

Conference paper

Getting government debt down: lessons from the anthropology of economic management in British postwar governments

Perri 6
Professor in Public Management
School of Business and Management
Queen Mary, University of London

Email: P.6@qmul.ac.uk

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Abstract

This article shows that differences among prevailing forms of informal social organisation within postwar governments explain their contrasting capabilities for reducing the inheritance of public debt, for handling current deficits and their unintended practices in allowing inflation, which itself reduced debt but went out of control in the 1970s. It demonstrates that retrodictions deduced from a neo-Durkheimian institutional theory of political capability in governments are borne out, that informal hierarchical ordering within governments should best sustain commitments for the long-term required for debt reduction; that under very particular circumstances individualistic ordering can be configured to sustain a second-best strategy; and that isolate ordering tends to allow inflation which can reduce debt but also has weak capabilities for controlling inflation. The empirical analysis traces the changing informal social organisation of British governments between 1945 and 2010, set against the patterns of public debt reduction and inflation. Lessons for the current difficulties in reducing government debt are identified.

What can be learned from Britain's twentieth century history about the political capabilities required of governments for reducing public debt? This article argues that the capabilities which stood behind the impressive reduction of debt between 1948 and 1979 were in significant sustained by particular patterns of informal institutions and relations in governments of the period. It concludes with reflections on the contemporary significance of that postwar experience.

There are few ways for governments to reduce unsustainably high levels of debt. Happiest is repaying debt from tax receipts during sustained growth. Least cheerful is, when growth is low or absent, cutting public spending to release money for repayment from reduced tax receipts. Third, governments can use regulatory power to force down interest rates and yields on their bonds while requiring investors to hold them: this is called financial repression.¹ Fourth, inflation can reduce the value of debt denominated in the government's own currency. Finally, governments may default unilaterally or by consent if creditors agree on forgiveness. Rescheduling can reduce the annual burden of repayments but does not reduce the principal. Redeeming expensive debt instruments to replace them with cheaper-to-service debt ('twist' operations) can reduce servicing costs, provided that a country can attract lower yields for its replacement bonds (usually, longer term ones). Because high debt can only be reduced over decades, governments combine these methods. Emphasis shifts from one method to another in response to external shocks and to changes in governments', markets' and citizens' abilities and willingness to bear the burdens.

Each carries risks. Growth cannot be relied upon. High debt limits governments' abilities to afford stimuli. Spending cuts hurt the least well off who are governments' main clientele and staff. They may prove politically unsustainable if government is to maintain citizens' consent for taxation. They often depress growth. Financial repression is difficult in open economies without capital exchange controls, if there better returns are available elsewhere, because investors can avoid putting money into regulated domestic banks and pension funds which are required to hold low-yield government bonds. Inflation works best to reduce debt when unanticipated. Once unleashed, unfortunately, it is hard to control, as Britain found in the 1970s and 1980s. Investors quickly learn to anticipate the general trend, if not the timing of particular inflationary surges. Default leads to exclusion from credit markets, slumping trade and investment and tumbling exchange rates. Forgiveness is rarely granted save for the poorest countries and for states defeated in major wars going through internationally supervised regime building (such as Germany in 1948 and 1953). It carries risks of moral hazard. Most likely then is some shifting mix of repayment from proceeds of limited growth, spending cuts, indirect financial repression and inflation.

Re-examining British history for help in understanding how debt reduction is managed directs us, not to the 1920s and the Geddes' committee's plans for spending cuts² (rather little debt reduction was achieved in the interwar decades because tax revenues were low and bond yields high) but to the thirty years following the end of the second world war. In 1945, Britain's net public debt stood at 230% of GDP. By the end of the 1970s it was below 50%. The reduction was a huge achievement, considering the series of economic crises through which the country passed during those thirty years. The steepest falls were achieved during the 1950s, when budget surpluses were common,³ and the 1960s (Figures Two and Three). Annual average GDP growth between 1949 and 1979 ran at 2.75%,⁴ with marked up- and downswings but on an upward trajectory until 1973. After 1980, growth became more volatile (Figure One). Following the crises of the late 1940s and very early 1950s, inflation was typically below 5% until the end of the 1960s, but a series of short, unanticipated spikes proved useful in debt reduction (Figure Four). The much higher inflation of the 1970s, being anticipated and institutionalised in expectations, achieved proportionately less for debt reduction, as well as being catastrophic in other ways. Economists variously estimate that between a quarter and a third of debt reduction between 1948 and 1980 might be due to inflation. A much-cited recent study⁵ found that the years of greatest net British government debt reduction in the postwar years were in 1948-50, 1953, 1957 and 1966.

