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Modernisation by Consensus:

**The Impact of the Policy Process on British Economic
Policy 1945-64**

Neil Rollings

(The Institute of Economic Research, Hitotsubashi University
and University of Glasgow)

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MODERNISATION BY CONSENSUS:
THE IMPACT OF THE POLICY
PROCESS ON BRITISH ECONOMIC
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BY

NEIL ROLLINGS

(UNIVERSITY OF GLASGOW and
HITOTSUBASHI UNIVERSITY)

Neil Rollings,
Department of Economic and Social History
University of Glasgow

In October 1999 Gordon Brown, the Chancellor of the Exchequer, gave the Mais lecture at the City University. He took as his theme 'The conditions for full employment' and used the famous 1944 White Paper on *Employment Policy* as his starting point (http://www.hm-treasury.gov.uk/press/1999/p168_99.html). From this he proceeded to give a potted history of the development of economic policy in Britain and to highlight the reasons why postwar governments, both Labour and Conservative, had failed to maintain full employment and growth. Central to his analysis was the need, recognised in the White Paper, for the achievement of four conditions, stability, employability, productivity and responsibility, if employment policy was to be successful. Postwar governments had failed to achieve this necessary combination of requirements, whereas, with typical politician's optimism, the current Labour government had put in place a framework of policies which would correct these previous failings (Eccleshall 2000, pp.157-8).

Apart from its use (or abuse) of the White Paper, the lecture is of interest for highlighting two points. First, it emphasises the importance of institutional aspects of Britain's postwar economic problems and poor performance, significantly locating the failings in the nature of Britain's postwar settlement. There is a considerable degree of consensus amongst economic historians that Britain's postwar settlement was inappropriate for the achievement of good economic performance (Broadberry and Crafts 1996, Middleton 1996). As Eichengreen has argued, unlike the rest of Western Europe where the postwar settlement resulted in growth enhancing institutional arrangements based on the co-operation of government, business and labour, Britain ended up with 'a problematic hybrid of northern European and US capitalism' (Eichengreen and Iversen 1999, p.130; Eichengreen 1996). Secondly, there is an assumption that government has the ability to correct these institutional failings, even though the achievement of conditions like 'responsibility' could not be imposed directly by government policy. Again, this is a position commonly taken, not only by politicians but also by economic historians, reflecting their, often implicit, model of policy-making. This paper will examine these two aspects and argue that 'government does matter'. It will, however, challenge the conventional criticisms of government and argue that we need to give more attention to the policy process in order to understand policy outcomes. The first section will set out alternative approaches to policy-making. The second will apply these to the formulation of economic policy in the period 1945-64, with nationalisation, monetary policy, incomes policy and the creation of the National Economic Development Council (NEDC) being used in particular as case studies. The third section then puts this analysis into a wider context by considering the institutional framework which existed in Britain at this time. Together these elements, it is hoped, will provide a more sophisticated approach to the complexities of the policy process and its relation to policy outcomes.

APPROACHES TO POLICY-MAKING WESTMINSTER MODEL AND THE DIFFERENTIATED POLITY

There is a common tendency amongst economic historians to assume government has the ability to influence the economy and to create the appropriate institutional arrangements, and to develop their criticisms accordingly. This attitude can vary from qualified and relatively mild criticism of government policy (Owen 1999, p.460) to attempts to illustrate a direct link between inappropriate policy and poor economic performance (Foreman-Peck and Hannah 1999, p.52). Government is seen as strong, with poor performance a sign of governmental failure, justifying criticism (Kirby 1992, pp.654 and 656). Nick Crafts has suggested, 'Recognising that institutions matter ssreminds us that changing them usually involves governments, and emphasises the need to think about economic growth in the context of political economy' (Crafts 1995, p.445). This is not an easy task and there has been a tendency to focus on the first half of the sentence: involving government is seen to mean government responsibility and capacity to change institutions, and with that culpability if performance is judged poor.

