pressing appear to be social needs, and the more insistent are the demands on government for the redistribution of resources. As a result, the question of ‘affordability’ becomes more seriously debated.²⁸

During the twentieth century, social provision by the state has grown (and in some instances grown remarkably) at a variety of levels: direct welfare payments to the unemployed, the disabled, the very poor; universal

²⁸ For an interesting discussion of the determinants of the public provision of the welfare measures which can be identified with ‘prudence’, see A. Offer, *Why has the public sector grown so large in market societies? The political economy of prudence in the UK, c. 1870–2000* (Oxford: Oxford University Press, 2003).

and free health and education services for those not able or willing to buy their own; community provision for the old, the chronically ill, the deprived; pensions for the retired. And here, in the field of welfare, is perhaps the greatest moral battlefield for collective consideration – as is emphasised by the persistence, and in some instances intensification, of inequality in income, in health, in the supply of education and in the treatment of the old. One illustration of the changing phases of that battle is that we no longer talk of ‘the rise of the welfare state’. Rather, we discuss ‘the reform of welfare’ – where reform is not always a synonym for improvement, but a euphemism for reduction or at least a withdrawal from universal provision. Have we become less feeling, less moral? Or have the various welfare and service systems and the expectations engendered by them really evolved to the point of reaching an unsustainable or self-defeating level? Or is generous universality self-defeating through its effects on participation, effort (including self-help) and efficiency?

Looking at this issue in a historical perspective, the twentieth-century provision of welfare, social and public services has been shaped by various strands – notably, the humanitarian or moral, the moralistic or cynical, the political or pragmatic, and the economic. The humanitarian motive stemmed from the perception of the problems of poverty and inequality in an industrial society. Of course, such problems were not peculiar to the twentieth century. Indeed, absolute poverty and deprivation have diminished hugely, as early nineteenth-century observers like Lord Macaulay were adamant in asserting.²⁹ But each generation ‘discovers’ such social ills in their own way and under the influence of changes in social knowledge and communication; and the conscience of the rich and powerful is moved by forces which have little to do with objective facts. In the event, what some might define as the social construction of need did not entail much subtlety of outlook in the context of the Edwardian city – although it did necessitate some systematic investigation and measurement – and thereby led to the founding of the British social survey.³⁰ On the other

²⁹ ‘History is full of the signs of this natural progress of society. We see in almost every part of the annals of mankind how the industry of individuals, struggling up against wars, taxes, famines, conflagrations, mischievous prohibitions, and more mischievous protections, creates faster than governments can squander, and repairs whatever invaders can destroy. We see the wealth of nations increasing, and all the arts of life approaching nearer and nearer to perfection, in spite of the grossest corruption and the wildest profusion on the part of rulers.’ Thomas Babington, Lord Macaulay, review of ‘Sir Thomas More; or, colloquies on the progress and prospects of society’, by Robert Southey, January 1830. Reprinted in T. B. Macaulay, *Literary essays contributed to the Edinburgh Review* (London: Humphrey Milford, 1913).

³⁰ C. Booth, *Life and labour of the people* (London, 1889); M. Bulmer, *Essays on the history of British sociological research* (Cambridge: Cambridge University Press, 2005).

hand, concern about the excessive generosity of social services is not a product of modern history. From the early sixteenth century a moralising strand runs through the humane response to the common vicissitudes of life. And the moral reaction to poverty, unemployment, low wages, disease and old age has been perennially intermingled with and tempered by another, less obviously humane, but to some extent more moralistic (or, at least, instrumental) strand. It has been equally argued that providing universal benefits without regard to individual need (in some instances) or without evidence of individual effort (in all instances) might both act as a disincentive to a healthy self-help and be open to abuse. The un-needy, the greedy, the scrounger or the free-rider are simply different names for the same concern. Such anxieties were strongly present in the minds of the reformers and advocates of the state provision of welfare from the Webbs and Lloyd George at the beginning of the century to Beveridge in the 1940s and beyond.³¹ This concern, demonstrated through the insurance principle or the imposition of restricted scope or exiguous conditions, determined the character of early unemployment and health insurance or minimum-wage legislation or old-age pensions. Even in the early twenty-first century, it informed debates about the ease with which benefits were available to the incapacitated, the conditions for the receipt of unemployment benefit or welfare payments, and the level of old-age pensions. In this respect, therefore, the moral thread runs both ways, and the morality of doing something for the general problems of deprivation and inequality clashes with the morality of ensuring that benefits and resources are concentrated on those in genuine need, rather than being allocated in ways that provide a disincentive to reasonable individual prudence and redistribute resources to those who do not 'deserve' or need them.