This article will argue that these years were ones characterised by the high water marks of very particular kinds of informal social ordering within the governments, which explains their abilities to sustain such policy discipline. By contrast, periods when debt was allowed to rise but also, paradoxically, periods when counter-inflationary discipline was unintendedly relaxed so reducing debt by that very different route, were marked by a very different kind of informal social organisation in government. The article is therefore a study in causation of intended outcomes by unintended means, as well as of unintended outcomes of uncontrolled inflation in the longer run.

Although inflation over the whole period was more important in debt reduction than in just these few years, there were spikes in RPI inflation in the year before each of these major debt reduction years (Figure Four).⁶ Financial repression was key. Government bonds were in effect compulsory holdings for banks and pension funds but provided notoriously poor returns. That fact made repayments much easier to afford than had been possible for interwar governments. Between 1950 and 1977, interest repayments on public debt cost governments between 3.5% and 4.5% of GDP, significantly below the amounts paid in the late 1940s and through the late 1970s and the first half the 1980s (Figure Five).

Despite these impressive achievements, the general crisis of the 1970s shows that the very tools used to reduce debt contributed to the malaise and near-calamity of that decade.⁷ Growth fell, for a host of reasons. The basis of financial repression in fixed exchange rates and capital controls eroded and then collapsed. But above all, one overused tool backfired catastrophically: governments lost control of inflation between 1972 and 1976 and again after 1978.

Britain's situation in the twenty first century is obviously different from the postwar context. In March 2012, British government debt⁸ stood at a 66% of GDP, excluding financial interventions. Britain could afford and perhaps needed higher levels of debt when sterling was a reserve currency and when there was a shortage of other assets for liquidity;⁹ but the issue is not about debt levels but methods of reduction. The same methods are being used now, with appropriate modifications, as were used in the postwar decades. Even if growth could briefly return to postwar heights, those levels are unlikely to be sustained, for both domestic and international reasons. Like governments across Europe, the coalition is attempting to cut spending, provoking varying degrees of discontent. Present plans for reducing current deficits imply that the stock of accumulated debt would only fall very slowly if governments rely exclusively on reduced spending. However, the rising forecast costs of pensions, health and social care for an ageing population and of the costs of climate change mean both that, without implausibly high growth, further cuts will be needed,¹⁰ but will be politically very difficult to legitimate. On the other hand, the postwar decades were also ones in the welfare spending rose consistently. Inflation is not high now, but quantitative easing could yet lead it to rise: indeed, that may be one of its unacknowledged purposes. Britain's exchange controls were abolished in 1980; capital is now highly mobile; sterling exchange rates float freely. Indirect financial repression today therefore requires international coordination. This is being pursued through Basel III, using internationally consulted-upon but nationally set capital requirements on banks, imposing conditionality on banks and pensions funds for bail-outs and insurance for savings, and by allowing central banks to hold high levels of governments bonds through quantitative easing and other operations. Today's very low interest rates and bond yields, accepted for the time being by the bonds markets,¹¹ are reminiscent of Dalton's 'ultra-cheap money' policies in the 1940s¹² for holding down debt servicing costs. Overt default and forgiveness-seeking (other than from the Bank of England itself, in quantitative easing interest returns) remain respectively avoided at all costs and unavailable for Britain, as they were in the postwar years. Within the Eurozone, Greece has been forgiven some debt and may yet default further; some wider proposals for debt management in the zone involve forgiveness.