This approach to government policy making is underpinned by an implicit model of a powerful and unitary state, with power focussed at the apex of a hierarchical pyramid, that is with ministers and the central coordinating departments, such as the Treasury in the case of economic policy. Such a view has a long history. It is a typical conceptualisation of top-down coordination in government (Peters 1998a, p.298). Indeed, for a long time this perception of government was regarded as *the* mode of governance (Jensen et al. 1998, p.512; Bogason and Toonen 1998, p.214). This conventional steering model distinguishes between policy formulation and implementation and the criterion of success or failure is attainment of the formal policy goals (Kickert et al. 1997, pp.7-8; Marsh 1998a, p.9). This general model has been seen as particularly appropriate in the British case where the 'Westminster model' of British politics has been the dominant organising perspective for many years. Although a range of versions of the model exist, its broad features are: parliamentary sovereignty; strong cabinet government; accountability through elections; majority party control of the executive; elaborate conventions for the conduct of parliamentary business; institutionalised opposition and the rules of debate (Gamble 1990, p.407; Bevir and Rhodes 1999, pp.216-18). As a result, Britain 'is generally perceived as having a hierarchical and unified political system with power concentrated in the central institutions of the state' (Smith 1998a, p.45). Although criticism of this paradigm developed from the 1960s in political science it has remained the dominant approach until recently (Smith 1998a, p.47). It is unsurprising, therefore, that this

approach has so strongly informed the work of economic historians.

However, in recent years both the general hierarchical view of government and the 'Westminster model' have been strongly criticised as presenting a misleading and very partial picture of British government (Rhodes 1997a; Rhodes 1997b; Smith 1998a; Smith 1999). In part these charges have been a response to perceived changes in governments and their context since the 1980s. It is argued that these changes have rendered the model inappropriate. First, there has been a 'hollowing out' of central government with the hiving off of responsibilities to agencies, privatisation, the loss of functions to the EU, and the introduction of new public management (Rhodes 1994; Rhodes 1997a; Weller et al. 1997). Secondly, it has been argued that processes related to globalisation are limiting the freedom of national governments to act as they might wish (Schmidt 1995). Accordingly, the policy process, it is argued, has become more complex and more contingent on other actors. The British polity, and other polities, have become differentiated and fragmented. In this context, policy networks rather than hierarchies become a more efficient form of governance and, as such, are seen in the German literature to be *the* emerging form of governance (B rzel 1998; Marsh 1998a, pp.8-9).

How relevant is this framework to the study of policy-making in the past? On one level it would appear of relatively little relevance compared to the 'Westminster model'. As already noted, in the German literature policy networks are a specific and new form of governance. This view has had some influence in Britain Rhodes and Smith, two of the most influential British authors in this field, have both referred to the shift from government to governance in recent years (Rhodes 1997b; Smith 1998b). However, this is an issue of degree rather than absolutes: it is easy to exaggerate the extent to which state power has diminished (Weiss 1998, pp.189-90; Marsh 1998b, p.190). Equally, it is easy to exaggerate the extent to which the Westminster model was a reality, rather than an always partial model. As Smith himself has put it:

The Westminster model clearly reflected empirical reality to a certain extent. Power was concentrated within the parliamentary system, the exercise of power was hierarchical and the system was relatively closed to outside influences. Whilst this approach may have reflected, to some extent, political reality particularly pre-war it was always too narrow in its focus (Smith 1998a, pp.46-7).

Peters has put the point differently in reviewing Rhodes' work:

One [issue] is whether those networks or something like them have not always been present, and what has changed is the theory rather than the reality (Peters

1998b, p.408).

Indeed, much of the British literature uses the policy networks approach simply as an analytical tool (B rzel 1998). Given this it seems that the use of this approach offers the potential for some interesting insights into post-war policy, although some have found problems in applying the approach with rigour to Whitehall (Marsh, Richards and Smith 1998).

There are three key features to the approach to be noted. First, power is viewed as relational and fluid rather than absolute. Each actor holds some resources which endow it with some power. Thus actors are interdependent (Smith 1993). Put another way, policy formulation is not necessarily a zero sum game with, for example, two actors battling for dominance, but is potentially a positive sum game when two actors co-operate. Secondly, reflecting these interdependencies, fragmentation and differentiation typify the core executive of government as much as strength (Rhodes 1997a, p.13). Following from this, each network will be unique. Thirdly, policy networks affect policy outcomes (Marsh and Rhodes 1992). There has been criticism of this for confusing structure and agency but the literature remains firm in its belief that the networks as institutions matter even when they are temporary, flexible and fast moving (Dowding 1995; Marsh 1998a; Marsh, Richards and Smith 1998). Accordingly, the policy network approach offers a very different organising perspective to that of the Westminster model which has appeared so dominant, if often implicitly, in the economic history literature.

