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Decline and the discourse of National Economic Management

In a relatively short space of years Britain's post-1945 'economic decline' has gone from an established, taken-for-granted 'fact' to an historical construct. (Supple 1994; Tomlinson, 1996; Clarke and Trebilcock 1997; English and Kenny 2000; Tomlinson 2001.) Though arguments continue, a major shift has taken place from trying to understand the causes of 'decline' to seeking to understand the sources and consequences of a discourse of 'declinism'. Unlike in the USA, where similar notions of economic decline had a relatively short and less pervasive impact, running roughly from the mid-1970s to the mid-1990s (Bernstein and Adler 1992), British notions of decline have been persistent for most of the years since *circa* 1960 and have had almost spectrum-wide political support. As a result, the cultural, ideological and political underpinnings for British 'declinism' are extremely rich and complex.

Those underpinnings already suggested in the literature would include *inter alia*:

(i) a cultural malaise post-Suez associated with 'post-Imperial blues', leading to all kinds of bizarre and usually pathological accounts of British society, most obviously C.P. Snow's diagnosis of the 'two cultures'. (Edgerton 1991; Collini 1993). This kind of cultural account was then deployed to explain economic decline in the works of authors such as Wiener and Barnett in the 1980s. (English and Kenny, chs. 2 and 3).

(ii) a two-party adversarial political system which provided an incentive, other things equal, for each party to disparage the economic management of its rival and blame them for further decline (Budge 1993).

(iii) the capacity for decline to be deployed as an ideological weapon in the political debate, especially by those on the radical Right and Radical Left who sought a means of prising open consensual politics by damning its economic consequences (e.g. Cannadine in Clarke and Trebilcock (1997) on Thatcher).

(iv) the political salience of changes in the standard of living in a world in which governments claimed to be managing the economy and delivering higher economic welfare (Tomlinson 1996).

(v) the existence of new types of comparative economic knowledge which could be deployed to give decline a quantitative, empirical rooting to accounts of (failing) economic performance (Tomlinson 1996).

This paper explores declinism from a perspective which takes off from (iv) and seeks to place declinism in the context of a broader, highly important feature of post-war Britain; the development of national economic management (NEM).

British NEM can be traced back to 1931, when the departure from gold and the imposition of tariffs opened a space for the government to manage the economy in a new way, focusing on attempting to raise prices and profits in order to generate an investment-led recovery (Booth 1987). But the key moment in the growth of NEM was the 1940s, above all because the political imperatives first of defeating Nazism

and then fending-off Communism necessitated a new ‘settlement’ in which the state would offer greater economic security to its citizens. From that time, as Kaldor (1971, pp.1-2) puts it, from that time ‘It has come to be taken for granted-by the leaders of both of the major political parties, as well as by the public-that Governments can, and should, assume responsibility for the “management of the economy”’.

In the literature on Britain this movement to NEM has been too closely associated with ‘Keynesianism’; the European-wide nature of NEM, including in countries where Keynes had been hardly heard of, suggests that that term is commonly over-generalised. It may be more useful to think of Keynesianism as one way of describing the British version of a wider phenomena of NEM.

NEM is constructed. In other words, a national economy is a product of institutional and discursive conditions not a ‘brute fact’. Marxists who question its existence also have a point, (Radice 1984) particularly in the British case where the ‘trick’ of NEM has always been to try and combine the production of desired domestic economic outcomes with an economy highly open to international economic transactions (and where national policy has generally favoured the extension of that openness.)

Once NEM was established from the 1940s its initial domestic aim was clear; *economic security*. This was to be delivered by ‘high and stable employment’ (in the words of the 1944 White Paper) combined with support during what Beveridge called ‘interruption of earnings’. This aim turned out easier to deliver than expected; for the next thirty years full employment was secured, and though some small groups got ‘left behind’, non-earners generally maintained their relative position with those in work.

