Democratic socialism and economic policy

The Attlee years, 1945–1951

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Introduction

The Labour government of 1945–51 had to confront unprecedented economic problems, especially problems of the balance of payments, whilst at the same time attempting major reforms of the economy. How this task was managed, and the political and economic tensions it created, is the major theme of this book. Much recent writing has focused on the extent of consensus (benign or malignant according to taste) underlying policy in the 1940s.[1] In contrast, this book concentrates on the relation between policy in this period and specifically Labour (or democratic socialist) ideas. The key concern is the interaction between such ideas and the constraints of actual policy-making.

The purpose of this introductory chapter is to put Labour's approach to the economy in 1945–51 into a longer-term perspective, by looking at the broad developments of its economic policy from the party's foundation (as the Labour Representation Committee) in 1900. The concluding chapter will, in similar vein, look at the *political* assumptions involved in economic policy-making in 1945–51 in the light of Labour's approach to politics.

A recent author has described the Labour leadership of the late 1920s as assuming 'evolutionary change and the Webbian "inevitability of gradualness": socialism would not murder capitalism but emerge from it. For them social justice and economic efficiency through organisation,

[1] Proponents of the benign consensus include P. Addison, *The Road to 1945* (1975) and P. Hennessy, *Never Again: Britain 1945–51* (1992). The 'malignant' approach is most evident in two books by C. Barnett, *The Audit of War* (1986) and *The Lost Victory* (1995), though these books are explicitly driven by a desire to shape current events rather than by normal scholarly standards. For discussion of the extent of consensus see, for example, K. Jefferys, 'British Politics and Social Policy during the Second World War', *Historical Journal* 30 (1987), pp. 123–44; N. Tiratsoo (ed.), *The Attlee Years* (1991). For a survey R. Lowe, 'The Second World War, Consensus, and the Foundation of the Welfare State', *Twentieth Century British History* 1 (1990), pp. 152–82. On the importance of ideology, M. Francis, 'Economics and Ethics: The Nature of Labour's Socialism, 1945–51', *Twentieth Century British History* 6 (1995), pp. 220–43.

co-ordination, and application of science were the hallmarks of the modern world'.[2] This quotation aptly summarises much of Labour's approach to the economy, extending both before and after the 1920s. On the one hand, 'social justice and economic efficiency' is probably the best one-line description of Labour's general approach to policy-making through most of its history;[3] on the other hand, the idea that socialism would emerge, in evolutionary fashion, from capitalism equally helps us understand much of Labour thinking, though this evolutionism was, to an extent discussed further below, challenged in the 1930s by the evident failure of capitalism to continue 'evolving' in the expected direction.

In looking at the development of Labour's approach to the economy in this light, I have divided the period 1900–45, in conventional fashion, into three: from 1900 to 1918; from 1918 to 1931; and from 1931 to 1945.

From 1900 to 1918

From its foundation in 1900 until 1918 the Labour Party was a body whose programmatic and policy-making side was extremely underdeveloped. As is well known, the basis for the foundation of a distinct Labour Party was the desire to represent the interests of the working class better, where that representation was seen as being a process of giving voice to a distinct social group, rather than as involving a distinct policy programme.[4] In its early years, most adherents to the party recognised that too large an effort to forge a programme would only emphasise differences and create dissension. As one union leader put it at the 1903 conference of the LRC, 'wherever parties trusted to programmes they were very hard up. Programmes wrecked parties. Let this conference stick to principles.'[5]

With the founding of the Labour Party in 1906 this stance shifted only a little. In 1907 the annual conference rejected the idea of writing a socialist 'objective' into its constitution, but the following year this decision was reversed (albeit by only 514,000 votes to 469,000), but at

[2] P. Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926–1932* (Cambridge, 1992), p. 37.

[3] In order to emphasise the priorities of the 1945–51 period we might want to reverse this to 'economic efficiency and social justice'. See, especially, chs. 4, 11 and 12 below.