In any case, morality is not the only, and sometimes not even the main, basis for welfare measures. Quite apart from the perception of welfare measures as a means of increasing national efficiency – a transient reaction by the post-1906 Liberal administration to the grim lessons of physical inadequacies among Boer War recruits³² – policy-makers have also had to take account of two sorts of political pressure: that derived from

³¹ All were concerned not to discourage self-help by setting benefits at too high a level – an argument which influenced the decision to establish old-age pensions at a level below that necessary for survival – in order to encourage savings and family and other support. This was made clear by Lloyd George when introducing the 1908 Bill. See P. Thane, *Old age in English history: Past experiences, present issues* (Oxford: Oxford University Press, 2000), p. 223.

³² Geoffrey Searle, *The quest for national efficiency: A study in British politics and political thought, 1899–1914* (Oxford: Blackwell, 1971).

the ballot box and that imposed by unstable social conditions. The former – the response to an enlarged electorate and the evolution of the party system – has had a pervasive if uneven influence since the approximation to universal suffrage, but that influence has (rather surprisingly) been moderated in practice. Given the potential, politics has not proved the arena for bribery by benefits in a way that was feared by critics of democracy. The other political influence – the threat of disorder – has been only very intermittently influential. It was significant in relation to unemployment benefits after the First World War or in determining the reform of national insurance and means-testing in 1934.³³ Although it was less obviously related to welfare morality, it was present in the unrest that brought about the abandonment of the poll tax in 1993–4.

On the whole, and although irresponsibility is not unknown in this field, the British electorate and the British public have been unusually quiescent even in very difficult times. The public response to economy drives in government expenditure has generally been muted and very rarely disruptive. This may well be because pragmatism tends to impose a ratchet-like effect on welfare provision: it is much more difficult to reduce than to increase expenditures, and cuts can only very rarely be as extensive as improvements. In this respect, morality has the characteristics of an edifice which can be constructed more easily than it can be dismantled.³⁴

On the other hand, the sub-text for the long-run increase in the use of public resources for welfare and even redistributive purposes has always been an anxiety about ‘affordability’ and a parallel concern about the economic consequences of welfare systems. Indeed, whatever the degree of provision, there has always been an influential school of thought which holds that high levels of welfare expenditure undermine economic growth and destabilise public finances. This latter point is, of course, that familiar concept, ‘affordability’. Although often considered an issue of realism, it is not a very securely based concept. Nevertheless, the fear of the ‘burden’ of social services is of great historical significance, coming to the surface in periods of economic crisis or dislocation – in 1921, for example, or 1931, or 1976. On those sorts of occasions, moved by apparent emergencies, the perceived need for economies has indeed led to non-trivial reductions – although in recent years the concept of ‘cuts’ has proved to be sufficiently malleable to embrace a reduction in the rate of increase of expenditure rather than an absolute decline. But the question of affordability transcends intermittent crisis management and extends to the supposed legitimate size of the public sector and the economic implications

³³ Offer, *The challenge of affluence*. ³⁴ Offer, *Why has the public sector grown so large?*

of the tax level needed to fund that sector. And on this question ideology seems to have been more influential than analysis.

