



John Saville

The Liberal Revolutionary

the world boom masked the growing crisis of the British economy.

No one denies the greatness of Keynes: as an economist and as an important civilising influence upon British society. But John Grahl (*Marxism Today*, June 1983) is wrong in his political assessment of Keynes, not least because of a faulty analysis of the character and achievement of the Attlee administration of 1945. It is upon this latter that I want to concentrate. First, Grahl's own words:

Keynes died in 1946, while the postwar Labour government was just beginning its work: the programme of reforms which were to provide an agreed framework for government for the next twenty five years and which can be seen as inaugurating the 'Keynesian era'. The successes of that government — in institutional change, in what seemed decisive and irreversible social advance, in economic management, became a model for socialist practice, (p 20)

In the brief space allotted, let me summarise, inevitably in staccato form, what I think is wrong with these generalisations:

1 It is a fallacy to equate policies of social welfare, however advanced, plus full employment 'with socialist practice'. The domestic record of the 1945 Labour government was that of a partially managed economy, with quite strict controls on external trade and capital flows, and with leaning towards radical practice in some areas (most pronounced with the establishment of the NHS) but not in others: nationalisation for example. There was also a degree of income redistribution, the details of which are still debated. The fundamental structure of capitalism — its property holdings — was untouched. As for economic management, the transition to a peacetime economy was accomplished efficiently and smoothly — much more easily than if the Tories had been in power — but from the early 50s the dismantling of controls meant that economic management became increasingly ineffective, and only

2 Between 1945 and 1950 there were admittedly some important achievements, especially on the welfare side; but they were obtained with the backing of considerable amounts of American dollars, acquired on terms which were to block the possibility of future governments controlling the economy in planned ways. What Grahl has missed was the Anglo-American antagonism and conflict during and especially after the war; the solutions to which involved the subordination of the UK to the world economic strategy of the United States. What the Americans wanted was the ending of bilateral agreements, -the abolition of physical controls on trade and capital flows, and the convertibility of all currencies. As an American economist has summarised the postwar policies of the US administration: 'a world economy organised on these lines [ie, total liberalisation] would create the markets and investment opportunities needed to assure both a large export surplus and the continued growth of the largest American banks and industrial firms'. (FL Block, *The Origins of International Economic Disorder 1977* p36).

American attitudes

3 The crucial turning point was the acceptance of the American loan negotiated in December 1945. After the abrupt ending of lend-lease, Keynes was sent to the States to secure the largest possible loan on the best possible terms. Keynes completely misjudged the new temper in Washington that had developed since Roosevelt's death, and he found himself continually retreating from his original position, and having to accept terms which he and Dalton, the Chancellor of the Exchequer, found increasingly distasteful. Both recognised and rejected the alternative: more austerity and a more radical control of the economy; and both recommended the Agreement in

eloquent speeches in the Lords and Commons respectively. The accommodation to American pressures continued; and although the Attlee government maintained most of its physical controls until 1950, the basic principles of a multilateral world order had already been accepted, and the electoral victory of the Tories in 1951 only hastened the process.

4 International economic policy did not, of course, operate in a sector by itself. Other components of foreign policy interacted closely and influenced the final outcome. Very briefly, these may be summarised as: (i) the acceptance by the Attlee administration of overseas commitments, especially military, far beyond the financial capabilities of Britain; this, in part, was the illusory adherence to the status of a Great Power which never corresponded with world realities after 1945; (ii) the emergence of an anti-Soviet policy — the beginnings of the cold war — in which, it must be emphasised, Bevin and Attlee were the front runners in its early stages; (iii) the imposition of a rearmament programme, again well beyond the economic capacities of the economy; and (iv) the decision to manufacture the independent nuclear bomb, taken secretly by Attlee and Bevin and a few close colleagues but without any discussion in the Cabinet, the House of Commons or the country.

5 The gradual absorption of Britain into a liberalised world economy meant that the recurring deficits on the balance of payments could only be met by what became the familiar stop-go cycle; and external problems, as always, shaped and moulded domestic policies. With the beginning of the world crisis in 1973 the 'cure' had inevitably to become more drastic: hence the Healey—Callaghan shift towards monetarism, and the attempt at a new start by the Thatcher administration of 1979.

6 Most of the literature which explains American policy since the war, and Anglo-American economic relationships, has been written by Americans. Without a reading of Gardner's *Sterling-Dollar Diplomacy* or the writings of radical political economists such as Fred Block and Gabriel Kolko — the bibliography on the subject is lengthy — it is not going to be possible to make sense of the post-1945 years. The article by Brett, Gilliatt and Pope in *History Workshop* 13 (Spring 1983) is a useful introduction to part, but only part, of the story.