[4] K. D. Brown (ed.), *The First Labour Party 1906–14* (1985), Introduction; D. Howell, *British Workers and the Independent Labour Party 1885–1906* (Manchester, 1983), chs. 15, 16.

[5] *3rd Conference of the LRC*, Feb. 1903, p. 36.

the same time the conference rejected common ownership as a *programme*.[6]

The point is not that Labour at this time had no policies, but that by and large these were *ad hoc* responses to current events. For example, at what appears to be the first ever conference of MPs and candidates to discuss policy, in 1904, a whole range of areas was identified: trade union legislation (i.e. reversal of the Taff Vale decision); opposition to indentured labour in the Transvaal; taxation of the 'unearned increment', especially on urban land; opposition to tariffs; support for universal suffrage; opposition to sectarian education; calls for expansion of workers' compensation; support for temperance; nationalisation of the railways; and support for the general use of the referendum.[7]

To stress the *ad hoc* nature of these policy decisions is not to dispute that behind them lay some general ideals and ideas. Above all, the defeat of poverty by the introduction of the 'national minimum' was central. The idea here was that by political action Labour would raise the standards of all to those they hoped would be achieved by the well-organised workers by means of collective bargaining.[8] But the primary aim of Labour was not to draw on this general purpose to provide 'a programme so much as a propaganda of ideas and principles, setting the various items in a conception of social necessity and human justice'.[9]

All this seems to highlight the great difference between the pre-1918 Labour Party and its later forms. It was highly self-consciously not a socialist but a Labour Party. Partly because of this, and partly because it did not anticipate forming a parliamentary majority in the near future, it did not have a 'programme', i.e. a comprehensive platform of related policy measures, or the administrative structure to generate and sustain such a programme. It did have policies, but these were primarily formulated as tactical responses to particular situations, or as general principles for propaganda purposes.

Despite the lack of a programme, Labour in this period developed certain attitudes and approaches to the economy which were to have long-term consequences. In summary terms, we may say that in this early period Labour drew heavily on the ILP for its 'ethical socialism',

[6] *LPACR* (1907), pp. 51–3, 60; *LPACR* (1908), pp. 57–9, 64, 76–7.

[7] BLPES R (COLL) MISC 196, *Infancy of the Labour Party*, vol. I, *Conference of Members and Candidates, April 1904* (1904).

[8] J. Harris, 'Political Values and the Debate on State Welfare, 1940–45' in H. L. Smith (ed.), *War and Social Change* (Manchester, 1986), pp. 250–4.

[9] BLPES (COLL) MISC 196, *Infancy of the Labour Party*, vol. II, *The Labour Party, Report of a Sub-Committee on Policy* (n.d., but 1906).

on the SDF for a mechanistic Marxism, but predominantly on the Fabians for most of its policy thinking.[10]

Labour and Fabian approaches to economic policy in this period can only be understood in the context of the pre-eminence of the 'social question', focused on the interrelationship of the issues of poverty and unemployment. The domestic politics of Britain from the 1880s down to 1914 can plausibly be characterised as dominated by the emergence, consolidation and mutation of this question.[11]

As already noted, discussion of policy in the Labour Party asserted the reduction of poverty as the central goal. The remedies suggested for this were threefold: (i) support from 'palliatives', for example infant feeding; (ii) anti-sweating measures, for example, Trade Boards in industries where unions were absent; and (iii) nationalisation, as a means of depriving monopolies of their capacity for raising prices.[12]

A number of points may be made about this agenda. It does link poverty with what today would be called economic and industrial issues, but in its own peculiar way. The agenda was not one of 'managing' the economy, but of establishing a national minimum of income levels plus an anti-monopoly policy. The former would force private firms to pay higher wages. A key assumption here is that low wages are the result of inefficiency, but also that low wages *cause* inefficiency. The poorly-fed worker, in ill health and ill-educated, provides a poor basis for industrial efficiency, as much, in a wider context, as a poor basis for military defence of the empire. In this view 'social policy' had a quite particular relation to the economy – not a burden on economic performance, but a positive contribution to that performance.[13]