Though interrupted by the Korean War, the Attlee government eventually delivered a fully-employed economy which was internationally viable, albeit at a high political cost for Labour of continuing austerity and controls. Once Korea was out of the way the Conservatives were able to dismantle many controls and still sustain full employment and external balance, helped by a very favourable international environment in terms of expanding markets and improvements in the terms of trade. It is against this background that we can examine the emergence of declinism.

In an earlier account of the evolution towards declinism under the Conservatives in the 1950s (Tomlinson 2001, pp.50-55) I have suggested that their acceptance of that idea followed on from their acceptance of ‘affluence’ as key goal, albeit one challenged by important elements of Party opinion. Once growth and affluence were embraced as goals, the Party became open to criticism for any perceived failure to deliver, and this was increasingly the case from 1959. The promoters of growth can always be countered by those who use the same metric to diagnose decline. While this account seems to be broadly accurate it does not give full weight to the tensions in Conservative thinking during this evolution. To understand some of these we need to go back to NEM.

NEM promises that government can and will deliver economic goals. But which goals? Economists have traditionally identified four possible goals; full employment (which is a large part of economic security), low inflation, balance of payments equilibrium and growth. The first of these seemed secure by about 1953, after the very limited impact on Britain of the US recession. The Conservatives could stress their enthusiasm for full employment without actually having to do anything active to

deliver it. But inflation and the balance of payments remained Conservative concerns, the former as much for its alleged social and political disruptiveness as its economic effects, the latter because it related so directly to world power ambitions. But eventually the *popular rhetoric* of the Conservatives came to emphasise the goal of affluence and growth. The famous speech by Butler of 1954 holding out the prospect of ‘doubling the standard of living in 25 years’ was repeated in the 1955 and 1959 Conservative election manifestos. Macmillan’s 1957 ‘never had it so good’ speech suggested a similar political rhetoric.

But both these famous examples need to be treated with some care. Not long prior to his 1954 speech Butler had said ‘It is the harsh truth that our economic position in the world has been deteriorating for about half a century ... Our resources have been depleted by two world wars into which we unhesitatingly threw all our resources.’ (Cited in Wilson 1953) In the original ‘doubling of the standard of living’ speech Butler had coupled this happy prospect with a warning that it could only be delivered by a big rise in the level of investment (NUCUA 1954). Similarly Macmillan’s speech carried a warning: we could not continue to ‘have it so good’ unless we kept inflation clearly under control. In Macmillan’s own words of four years later ‘I was not making a boast but giving a warning’. (*Guardian* 14 November 1961).

A similar tension in the presentation of the goals of NEM may be noted even after 1959 when the focus on growth in political rhetoric was more clearly evident. As is by now well-known, by 1961/2 Macmillan was responding to criticisms of his government’s economic management by talking freely of the need to ‘modernise’ the economy and later supporting the creation of the NEDC with its clear growth agenda. But a reading of a key Cabinet document on modernisation of 1961 shows that the use of that term shows no necessary enthusiasm for growth. After proclaiming that ‘We have now reached a stage in our post-war history where some more radical attack on must be made upon the weakness of the economy, both productive and structural’, he goes on to write ‘we face a situation in which the conditions of trade are becoming increasingly competitive and our commercial rivals better equipped to compete with us, while our own economy remains sluggish and ‘patchy’. And finally he went on to suggest that the immediate problem of economic policy was that of regional unemployment (PRO CAB 129/111, 3 Dec 1962). More generally we can argue that this approach was broadly that of the Conservatives in the whole ‘modernisation of Britain’ saga of the early 1960s. In this view, as expressed by Selwyn Lloyd, one had to make some concessions to trendy nostrums such as ‘planning’ and the NEDC, but even in advocating the latter he noted that it was ‘unlikely the Council would be of much assistance in finding solutions to the major problems of the balance of payments and wage inflation’ (PRO CAB 134/1689, 7 Sep 1961).