The application of the approach to the growth of the welfare state has already occurred in recognition of the growth of social provision by governments after the Second World War (J rgensen et al. 1998, p.499; Hindmoor 1998). Nevertheless, despite Atkinson and Coleman noting that the new responsibilities which post-war governments took on in the field of economic policy posed similar challenges, there has been little attempt to date to apply the policy networks approach here (Atkinson and Coleman 1992, p.155). It is intended to illustrate how the approach adds to our understanding of economic policy-making in post-war Britain.

POST-WAR BRITISH ECONOMY POLICY CENTRALISATION/FRAGMENTATION

The Second World War is conventionally regarded as 'the high point of achievement in the history of the British civil service' (Hennessy 1989, p.88). Significantly, this was a period when the UK had an extremely powerful wartime state (Harris 1990, p.91). It also marked the addition of a wide range of new responsibilities for central government,

such as the commitment to the maintenance of a high and stable level of employment in the White Paper on *Employment Policy*. The Labour government after the war extended these responsibilities further with its commitment to economic planning and to nationalisation. Given the maintenance after the war of economic controls, the ability to manipulate demand through budgetary and monetary policy and the bringing of key industries into the public sector, it has been widely assumed that these tools offered the ability to control the economy:

There was a hierarchical bureaucracy which enabled decisions to be made in the centre and implemented. There was control over a sovereign territory, and there were a number of instruments from the general Keynesian demand management to the particular-nationalisation-which enabled intervention in the economic sphere. Through these mechanisms the state controlled large parts of the public and private sectors (Smith 1998a, p.61).

Certainly, the Treasury was keen to re-establish its inter-war dominance in Whitehall after the Second World War, all the more so because the role of finance had been downplayed during the war. In this sense Keynesian demand management offered a means of establishing control over public expenditure by demanding a budget surplus to deal with the post-war problem of inflation (Rollings 1985 and 1988). The linking of economic and financial responsibilities with the appointment of Sir Stafford Cripps as Chancellor of the Exchequer in November 1947 is commonly seen to confirm the Treasury's return to pre-eminence in Whitehall (Cairncross 1985, p.53). Thereafter the Treasury continued to view economic policy-making as hierarchical and one of control. Those institutional changes that were made after 1945 ultimately had little impact. The Steering Committee on Economic Development was created in 1945 as a committee of the permanent secretaries of the main economic departments but soon it had become little more than a rubber stamp for a small number of memoranda, like the annual Economic Survey (Alford et al. 1992, p.445). The Economic Planning Board, set up in 1947 as part of the reorganisation of the machinery of economic policy provides another illustration. Although established as a tripartite body where the representatives of labour and business would meet with senior officials, very quickly there were complaints about the nature of the dialogue, with the representatives of employers' organisations threatening to resign in 1950 (Alford et al. 1992, p.466 and p.921).

This hierarchical approach to policy-making remained the basis of Treasury thinking through the 1950s. When in the late 1950s discussion of Britain's relative economic decline came to the fore, there was a growing demand for the need to modernise the machinery of government, in particular to reduce the power of the Treasury

(Theakston 1995, p.84; Balogh 1959; Chapman 1963). However, a common response to such problems from those who see themselves at the apex of a hierarchy is to attempt to improve co-ordination by increasing centralisation. Thus Smith suggests that various post-war British governments attempted to reassert Treasury control (Smith 1998b, p.13) The Treasury itself believed that it needed to re-establish its position as the dominant department in Whitehall at this time. For example, the perceived failure of monetary policy from 1955 led to the famous Radcliffe Committee on the working of the monetary system and its 1959 *Report* which made a number of recommendations about the responsibility for monetary policy (Radcliffe 1959). The background to this was a slowly growing discontent in the Treasury with the Bank of England's handling of monetary policy (Ringe and Rollings 2000a; Fforde 1992; Cairncross 1987). However, when the committee's *Report* recommended shifting decision-making to the Treasury, Treasury officials turned down the opportunity. This was not a denial of power but a result of the Treasury's determination to prevent the Board of Trade from becoming involved as the committee also recommended (Ringe and Rollings 2000a). Similarly, as Lowe notes, the Plowden Committee on the control of public expenditure 'was a restricted enquiry which tended to grow ever more restricted.... Treasury officials, and in particular [Otto] Clarke, had an increasingly dominant influence ' (Lowe 1997, p.476).