Also important in this general approach was the idea that nationalisation would be aimed neither at superseding competition nor at conquering the economy's commanding heights. Rather, the aim was

[10] This undoubtedly is to oversimplify a complex story of convergences and divergences of these different groups, and to neglect the role of the unions and the TUC in influencing Labour's positions. On these issues see J. Callaghan, *Socialism in Britain since 1884* (Oxford, 1990), chs. 4, 5; R. E. Dowse, *Left in the Centre: The ILP 1893–1940* (1966), ch. 1; K. O. Morgan, *Keir Hardie: Radical and Socialist* (1975), esp. ch. 16; H. Collins, 'The Marxism of the S.D.P.' in A. Briggs and J. Saville (eds.), *Essays in Labour History* (Oxford, 1971), pp. 47–69; A. M. McBriar, *Fabian Socialism and English Politics 1884–1918* (Cambridge, 1962), esp. chs. 10–13.

[11] J. Harris, *Unemployment and Politics: A Study in English Social Policy 1886–1914* (Oxford, 1972).

[12] *Labour Party, Report of a Sub-Committee on Policy.*

[13] This was, of course the great theme of the 'Efficients', to whom key Fabian figures attached themselves. See A. Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895–1905* (Princeton, 1988), pp. 86–8; G. R. Searle, *The Quest for National Efficiency* (Oxford, 1971); S. Webb, *Twentieth Century Politics: A Policy of National Efficiency*, Fabian Tract 108 (1901).

to redress a maldistribution of income and a source of inefficiency brought about by monopoly and the rise of the 'trusts'. This growth of monopoly was generally regarded in Labour circles (and here Marxist influences converged with Fabian) as an evolutionary trend which *in principle* reflected the growth of efficiency.

This position is put forcibly in the first collection of *Fabian Essays* (1889). Clarke, author of the major piece on industry in that collection, wrote: 'The combination can be shown to be the most economical and efficient methods of organising production and exchange. They check waste, encourage machinery, dismiss useless labour, facilitate transport, steady prices and raise profits – i.e. they best effect the objects of trade from a capitalist's point of view.' The aim of socialists, then, should not be to break up these combinations but to 'absorb and administer them'. The owners of these monopolies had become functionless parasites, extracting a rent, which could be abolished by nationalisation, which would simultaneously allow the full flowering of the productive potential of these enterprises.[14]

This position was common on the left in this period, gaining support from many Liberals as well as socialists.[15] It was powerfully argued by the Webbs in their *Problems of Modern Industry*. Like Clarke and so many others, the Webbs had no doubt that the trusts represented an evolutionary triumph of the efficient over the inefficient: 'the advent of the Trust almost necessarily implies an improvement in industrial organisation, measured that is to say, by the diminution of the efforts and sacrifices involved in production'. What is needed, therefore, is the public regulation or ownership of the trusts, combined with the national minimum. In this way efficiency in all senses will be secured.[16]

This approach involved no critique of industrial organisation. This was not a problem, due to the evolution of the trust. Collectivism involves embracing the outcome of the survival of the fittest. This attitude also underpinned Fabian enthusiasm for the industrial *manager* (as opposed to owner) and the lack of enthusiasm for worker management. Freed from the encumbrance of the parasite capitalist, the expert manager would be freed of any interest but that of efficiency and the public good. The problem of efficiency would then be solved by capitalism; the tides of history in this area, as in others, were on Labour's side.

[14] W. Clarke, 'The Basis of Socialism: Industrial' in B. Shaw et al., *Fabian Essays in Socialism 1889* (1948 edition), pp. 87, 92, 95.

[15] e.g. J. A. Hobson, *The Evolution of Modern Capitalism* (1894); H. W. Macrosty, *Trusts and the State* (1901) and *The Trust Movement in Great Britain* (1907).

[16] S. and B. Webb, *Problems of Modern Industry* (1902), pp. xxi–xxvii.

