The Keynesian Era

'The question steals across the mind whether we are not committing our ... people to tasks beyond their compass, and laying on them burdens beyond their capacity to bear.'—Winston S. Churchill (1943)

The 1944 Employment Policy White Paper, which marks the move away from pre-war enthusiasm for the market towards post-war Keynesian intervention, shrugs off the tenets of classical economic theory with condescending disparagement:

It was at one time believed that every trade depression would automatically bring its own corrective, since prices and wages would fall, the fall in prices would bring about an increase in demand, and employment would thus be restored. Experience has shown, however, that ... this process of self-recovery, if effective at all, is likely to be extremely prolonged and to be accompanied by widespread distress, particularly in a complex industrial society like our own.

Things were to be very different after the war:

The Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump. This involves a new approach and new responsibility for the State.

THE 1944 WHITE PAPER WAS A WATERSHED

Normally, White Papers— and especially White Papers about economic issues—are written in anodyne and carefully balanced terms, so as to reinforce orthodox opinions; to cause the minimum amount of offence compatible with bolstering the government’s case to do what it wants; and, above all, to avoid commitments, particularly about future results, that might provide subsequent ammunition for the Opposition. Not surprisingly, few copies are ever read, or even see the light of day, outside Whitehall and Westminster. But this was no ordinary White Paper. It completely endorsed the then very radical Keynesian view;
whilst the hostages to fortune start on the very first line of the foreword, where we find government accepting as one of its primary aims and responsibilities the maintenance of a high and stable level of employment. People read it in their hundreds of thousands, summaries were issued to the troops, and many were inspired by it. How many other White Papers would the teenage Margaret Roberts have bought, let alone kept for forty years, so that when challenged in Parliament as Prime Minister on this very commitment in 1984, she could produce her own original copy from her handbag?

It is worth dwelling on this document and the circumstances of its origin because they help explain why the subsequent revival of the old ‘monetarist’ nostrums, which are given short shrift in its pages, has been such a shock to the system in Britain.

The 1944 Employment Policy White Paper is one of a handful of statements drawn up by a remarkable array of Committees in the very darkest days of Britain’s isolation, with the intention of giving real shape to the popular belief that the future would be worth the fight, and issued by Churchill’s wartime coalition under the banner of post-war reconstruction. A notable historian of the period has written:

The British people had risen without fuss to unparalleled heights of sacrifice and resolution. They deserved a reward.³

A CONSTITUTIONAL CHANGE?

The reconstruction programme – holding out the promise that in the new peace there would be ‘fair shares’, to use a phrase of the time actually mentioned in the Employment Policy Paper – was the people’s reward. The aim was ambitious: to tackle what William Beveridge memorably termed the Five Giants on the Road – Want, Disease, Ignorance, Idleness and Squalor. The programme was set out in a series of government documents, including his own Report on social insurance (designed to tackle Want and preparing the ground for the rest), a White Paper on the National Health Service (Disease), Butler’s on Education (Ignorance), as well as the Employment Policy paper (Idleness) and other less comprehensive statements on housing and urban development (Squalor).

Taken together, these documents may be read as a pledge, penned by a national government at a time of national crisis and delivered to the people in Parliament, that out of the chaos and darkness of war would