The Treasury was also willing to try new mechanisms to re-establish control. The Council on Prices, Productivity and Incomes, set up in 1957 was an attempt by the Treasury to introduce a new instrument to establish wage restraint without the government being seen to be interfering directly (Ringe unpublished). Behind the scenes the Treasury was heavily involved in the appointment of the council's members, attempted to pre-determine the council's first report and put pressure on the council to report quickly. In addition, the council's secretary was a member of the Economic Section of the Treasury who kept his colleagues closely informed of the council's deliberations. Likewise, the Treasury tried to impose its agenda on the newly created National Economic Development Council (NEDC) (Ringe and Rollings 2000b). Treasury officials viewed this new body as an opportunity to place difficult issues on the 'tripartite plate' (PRO 1961b). This did not simply mean raising these issues with labour and business representatives but also with other Whitehall departments.

However, that the Treasury felt the need to use these independent bodies as a way of asserting Treasury control hints of desperation. The reality of policy-making illustrated a *lack* of control and the extent of fragmentation that existed. Martin Chick has shown the severe problems experienced in trying to control investment in the 1940s (Chick 1998), the export programme, so crucial to solving the balance of payments problem, had to rest on a programme of propaganda exhorting increased

exports (Cairncross 1985; Crofts 1989), and David Edgerton has shown how the policies and attitudes of the Ministry of Supply towards industry were completely different from those in the Board of Trade (Edgerton 1992). The nationalised industries illustrate well the extent to which government was dependent on other economic actors rather than able to control and direct them in the perceived national interest. This was not simply case of the failure of the Morrisonian public corporation to offer control but also reflected asymmetries of information which gave the nationalised industries key advantages in their discussions with government (Alford et al. 1992; Chick 1998, pp.92-102; Tomlinson 1997, pp.117-23). As Chick notes of the British Electricity Authority (BEA), 'if anything, nationalisation strengthened the industry's position in its relationship with government, by allowing the industry to exploit the government's increased political responsibility for the performance of the now-nationalised industry' (Chick 1998, p.97). Thus the BEA was successfully able to resist key government proposals on price and output.

Similar issues relate to the demand management policies followed after 1945. It is common to view Keynesian demand management as a technical and political exercise where the government judged the macroeconomic state of the economy and responded by either stimulating it or deflating it (Brittan 1969). This, it is often argued, was particularly true of the Conservative governments of the 1950s with their reliance on fiscal and monetary policy and attempts to 'fine tune' the economy (Tomlinson 1995). Criticism of macroeconomic policy in this period, such as Dow's seminal work, have focussed on the technical flaws, such as the time lags involved before policy became effective (Dow 1965). The public choice literature, by contrast, highlights the ability of politicians and civil servants to abuse the tools for their own ends (Buchanan et al. 1978). Nevertheless, in each it is assumed, implicitly if not explicitly, that the core executive has the ability to determine policy. Indeed, this is central to the public choice critique.

Yet there is much evidence, expanding as the public records have become available, that the core executive, (that is ministers and the central coordinating departments, and the Treasury in particular), had great problems controlling the policy process at this time. We have already seen that the Treasury became increasingly concerned over the Bank of England's operation of monetary policy and that it was ignoring Treasury demands. Such was the breakdown in relations that the Treasury Solicitor was asked in secret whether:

1. the Treasury had powers to direct the Bank of England to give directions to bankers,
2. the Treasury had power under subsection (1) of Section 4 of the 1946 Act to

- give such directions to the Bank of England that it would be forced itself to give directions to the bankers in pursuance of subsection (3) (dealing with the Bank of England's powers to give directions to bankers),
3. the Treasury had powers to dismiss the Court of Directors of the Bank, and
 4. what action could be taken against the Bank, the Bank, should the Bank fail to comply with directions given to them by the Treasury in pursuance of subsection (1) of section (4) of the 1946 Act.

Significantly, none of the questions were answered in the affirmative or offered any practicable lever to bring pressure to bear on the Bank (PRO 1957a). More than this, when the Radcliffe Report's criticisms of the Bank emerged, and with its proposals to shift the primacy in decision-making to the Treasury, the Bank was able to bring pressure to bear by exploiting the Treasury's own concerns to nullify these changes (Ringe and Rollings 2000a).