As suggested, this position entailed 'social welfare' in the sense of the national minimum as part of that evolutionary trend towards increased efficiency. At the same time it was envisaged that this greater efficiency would make available the revenues for other measures for the relief of poverty. This is a point that needs to be handled with some care. The question of the state's role in social welfare was a controversial one in Labour circles at this time. Many trade unionists and Labour supporters saw such provision as undermining collective bargaining and involving undemocratic state control. But gradually support for reform as legislated for by the Liberals after 1906 increased, though many regarded these reforms as both inadequate in scope and undemocratic in administration.[17]

Finally, on this pre-war period, it is important to note Labour's attitude to the unemployment issue. Labour focused on three aspects of this problem. First, partly because of a strong belief in technological unemployment, there were proposals for restrictions on child labour and a reduction in working hours. Second, there was advocacy of public relief works as a *palliative*, not fundamental, measure. Third, and usually linked to such works, was the call for the Right to Work. The last of these was Labour's main concern, based on the idea that the claim for such a right would expose a basic weakness of capitalism – its inability to provide jobs for all. The Right to Work was much more a principle to be propagandised than the basis of a programme of action. When it was embodied in draft legislation it was aptly described as 'a peroration put into the language of a statute'.[18]

Labour before 1914 had an agenda of 'social justice and economic efficiency' of a very specific kind, as outlined above. The war was to lead to a fundamental reshaping of Labour's political strategy, but to have a much more ambiguous impact on the broad thrust of its economic and social thinking.

The roots of the shift in Labour's political strategy have been explored in detail by authors such as Winter and McKibbin, and led to the major reform of party structure embodied in the 1918 constitution.[19] Here the

[17] On Labour's pre-1914 attitude to the budget and taxation, see P. Snowden, *A Few Hints to Lloyd George: Where is the Money to Come From?* (1909); P. Thane, 'The Working Class and State "Welfare" in Britain, 1880–1914', *Historical Journal* 27 (1984), pp. 877–900.

[18] K. D. Brown, *Labour and Unemployment 1900–1914* (Newton Abbott, 1971). The quotation is from p. 117.

[19] J. M. Winter, 'Arthur Henderson, the Russian Revolution, and the Reconstruction of the Labour Party', *Historical Journal* 15 (1973), pp. 753–73; J. M. Winter, *Socialism and the Challenge of War* (1974); R. McKibbin, *The Evolution of the Labour Party 1910–1924* (Oxford, 1974), pp. 91–106.

concern is not with these structural changes but the accompanying programmatic changes, embodied in the document, largely written by Sidney Webb, and accepted by the 1918 conference, called *Labour and the New Social Order.*

LNSO began by stating that Labour aimed not at tinkering but at a reconstruction of 'society itself'. This new society would be built on the basis of four pillars – universal enforcement of the national minimum; democratic control of industry; a revolution in national finance; and surplus wealth for the common good. The national minimum proposal reasserted the pre-war elements of minima of leisure, health, education and subsistence, but linked them to the problem of demobilisation and the threat to employment as the war ended.

Similarly, the sectors on national finance and surplus wealth basically adapted old pre-war themes into new post-war circumstances. Together, these sections emphasised that the costs of the war should be borne by the rich, and that in the longer run this revenue would be added to by the programme of municipalisation and nationalisation. In line with pre-war views, private ownership was attacked as involving 'a perpetual private mortgage upon the annual product of the nation'.[20] But nationalisation was not just a redistributive issue, and this is where the shift in Labour's thinking is of most interest.

The demand for democratic control of industry was singled out as Labour's most distinctive proposal – the gradual elimination of private ownership. The embodiment of public ownership in Clause IV of Labour's new constitution is the best known consequence of the new strategy of 1918, but in the current context what is of interest is the reasons given for advocating public ownership. As noted above, this principle went back almost to the beginnings of the Labour Party, but *LNSO* struck a new note in making the case:

> And the Labour Party refuses absolutely to believe that the British people will permanently tolerate any reconstruction or perpetuation of the disorganisation, waste and inefficiency involved in the abandonment of British industry to a jostling around of separate private employers . . . What the nation needs is undoubtedly a great bound onwards in its aggregate productivity. But this cannot be secured merely by pressing the manual workers to more strenuous toil, or even by encouraging the Captains of Industry to a less wasteful organisation of their several enterprises on a profit-making basis. What the Labour Party looks to is a genuinely scientific re-organisation of the nation's industry no longer deflected by individual profiteering, on the basis of Common Ownership of the Means of Production.[21]

[20] *Labour and the New Social Order* (1918), p. 19.
[21] Ibid., pp. 11–12.