Consider the discussion of rates of income tax. In the early nineteenth century a rate above 5 or 7 per cent was thought an insurmountable burden; in the 1960s 90 per cent for the very rich was thought by many to be crippling high; by the 1990s, governments were extraordinarily tender to the possibility of a top rate above 40 per cent. (In 2006 the Liberal Democrats, for long advocates of an increase in the top rate of income tax to 50 per cent, abandoned that proposal.) And at every period, with relatively little empirical evidence, the argument has been phrased in economic terms, with the implication that 'excessive' tax rates would be a disincentive to enterprise and/or a misuse of resources and therefore, indirectly, a drag on output and general living standards.

Anxiety about the burden of taxes – including property taxes – has, of course, always been a central tenet of Conservative doctrine. And by the late 1990s it had become an orthodoxy in New Labour as well as Old Tory circles. Yet such an outlook was never very far from liberal and radical doctrine, as we know from the arguments of the pioneers of the welfare state. In 1942 Beveridge's plans for a systematic welfare state were hedged not only by a commitment to the insurance principle, but by an acknowledgement of the need to mitigate the cost of welfare, especially over the long run – a point reinforced both by Treasury doubts, and even by Keynes's concern about the proposals in 1942.³⁵

Nevertheless, there has been a substantial long-run increase in the proportion of the national income administered by the government, even if the explicit justification for the figures has not been improved. Somehow, there is a continuous line from the Thatcher, through the Major, and then to the Blair administration which asserted, without much proof that 40 per cent of gross domestic product was a viable limit for public expenditure/tax levels. (In fact, government expenditure as a proportion of peacetime national income rose from less than 10 per cent in the late nineteenth century to almost 50 per cent in 1975, before falling back to just under 40 per cent in the late 1990s.)³⁶

In practice, the size of the public sector varies markedly over time and among countries, and is not well correlated with economic performance. Nor has it always been clear what is being measured. Thus, in 1976 the

³⁵ R. Skidelsky, *John Maynard Keynes*, vol. III: *Fighting for Britain 1937–1946* (London: Macmillan, 2000), p. 268.

³⁶ T. Clark, *The limits of Social Democracy? Tax and spend under Labour, 1974–1979* (London School of Economics, Working Paper No. 64/1, June 2001), p. 8.

perceptive former Chancellor, Roy Jenkins, expressed deep alarm at the size of government expenditure – which he (erroneously) suggested was 60 per cent of national income: ‘I do not think’, he claimed, ‘that you can push public expenditure above 60% and maintain the values of a plural society with adequate freedom of choice. We are here close to the frontiers of social democracy.’³⁷ Yet it soon appeared that he was in any case adding apples and pears: such figures include not only government expenditure on goods and services but transfer payments – that is, payments to the unemployed, pensioners and welfare recipients – as well as teachers, civil servants and the Cabinet – all of whom could be assumed to spend their income in their own way.

In practice, there have been two important influences shaping this orthodox reaction to the expansion of public expenditure. First, if the growth in public expenditure were to be met by increased public borrowing this would affect the attitudes of debtors and foreigners towards the future value of the currency, and have potentially important consequences for price levels, interest rates and the exchange rate. Second, if rising expenditure were to be met by taxes, this was taken to imply an increase in disincentives for business and an increase in the burdens on taxpayers generally. In terms of economic policy, the more influential pressure comes from the indirect effects of rising public expenditure on interest and exchange rates; but in more immediate terms, the prevailing influence comes from the electorate’s sensitivity to rising tax rates. That sensitivity pays relatively little attention to the distributional implications of taxes – except, perhaps, insofar as those with higher incomes (who tend to be more vociferous and influential) are firmer in their resistance to the increases in higher levels of taxation that tend to accompany revenue-raising measures.

Politically, therefore, ‘affordability’ is not simply a matter of whether resources are available (a sovereign government can always summon them up somehow) but of whether making them more generously available would have economically deleterious consequences. This is one strand in the late twentieth- and early twenty-first-century debate about social welfare. The other side is the perennial concern about the effectiveness with which public social services, especially in health and education, are provided. These two aspects are obviously related, since the easiest (often the politically less courageous) way of advocating economies in expenditure is to argue that an equivalent or even better level of services can be provided for less money (or, at least, without a commensurate increase

³⁷ *Ibid.*, p. 36.

in expenditure) through the elimination of 'waste', the reorganisation of structures and procedures, and the closer scrutiny of access.