A similar story can be told with regard to the control of public expenditure (Lowe 1989). As Lowe has shown, the Treasury in attempting to regain control merely ended up having to submit to the wishes of other departments. The development of incomes policy provides a third example. The Conservative government found that it had little control over wages in the nationalised industry (PRO 1958) and when the Treasury in 1957 decided that the government had to play a more continuously interventionist role in private sector wage negotiations, the Minister of Labour and his officials successfully defended their position as independent conciliator in industrial disputes (PRO 1957b).

If the Treasury had such problems with implementing demand management, it is unsurprising that these difficulties were replicated in the early 1960s when the Treasury attempted, and largely failed, to get other Whitehall departments to take on board its analysis of the causes of Britain's relatively poor economic performance (Ringe and Rollins 2000b). A whole range of issues were highlighted under the umbrella of obstacles to economic growth and national efficiency: misdirection of investment, training of labour, wage inflation, aid to industry, restrictive practices in business, retailing and labour, tariff protection, the burden of taxation and the need for public expenditure, especially on social services, to take 'national efficiency' considerations into account (PRO 1961). The Treasury's purpose was to focus ministers' and their officials' minds on the sacrifices necessary to increase output per worker and to highlight the obstacles to the effective operation of a market economy. When this strategy did not work Treasury officials decided to use the newly formed NEDC as a way of getting their views on to the policy agenda; but it was to little effect.

These various examples could be construed as symptomatic of a weak Treasury in the post-war period. Certainly, they bring into question the common view of an ever and all-powerful Treasury. However, the weak/strong dichotomy is an oversimplification (Atkinson and Coleman 1992, p.163). In other policy areas the Treasury remained remarkably strong, for example in its ability to retain control over the budget and delay the reform of budgetary accounts (Rollings 1996). Samuel Beer's classic study of the Treasury in the 1950s was not called *Treasury control* without reason (Beer 1956). Indeed, many accounts of Britain's post-war economic problems focus on the power of the Treasury (Balogh 1959). Rather, the Treasury displayed a mixture of strength and weakness (Lowe and Rollings 2000). Its ability to achieve its goals varied because its power was relational rather than absolute and that each relationship involved different interdependencies. Thus we have a complex and fragmented Whitehall where diverse networks of relations existed and through which the policy process had to operate. More than this, the traditional public/private distinction has become blurred.

Given the complexity and fragmentation apparent in the core executive after the Second World War as a result of the government's new responsibilities and commitments, further attempts at centralisation and co-ordination by the government and the Treasury were likely to be ineffective (Peters 1998, p.299a). Nevertheless, it would be naive to expect the Treasury, a department of control, to move effortlessly towards the acceptance of the interdependencies which have been illustrated. Not only would this not fit in with Treasury institutional biases but it would also have required the development of very different skills in dealing with departments, involving resource exchange and trust, or as Rhodes calls it 'diplomacy', where 'the emphasis lies not in imposing one's objectives on another but on finding out about the other's' (Rhodes 1997b, p.46). In any case such a step would have been far ahead of its time given the unquestioning acceptance of the Westminster model in academic circles until into the 1960s and amongst policy practitioners for a good deal longer (Smith 1998s). Indeed, Jose Harris has noted how little intellectual time was devoted in Britain to the concept of the state after the war (Harris 1996). This reflected the absence of an agreed philosophy of public purpose in Britain (Marquand 1988) which was part of a wider unquestioning acceptance of the traditional position and role of the state (Shonfield 1965, p.88).

INSTITUTIONAL CONTEXT

This wider context needs to be added at this point. Networks highlight differentiation and fragmentation and have been used to emphasise the importance of moving away from grand macro-level generalisations about state-society generalisations (Gamble 1995, p.525; Smith 1993, p.233). Nevertheless,

macropolitical structures cannot be ignored: the wider institutional relationships need to be incorporated as crucial factors. As Atkinson and Coleman suggest, 'Corporatist and collaborative networks are simply less likely to develop in institutional environments that nurture pressure pluralism' (Atkinson and Coleman 1992, p.166). Skocpol and Weir have made a similar point:

The administrative, fiscal, coercive, and judicial arrangements of given states, as well as the policies that states are already pursuing, influence the conceptions that groups or their representatives are likely to develop about what is desirable, or possible at all, in the realm of governmental action (Skocpol and Weir 1985, p.118).