This emphasis on the *inefficiency* of private ownership was reaffirmed in the discussion of the more immediate sectors to be taken over by the state. In the case of electricity, for example, this was underpinned by an argument to become very typical in Labour's case for nationalisation: that only public ownership could ensure that potential economies of scale were properly exploited: 'Even in the largest cities we still "peddle" our electricity on a contemptibly small scale. What is called for, immediately after the war, is the erection of a score of gigantic "super power stations" which could generate, at incredibly cheap rates, enough electricity for the use of every industrial establishment and every private household in Great Britain.'[22]

The shift in Labour's perceptions suggested by *LNSO* should not be exaggerated. Its 'productionist' orientation was not universally admired, as shown by, for example, the divided response to a speech by Ramsay MacDonald at the 1918 Labour Party conference proposing a resolution on 'the need for increased production'. In part, no doubt, this 'productionism' was a war-induced, short-term posture. But equally it was not just that. There was a sense in which the war was revelatory about British industry and this did bring an important change of perception, especially, perhaps, amongst Labour's theorists. As the Webbs argued in 1920:

> it was one of the unexpected discoveries of government during the Great War that the system of capitalist profit-making, as a method of producing commodities and services, habitually fell so enormously short of the maximum efficiency of which it was capable . . . We had, most of us, not realised that this competitive rivalry, where it existed uninformed and unrestrained, involved incidentally an extraordinary wasteful organisation, or rather lack of organisation of the means of production, distribution and exchange on which the community depends.[23]

This recognition of inefficiency led them to propose a 'Standing Committee on Productivity' as part of the reorganisation of government, to aid all industries to conduct themselves more efficiently.[24]

However, this recognition of industrial inefficiency was largely restricted to *competitive* private industry. Trusts and amalgamations were still regarded as productively-efficient, though with a rather more qualified tone than in pre-war eulogies.

[22] Ibid., p. 15.
[23] *LPACR* (June 1918), pp. 44–6.
[24] S. and B. Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (1920), pp. 324, 328–30.

We need not ignore the industrial advantages of these successive concentrations, with their production of standardised articles on the most gigantic scale, and their progressive elimination of unnecessary costs. But in them it is clear, the world loses a great deal of the industrial initiative, the personal risk, and the freedom of enterprise with which the capitalist system started, and by which it achieved its greatest triumphs. What is more serious is that the consumer loses that security against excess of price over cost; that guarantee of variety and quality; and even that assurance of abundance which free competition was assumed to afford him.[25]

Although there remained ambiguities in the Webbs' view of the relationship between ownership and industrial efficiency, what is important is that they now opened up a 'second front' of attack on private ownership. It could now be condemned as inefficient as well as exploitative: 'All the facts of modern industry prove conclusively that the competitive management of property invested in industrial enterprise, and its management in detail by individual owners, leads to hopeless inefficiency.'[26]

This critique of private sector inefficiency brought the Webbs, and to a degree Labour in general, closer to notions of industrial efficiency commonplace in the later twentieth century – involving issues of scale economies, technical development, managerial competence, etc. – and away from the 'national efficiency' framework of the pre-war years. It also linked to other parts of their analysis, notably the question of technical and managerial roles. This had two facets. On the one hand the Webbs saw the rise of the salaried 'brain worker' in the industrial enterprise as exposing the purely rentier, parasitic character of most private owners. On the other hand, these brain workers, this *nouvelle couche sociale*, are the basis for an alternative system of industrial organisation. These industrial brain workers would make possible a more efficient industry, because they were professionals, on a par with the doctor, the architect or the engineer.[27]