The terms and logic of the debate have been tightened in recent years. Nonetheless, the magic figure of 40 per cent of the national income somehow survives as the boundary of acceptable state expenditure – even if there is no immediately obvious reason on economic, rather than fiscal, grounds to choose this rate rather than any other.³⁸ It seems that this is a quintessentially political choice with moral consequences – not an economic choice with political consequences. It is the objection to taxes, and in the event to progressive taxes, rather than any other sort of economic reality, which imposes a limit on what can be achieved in the way of social expenditure or direct moral action. (By the same token, social and political inhibitions prevent the discussion of extending capital gains taxes to home ownership, even though the distribution of the 'socially created wealth' of high property values is extremely unequally distributed between regions and groups.) As a result, less controversial increases in public expenditure can only come from one of two sources: either economic growth or adjustments in other parts of welfare provision (most likely from a switch from universal to selective benefits). And with the appearance of new social problems or (even more powerfully) *rising expectations*, the inevitable result is an increase in relative deprivation and even greater obstacles to the tackling of the moral problems of poverty, neglect and exclusion – in education, health, impoverished families and old age.

The last of these – the choices surrounding retirement pensions – can serve as a last example of the inwardness of policy issues resulting from or generating economic change, and of the paradox that attitudes shaped by prosperity enforce changes in policies forged in adversity. State pensions were originally devised for the benefit of the poor when living standards and expectations were relatively low. Pensions were both exiguous and hedged about with conditions. Initially, over the first few decades, their universality and (modest) generosity increased. But over the last fifty years, the increase in the expectation of life, accompanied by an expectation of a reasonably comfortable retirement reflecting the growth in average living standards, has imposed huge pressures on the pension systems. On the one hand, the fact that people are living significantly longer has led to an increase in the ratio of retired people to workers – an

³⁸ The economic arguments are usually expressed as the effect of high income-tax rates on the incentive to work and effort generally, although it is not clear why increasing the retained rewards of effort should lead to greater, rather than less, effort. However, there is also the case, made within the Treasury, that high rates of tax encourage and increase evasion. See M. Daunton, *Just taxes: The politics of taxation in Britain, 1914–1979* (Cambridge: Cambridge University Press, 2002).

increase which will continue in the next few decades. On the other hand, expectations of a (conventionally determined) comfortable retirement on the state pension have been frustrated by the public costs of increasing pensions in line with increases in average real wages. The relative and in some instances absolute value of the state pension was eroded – as the government abandoned, first, the link between increases in pensions and average wages and, then, the supplementary or second-tier pension contributions. Given the growth in the economy and the real incomes of those in work, this trend from wage-indexed to price-indexed pensions, even if it stabilises the real value of pensions, is of course equivalent to a decision to increase inequality. Nor has the introduction of the pension credit for low-income pensioners done very much to redress the balance. In effect, paying for improved (and more) pensions through the tax system was judged too costly a policy – although the debate had been reopened with the government's cautious welcome of the proposals of the Turner Commission on pensions, which advocated a combination of longer working lives, better incentives for private savings and a larger contribution to pensions from general taxes, as well as a reinstatement of the link with average wages.³⁹

The situation, therefore, is that the 'dependency ratio', material expectations and average living standards are all rising.⁴⁰ Logically, it is argued, this means that the provision of adequate and universal pensions can only be achieved by some combination of (a) increasing the retirement age so that people work longer, (b) allocating more public funds to pensions, and (c) increasing private provision through individual savings, either voluntary or enforced. In fact, it is the last possibility which until recently was most widely discussed.