Two important points flow from this. First, commentators and historians often point to policy frameworks which have proved successful in other countries. The notion of applying the concept of a developmental state would be one example (Marquand 1988). However, copying foreign institutions does not guarantee success as they might well be inappropriate to Britain's institutional arrangements (Boltho and Toniolo 1999, pp.12-13; Whiteside and Salais 1998, p.5). More than this, there often seems to be a fundamental inconsistency in such arguments: institutional analysis emphasises path dependency and context which is then ignored in prescribing 'foreign' solutions. As Martin Smith puts it, 'Analytical institutionalism in this sense undermines normative institutionalism' (Smith 2000, p.205).

Secondly, we need to consider the nature of Britain's institutional arrangements in order both to understand policy choices and to develop a more sophisticated and realistic view of alternative policy options. Government had grown from the nineteenth century but there remained a widely held preference for a 'centreless society' (Lowe and Rollings 2000). Government action in peacetime was constrained by an appreciation of the traditional means by which continuity and order were maintained. While governments could be strong and interventionist, as shown during the First and Second World Wars, there was always a need to maintain the appearance of class neutrality (Daunton 1996). Thus central government had to operate within this existing system of governance in order to retain its legitimacy. The first instinct of government departments was, as a result, not to interfere and certainly not to be seen to interfere in the wider economy except as a last resort. This was particularly true where self-autonomy and self-regulation remained strong and where, as a result, it was believed there were limits to what the government could achieve.

The Treasury's attitude to the NEDC provides an example of this. As noted earlier, the Treasury by the summer of 1961 was trying to get ministers and their officials to face

up to the decisions required to improve Britain's growth performance and economic efficiency. The problems they highlighted bear close resemblance to the weaknesses raised more recently by Broadberry and Crafts, in particular the need to increase competitive pressures and reform industrial relations (Broadberry and Crafts 1996). Yet rather than simply remedying these faults by government legislation, as Broadberry and Crafts imply the government should have done, the Treasury preferred to use the NEDC to persuade the representatives of labour and business, as well as other government departments, of the strength of their case. Modernisation beyond Whitehall could not be imposed:

[The NEDC] was conscientiously tripartite. It took as one of its first and most vital tasks to win the confidence of industry and the trade unions. Given the instruments of economic management available at this time as well as the values of British political culture about the role of government, it is difficult to see how [the NEDC] could have done otherwise.... Voluntary action remained the most effective vehicle for creating and putting into effect an economic plan (Blank 1977, p.700).

Modernisation had to be achieved by consensus and co-operation rather than by coercion because Treasury officials believed that many of the obstacles to improved growth and economic efficiency were beyond the government's control. The NEDC was a way of opening negotiations with industry and labour in order to find solutions in these areas (PRO 1961b). As Otto Clarke, one of the key forces in Treasury thinking, put it:

Throughout the territory of industrial development NEDC is of great importance. The question of industrial modernisation is surely the heart of NEDC, and surely NEDC would have to be the government's main instrument and contact with private industry in this matter (or go out of business altogether). We have always thought that this was a very useful potential function for NEDC indeed the territory for which it is uniquely fitted (PRO 1962).

This belief in the potentially key role of the NEDC in industrial modernisation is important because it shows that even in the early 1960s the Treasury remained hesitant about interfering too directly and in too specific a manner in the economy despite all the wartime and post-war changes in the role of government.

However, it could be argued that while this may illustrate continuity in Britain's institutional relationships, the opportunity to make fundamental change to them had already passed. The key period in this sense, as has been emphasised in the

literature on the impact of Britain's institutional arrangements on its economic performance, relates to the immediate post-war period and the 'post-war settlement' that was established then. It is whether this was a missed window of opportunity to reform Britain's institutions into a more growth-encouraging form that historians have focused their attention. This notion of windows of opportunity, or critical junctures, relates to Krasner's idea of institutional development as a punctuated equilibrium (Krasner 1984). These critical junctures are seen as crucial opportunities for fundamental change and reconstruction after the Second World War is seen as one such critical juncture. Thus, as noted at the start of the paper, Eichengreen argues that the post-war settlements in Europe were particularly conducive to sustained growth while that in Britain was not (Eichengreen 1996). Indeed, Broadberry and Crafts have argued that the post-war settlement reflected continuities from the inter-war period with Britain unable to change its institutions appropriately (Broadberry and Crafts 1992; Bean and Crafts 1996; Crafts 1999). The implication here is that there was a missed opportunity to improve Britain's long-term growth record after 1945 and that government policy was the culprit, even if it was politically rational (Broadberry and Crafts, 1996; Crafts 1993).