So rather than a simple story of the Conservatives embracing growth and affluence, and being undone because their opponents made plausible claims that they weren’t delivering and that the truth was ‘decline’, the story is plainly more complicated. On the one hand the Conservatives felt impelled to embrace notions of affluence and growth as the political pressure to raise economic welfare had to be responded to. On the other hand they continued to regard other goals of NEM as of equal if not greater importance. But such an argument should not be seen in terms of a sharp contrast between a ‘public rhetoric’ and a ‘hidden agenda’ because the discourse of NEM could, without bad faith, embrace such tensions as those evident in Conservative thinking.

Within the four possible aims articulated for NEM the relationships are extremely open-ended. Almost all the possible linkages can be seen as embracing both oppositions and complementarities. For example, faster growth might be seen as *causing* inflation (if brought about by too rapid growth in demand) or helping to *fight* inflation (if more rapid growth reduced competing claims on resources). Similarly, the balance of payments might be damaged by faster growth (by sucking in too many imports) or helped, (by accelerating productivity growth and thereby *improving* competitiveness). All these combinations of arguments could be found in play in the 1950s and 1960s. Hence politicians could shift to placing more emphasis on growth and the need to reverse decline whilst, without dishonesty, proclaiming the compatibility of this aim with reducing inflation or improving the balance of payments. Economists in their hard-headed way might proclaim the need for policy-makers to face up to trade-offs between objectives, but they could not agree where these trade-offs lay.

So the picture to be drawn in trying to understand the predominance of declinism in debates about British NEM from the early 1960s needs three elements.

First, negatively, an avoidance of a simple linear account of the displacement of one economic policy aim by another. All four of the possible aims remained in play throughout the period, and could be put together in almost limitless semi-plausible combinations.

Second, to recognise that, especially in public utterances, the incentive was to present growth, or some synonym such as affluence or prosperity, as an important aim, even if conditional on the achievement of one of the others. Growth's attractions were several-fold. It had an inherently positive tone; contrast the promise of growth with the purely negative desire to prevent inflation. Also significant was its positive sum aspect; with growth, *everyone* could have more. (A key point in Crosland's 1956 work, but once stated an idea that seemed self evident to people of all political opinions.) Finally, perhaps, was the popular appeal of growth; presented, for example, as a synonym for 'affluence' and higher consumption, it had a straightforward appeal to a mass electorate that was intrinsically greater than, for example, rectification of the balance of payments position.

Third, that the term 'decline' had no single referent—it was not just about growth or its slowness. In arguing this point we must distinguish academic from political debate. Economists and economic historians are usually very clear that 'decline' relates to some failure to achieve a benchmark level of increase in GDP (even if they disagree about what the benchmark should be). In contrast, politicians used the term much more loosely, referring not so much to a single aim of policy, but a failure to achieve any of the major economic policy objectives (or number of policy objectives) that NEM promised to deliver. (A medical analogy might be that declinism meant diagnosing that the economy was seriously ill, and required a specific medicine for a cure to be effected, but without adhering to any one criterion of 'wellness'). This is particularly evident in the 1970s when the use of 'decline' was at its most promiscuous, but is evident in both earlier and later decades.

Politically, then, declinism was a very broad term. It had a 'polyvalent' character at odds with the tight definitions of the economic historians. So when we seek to understand its political force we need to locate it not only in the development of the specific pursuit of the growth objective, but in the broader pre-requisite of a system of NEM, central to which was a claim about the capacity of government to control that

economy. Of course the sensible politician always qualified such claims; to be successful external conditions had to be favourable, the population had to be educated to see where their 'real' interests lay, etc. Nevertheless NEM contained a political promise about the capacity of government to deliver; declinism in its broadest sense was the other side of the coin, and registered the incapacity of government to live up to all its promises. In Britain, where the claims of NEM were greater and perhaps more closely specified than elsewhere (Kaldor 1971), the scope for 'failure' and 'decline' was perhaps the greater.

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