As happened in 1942, when Beveridge successfully advocated a *universal* system of old-age support, the provision of pensions presents a serious political problem because of the universality of the need, the inexorable increase in expectations and the inadequacy of private schemes for so many people. Indeed, the uneven distribution of income among the retired is perhaps the most extensive modern example of inequality. The moral dimension of the problem is, if anything, clouded by the confused argument that adequate universal provision for old age would somehow 'cost' the country more than it can afford. In fact, the debate

³⁹ TSO, *A new pensions settlement for the twenty-first century: The second report of the Pensions Committee* (London: TSO, 2005).

⁴⁰ The Turner Commission predicted that the dependency ratio (of people aged 65 and over to the working population) which had been about 15 per cent in 1941 and almost 30 per cent in the last two decades of the twentieth century, would exceed 30 per cent by 2011 and reach 50 per cent by the early 2030s. *Ibid.*, p. 5.

about pensions turns out to be yet another example of political (and therefore moral) choice rather than objective economic reality. The main concern of politicians is *not* with the burden on the economy, but with the burden on the Exchequer – that is, with the necessary level of taxes.

In fact, the true *economic* cost of pensions (that is, the proportion of the national income made available to the retired) is the same whether any given level is financed by private schemes or by taxes, by a nominal fund or by pay-as-you-go methods. In practice, the direct costs are borne not by the economy as a whole, but by those who forgo a share of the national income so that the elderly can consume it. Admittedly, different methods of financing those pensions may have widely different, if indirect, consequences for economic growth – but this is rarely discussed. Apart from that, the ultimate payment (in real terms) involves the allocation of goods and services from those who are working to those who are retired, *at the moment when they are consumed*, and not thirty years beforehand, when insurance premiums or taxes are paid. As Keynes advised Beveridge in 1942, pensions which were generous by contemporaneous standards could be paid for from current income; it was, in his prescient words, ‘a severe burden to meet simultaneously pensions against which no funds have been accumulated and to accumulate funds for future pensions. The future can well be left to look after itself. It will have more resources for doing so than the immediate present.’⁴¹

Put another way, the presumed need to encourage private savings rarely takes adequate account of the fact that, in terms of real resources, pensions (the living standards of those no longer working) are underpinned by current production rather than past savings. The true cost of pensions is reflected in the resources actually consumed by pensioners. Saving (whether private or public) in anticipation of retirement needs is primarily a matter of financial arrangements and the ownership of financial and/or real capital. It has no *direct* effect on the economic cost of providing pensions, although the act of saving and the use of financial instruments may lead to enhanced and better investment, and thereby augment the total available supply of goods and services and make higher pensions possible. On the other hand, that is not always certain, since large-scale savings (reduced consumption) may also have a deleterious effect on national output. In any case, the level of pensions will be primarily determined by the available supply of goods and services at the time when pensions are drawn and the means used to redistribute them among those in employment, the owners of capital and those without personal resources. In the

⁴¹ J. Harris, *William Beveridge: A biography*, 2nd edn (Oxford: Clarendon Press, 1997), p. 399.

last resort, the issue is one of reallocation: pensions are paid to those not in work through the productive efforts of those in work (helped, of course, by the capital accumulated by the former category).

A corollary of this is that if only a proportion (and especially a relatively small proportion) of the population has saved abundantly for retirement, then their accumulations will augment their incomes and enable them to bid away resources from those who have not so saved, and/or from the working population. In other words, given that pensions inevitably involve redistribution from those in work to retired people, the arrangements for retirement incomes will not necessarily augment the flow of resources available for pensions (unless those prior arrangements happened to increase gross domestic product). Instead they will shape the precise form and degree of the allocation of capital and the redistribution of income involved.

Rather crudely put, therefore, while it is true that the funding of pensions from taxes will involve redistribution of real income from taxpayers to pensioners – so would pensions based on private savings, in which case the redistribution would be effected through the market and the price mechanism, those without savings forgoing resources and those with savings (and investments) attracting them. ‘Paying’ for pensions to the retired is a matter of being able to shift resources at a particular moment of time – not of accumulating paper entitlements to the ownership of purchasing power over a number of years. And the *social* as distinct from the *public* cost of pensions cannot be reduced by shifting their financing from the public sector (taxes) to the private sector (savings).