Yet there is a considerable historical literature which emphasises how attempts were made to adopt new institutional relations, particularly with regard to industrial relations, which were closer to the Eichengreen model. Noel Whiteside has shown how the Labour government tried to get trade unions to accept the concept of a social wage given welfare reforms and the maintenance of food subsidies and price controls (Whiteside 1996a; Whiteside 1996b). Nina Fishman has recently shown how the Labour government were committed to increased state intervention in industrial relations after the war (Fishman 1999). Related to this, the government made attempts in 1950-51 to establish a Wages Advisory Council, an independent body to advise on wage demands (Jones 1987, pp.39-40). The Labour government was also committed to the maintenance of some economic controls permanently, notably including price control (Rollings 1992) and Tomlinson and Tiratsoo have shown the many efforts made by the government to improve productivity (Tiratsoo and Tomlinson 1993). Thus Joe Melling concludes:

The persistence of voluntarist bargaining in the UK was not a foregone conclusion or the inevitable outcomes institutional preferences (Melling 1996, p.19).

Why did all of the initiatives of the 1945-51 Labour governments which have been outlined above ultimately come to nothing? Why is it that much of the popularity of the managed economy at this time stemmed from it being less interventionist and

selective than the alternatives, not as a step towards greater intervention (Middleton 1996, p.474; Blank 1977, p.685)? Melling believes that one crucial factor was that:

British governments appear to have consistently placed the need to preserve equilibrium in the tripartite relationship of employers, labour and the state above their inclination to push through measures of economic modernisation (Melling 1996, p.18).

Thus he regards this period as a missed opportunity when the government could have pushed through modernisation if it had had the will so to do.

However, there is an assumption here that government could disengage itself-on one level it is seen as endogenous to society and the economy and on the other as exogenous, able to rise above societal constraints. In this respect Cortell and Peterson's recent work on windows of opportunity is helpful (Cortell and Peterson 1999). They suggest that the punctuated equilibrium model used by Krasner and others since is deficient. In its place they suggest a three-part model. First, exogenous pressures, both domestic and international, can open windows of opportunity for institutional transformation. Whether institutional transformation follows is dependant on the actions and interests of the actors involved, especially state officials, but that, in turn, their ability to capitalise on this window will depend on their institutional position or capacity (Cortell and Peterson 1999, p.179). As they continue:

The prevailing institutional arrangements create opportunities for, or place limits on, officials' abilities to make change. In short, all three factor triggers, change-oriented preferences and institutional capacity must be present for institutional change to occur in a democratic state.

Unlike the Westminster model which seems to have dominated economic historian's perceptions of the policy process, governments are constrained by their contexts, they are not able to disengage themselves from the existing institutional framework. In Britain, even when there have been windows of opportunity, as in the 1940s and late 1950s, it has not simply been the case that these opportunities were missed just because governments and their officials had no preference for institutional reform. The institutional capacity to impose institutional reform was not there because of the historical form of governance in Britain. When added to the fragmentation in government that occurred in the post-war period it is not surprising that the Treasury felt for much of this period that it was losing , or had lost, control.

CONCLUSION

Although often highlighted as fundamental to Britain's economic performance, most recently in the literature on Britain's post-war relative economic decline, the level of attention and understanding of how British government operates and the policy process involved remains basic and oversimplified. In this sense government remains a black box economic historians look at what goes in (policy goals) and look at what comes out (policy effectiveness) and judge policy success on this basis. While this has a theoretical basis in the Westminster model, this was always a partial organising perspective, ignoring or hiding as much as it illuminated. The recognition and application of alternative organising perspectives results in rather different approaches to government policy making. These can result in interesting and more nuanced insights into the impact of the policy process on policy outcomes. Thus we can see that modernisation in Britain after 1945 had to be attempted by means of consensus rather than coercion but that this still did not guarantee effective policy outcomes. This is not to argue that government is blameless and that governmental failure cannot exist, rather it is to argue that the issues may not always be as straightforward as is often implied in the blanket criticism made by some economic historians (Kirby 1992). Government matters but so too does understanding government and the constraints under which it operates. As Aoki et al. (1996) have noted of the East Asian experience, 'Government is not a neutral arbiter exogenously attached to the economic system to correct the failure of private coordination, but it is an endogenous (integral) element of the system with the same informational and incentive constraints as other economic agents in the system' (p.xvii).

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