In sum, for the Webbs and many in the Labour movement, the First World War had exposed unexpected weaknesses in industrial organisation and efficiency, which grated with the evolutionism so evident in pre-war discussions. It no longer seemed so clear that socialism could be built on top of a technically efficient capitalism. The programmatic results of this exposure of the weakness of capitalism were a new boldness behind claims for public ownership, now necessary for efficiency

[25] S. and B. Webb, *The Decay of Capitalist Civilisation* (1923), p. 18.
[26] Ibid., p. 117.
[27] Ibid., p. 124; S. Webb, *The Works Manager Today* (1917), pp. 2–6.

as well as to end exploitation. There was also talk of the supersession of private competition by 'planning', though that registered more an accelerated loss of faith in the benefits of competition rather than a coherent alternative and positive approach to regulating the economy.[28]

1918 to 1931

In the 1920s Labour made its first tentative moves from a party of propaganda and protest to one of programmes and power. But a feature of the party in this decade was the insulation of those who gained some measure of power for Labour, the leadership of the party, from the theorists and producers of programmes. Despite the proliferation of policy advisory committees under the 1918 constitution, many of these quickly faded away and economic policy-making soon became highly concentrated in the hands of the leadership. This meant, above all, in the hands of Philip Snowden, not only Labour's Chancellor in 1924 and 1929–31, but also its chief economic 'theorist' throughout this period.

Snowden's position on the economy can be seen in a number of lights. Partly, it reflected a profound anti-intellectualism in much of Labour's hierarchy, perhaps especially in Snowden himself, which made them all suspicious of 'theorists' of any kind, but especially those with innovative ideas.[29] This attitude in turn partly reflected Labour's overall strategy in the 1920s – 'MacDonaldism' focused on gaining Labour legitimacy precisely by the presentation of a respectable, orthodox line which assumed that Labour would be judged by an electorate distrustful of radical change and innovation, but equally that what change was occurring was moving in Labour's direction. Williamson notes of the 1929 government that it 'had innocent notions about progress and of an imminent, emerging consensus on social justice and state regulation' and this is broadly true of the approach of the leadership to politics right through the 1920s.[30]

The continuing hold of evolutionism amongst the leadership was reflected in the approach to the economy. Whilst the 1918 programme had been based on the assumption of a restoration of prewar prosperity, this proved not to be the case after the collapse of the short-lived 1919–20 boom. This raised a major dilemma for Snowden. The assumption had been that as capitalism evolved it would generate both the revenues

[28] A. Oldfield, 'The Labour Party and Planning – 1934, or 1918?', *Bulletin of the Society for the Study of Labour History* 25 (1972), pp. 41–55.
[29] D. Tanner, *Political Change and the Labour Party 1900–18* (Cambridge, 1990), pp. 436, 439–40.
[30] Williamson, *National Crisis*, p. 536.

for financing social reform at the same time as the evident parasitism of the capitalist would increase the political possibility of raising that revenue by high taxation of the rich. But in the 1920s British capitalism proved inefficient, and it seemed logical therefore to restrict reforms until prosperity was restored.[31]

Most obviously this attitude led to a high degree of budgetary orthodoxy in Labour thinking. The context of this in the 1920s was, of course, the huge budget deficits of the war and the consequent multiplication of the national debt. At first Snowden supported the idea of a capital levy to reduce the debt. This fitted in with general support for budgetary orthodoxy and balanced budgets, because government borrowing meant transferring income from the poor to the rich bond holder. Before 1914 this had led to budget proposals for shifting the tax burden from indirect taxes paid by the poor to direct taxes paid by the better-off, whilst avoiding deficits. This *redistributive* case for budgetary orthodoxy became all the more powerful when the national debt was so large after 1918. But at the same time Labour was vulnerable to the argument that if it wanted to restore prosperity *direct* taxation needed to be reduced not increased. If you adopt a 'goose that lays the golden eggs' approach to financing reform you are obviously vulnerable to the charge that the goose is being strangled if the economy is evidently depressed, as it was in the 1920s. Eventually Labour retreated from the commitment to the capital levy and high direct taxation of the early 1920s to an even more orthodox budgetary stance.[32]