Emphasising savings rather than taxes as a means of funding pensions is therefore yet another way of introducing and legitimising a differential principle in welfare provision, abandoning universality and uniformity in favour of the adjustment of benefits by reference to the prior efforts of the beneficiaries. Admittedly, and especially with a pensions system based on taxes, there is a sense in which the relative cost of adequate or generous state pensions may become so great that it absorbs a disadvantageously increasing proportion of GDP. But if the amount going to pensions is ‘excessive’ then it is ‘excessive’ *whether it is publicly or privately funded*. What is really meant by this sort of claim is, rather, that the level of *taxes* would be excessive. This is a political and subjective judgement – and judgements of what is a reasonable or excessive level of taxes can change, and changed very radically over the last fifty years of the twentieth century.

In principle, then, financing a pensions system by pay-as-you-go methods (whether paid for by taxes or public borrowing) is not necessarily more socially expensive at the time of ‘delivery’ than financing it by means

of private savings. On the other hand, although not much discussed, the underlying concern about guaranteeing high-level and universal pensions relates to issues of incentives and good citizenship – to the presumed need to avoid discouraging private savings and avoid an excessive reliance on the state. Prudence is seen as a private as well as a public virtue that needs constant encouragement. It is feared that the public funding of generous pensions will erode and perhaps destroy the incentive to private and familial savings. Pensions therefore take their place in the long-running debate about welfare and dependency.

V

In the case of pensions as with other aspects of government policy, the principal thread running through all these issues is the extent to which prosperity has dramatised (rather than nullified) the question of the moral choice in the determination of economic policy. As awareness, general standards and public expectations evolve, especially in circumstances where public expenditures and policies loom larger in everyday life, equality, distribution and redistribution become more sensitive although not more pressing problems.

Obviously, morality alone (that is, a purely moral stance) is an inadequate prescription for the determination of policy. This is clearly so when it degenerates into sloganeering: ‘Stop the cuts’ is simply not a viable economic policy. ‘Share the cuts’ is a possible improvement, difficult as that is. But beyond this, there are obvious risks associated with policies based solely on morality, untempered by the analysis of consequences in terms of behaviour and economic activity on which the future social and economic health of the country may depend.

Economic history offers few prescriptions to salve the moral friction of economic change and public policies. Indeed, in political economy there are many dilemmas which are insoluble: one group or generation can only be helped at a cost to others – through taxation, slower growth rates, unemployment or smaller incomes. And if redistribution is not to be effected by market forces, policy will be influenced by political uncertainty (how will the losers react?) and moral ignorance (how can the utilities of different groups and generations be usefully compared?). Hence, economic analysis is a partial guide but not a firm pathway. Political attitudes and voting behaviour are as much part of the ‘economic’ reality for public policy as the dynamics of money supply or the flow of investment. Moral choices may be limited as much by the reality embedded in *attitudes* to taxation and private consumption, as by an absolute shortage of resources. But at least this can be said: that sort of reality can (and does)

change with time and circumstance. There is nothing eternal or objective about any given limit to what is misleadingly called 'taxable capacity' or even 'individualism'.

Egalitarianism is simply not a secure aim if we still value higher (or even high) living standards for the many; and even if it were, globalisation has apparently put paid to the possibility of egalitarianism in one country. A siege economy is no longer an option. Instead, we must probably look to less heroic devices – to the provision of urgent social first-aid to the inadequate; to the use of policy to educate and to facilitate adaptation among the potentially qualified; to the slow education of the electorate in the potential virtues of higher tax rates; to an increased awareness of the frail, as well as admirable, human networks which interlock with economic evolution; and, perhaps most realistically, to patience while we await the swing of ideological pendulums. Such apparently banal strategies as these may do most good and least harm in the exercise of the moral choice which must – or at least should – underpin our reactions to economic change.

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