Labour's budgetary orthodoxy in the period down to 1931 is one of the most frequently noted and criticised features of its policy stance.[33] Some of that criticism retains its force, but its context needs to be emphasised. First, opposition to budgetary unorthodoxy was not a new feature of the 1920s but grounded in a long-standing argument about the redistributive aspects of public debt. It was summed up by Snowden: 'Government borrowing creates a *rentier* class who can live in idleness on the productive work of others.'[34] For socialists, this was the ground of debate about the fiscal system as much as any 'macroeconomic' aspect, right down to the 1940s. Second, budgetary orthodoxy, as suggested above, flowed from the evolutionism of Labour's thought, the assumption that a technically efficient capitalism would yield greater and greater tax revenue for social reform without any need

[31] A. Thorpe, *The British General Election of 1931* (Oxford, 1991), p. 13.
[32] Tanner, *Political Change*, pp. 435–7.
[33] R. Skidelsky, *Politicians and the Slump: The Labour Government of 1929–31* (1970).
[34] P. Snowden, *Labour and National Finance* (1920), p. 55. This approach is crucial to Labour's cheap money policy of the 1940s. See ch. 8 below.

for borrowing. Finally, in the specific context of the 1920s, budgetary orthodoxy made sense if the depression was seen as a temporary deviation, caused by war, from the long-run upward trend of the economy, a trend which could be returned to if pre-war conditions were restored. This was the perspective that dominated Labour's policy approach in the 1920s.[35]

Much of the focus on Labour's budgetary policy in the 1920s derives from a framework which sees the party's failure to adopt Keynesianism in this period as the sign of its political and intellectual weakness.[36] This approach assumes that Keynesian solutions to the problems of the period were both available and workable, neither of which assumptions is obviously the case.[37] In addition, this framework exaggerates the conservatism of Labour in the area most usually criticised in discussion of budgetary positions – its attitude to public works. These works figured famously in the Liberals' programme for the 1929 general election *We Can Conquer Unemployment*, and received the endorsement of Keynes in his *Can Lloyd George Do It?*[38] *Labour and the Nation*, the party's position statement of 1928, was strikingly vague on such issues, and this has been commonly compared unfavourably with the detailed programme of works put forward by the Liberals.

But the approach of *Labour and the Nation* was the result of particular short-term political calculations, not the sum total of Labour's approach to economic management. In fact, as Williamson has shown, alongside this manifesto Labour prepared a detailed programme of public works which, whilst not as large as that proposed by Lloyd George, envisaged significant state borrowing to pay for a 'great emergency programme' to combat unemployment. As Williamson summarises, this programme

> was not quite so ambitious as *We Can Conquer Unemployment*, its work-schemes and finance not so detailed, and it lacked the *imprimatur* of an eminent economist. But its authors expected to enter into possession of departmental and local authority plans, and as they were not engaged in election propaganda, their stated objectives were arguably more realistic. In principle, these Labour proposals were very similar to these subsequently published by Lloyd George.[39]

If the Labour leadership's budgetary orthodoxy can be exaggerated, especially as it had developed by the end of the 1920s, there is no doubt

[35] A. Booth and M. Pack, *Employment, Capital and Economic Policy: Great Britain 1918–31* (Oxford, 1985), ch. 1.
[36] Skidelsky, *Politicians*, Conclusion.
[37] R. McKibbin, 'The Economic Policy of the Second Labour Government 1929–31', *Past and Present* 68 (1975), pp. 95–123.
[38] D. Winch, *Economics and Policy* (1972), ch. 7; J. Tomlinson, *Problems of British Economic Policy 1870–1945* (1981), ch. 5; Booth and Pack, *Employment*, pp. 48–52.
[39] Williamson, *National Crisis*, p. 40.