These methods of debt reduction ask a great deal of governments' political skills in managing adversity. For all the differences in context, key political skills required for this today differ little from those needed between the 1940s and the 1970s. The methods of debt reduction involve imposing losses on investors (financial repression), service users (cuts), workers (cuts, less scope for stimulus for growth), consumers (inflation), pensioners and those of fixed incomes (cuts, inflation)¹³ – in short, majorities of citizens. Those losses must be sustained over decades, as historical experience of debt reduction shows. Governments must deal with the behaviours that some tools elicit among citizens – evasion (financial repression, inflation to a lesser degree) and political protest (all the tools, but especially spending cuts and, sometimes less intensely, inflation). They must avoid losing control of the most difficult tools – especially inflation. Political skills required are those of maintaining economically competent loss imposition and avoiding capture, while sustaining government by consent, sustaining the centre ground of politics while also avoiding too many people turning to extremes of left and right, and ensuring that both centre-left and centre-right parties remain credible contenders for re-election – that is, they might fear one or two parliaments in opposition but not irreversible oblivion. Most importantly, governments must sustain their own cohesion, sustain their ability to think for the long term and their ability to explain to citizens the justifications for reduced living standards over decades in pursuit of gains from debt reduction which will be realised only after decades and, for many, by the next generation rather than by themselves.

There are tensions among the capabilities required. Using inflation deliberately might most readily be done by cynical, Machiavellian governments. They are least likely to sustain long term thinking. Yet, revealingly, the inflation spikes in years before major debt reduction years in the 1940s, 50s and 60s generally flowed from policy stances where Treasury officials and ministers did not intend to cause inflation at all; almost invariably, they were seeking to combat it,¹⁴ although they disagreed about how to do so.¹⁵ Its benefits for debt reduction were unintended. Quite possibly, therefore, unintended inflationary policy arises from a different basis of political capabilities than those required to sustain more disciplined policy stances.

External political conditions faced by governments will not suffice to explain how these capabilities are sustained. An influential cross-nationally comparative study of pension policy making for the long term¹⁶ argued that once-for-all decisions for investment require a degree of electoral safety, very strong executives and helpful climates of ideas. But this does not help to understand how ongoing commitments for long term thinking, sacrifice and cohesion are sustained over decades – especially when few governments between 1950 and 1979 were electorally safe.

Neo-Durkheimian institutional theory

Anthropological theory would argue that instead we should look to the internal, informal social organisation within governments for a significant part of the explanation. One historian argues that full collective discussion to the point of either agreement or exhaustion of minorities was critical in making austerity management possible.¹⁷ But debt repayment itself was much less often debated in cabinet than were more short term economic measures. Instead, anthropological theory suggests that we should look at the *informal* institutional dynamics within cabinets, core executives, among ministers and advisers. Governments are not of course closed systems. Public opinion matters hugely in response to ideas, initiatives, policies and experience, as do parliament, interest and pressure groups. But nor are governments simply passive reflections of external forces: their internal process matters hugely for their ability to sustain a bias for the long term, for sacrifice, for loss imposition, for fiscal discipline or for coping with bursts of unintended inflation.

The Durkheimian tradition in anthropology argues that people paint their own social organisation to the face of their problems, options, etc. The informal institutions which organise people cultivate biases in how people think.¹⁸ Indeed, thought styles¹⁹ replicate the basic features of their social organisation, transposing social relations on to relations among ideas.²⁰ Thought style is a concept that captures not people's substantive ideological beliefs but the manner in which they think – the biases about time horizon, risk, stance toward things which are anomalous when set against whatever categories and classifications that people use to describe their choices and problems, the degree to which their preferences are richly structured with fallback options or narrowly circumscribed with 'all or nothing' framings, the ferocity or mildness of the emotions they attach to the things they aspire or object to, and so on. In government, thought style is exemplified in the style of political judgement in decision-making. The Durkheimian hypothesis would be that informal institutional ordering among ministers and their advisers will cultivate distinct styles of political judgement.²¹

Any organisation which can cultivate a thought style capable of committing to medium term sacrifice for long term gain and which can sustain its own cohesion over significant periods, must exhibit a strong degree of both what Durkheim called 'social regulation' and of 'social integration' in informal institutions.²² 'Social regulation' measures the extent to which life within (in this case) a government is ordered by informal institutions of constraint, imperative, and control of authorisations to act or conversely by discretion and scope for choice. Where social regulation is weak, there is considerable discretion and arrangements are open to more fluid negotiation. 'Social integration' measures the degree to which arrangements are ordered by

membership of a bounded group with a clear distinction between members and non-members, or conversely, by detachment. These dimensions capture variation in the informal social organisation of, for example, cabinets and core executives. People will link ideas, concepts, even policies only in as regulated and integrated fashion as they themselves are strongly or weakly integrated and regulated by their own informal institutions. Only when institutions are made explicit in being challenged, justified or advocated, will they be formulated as formal rules.

Securing consent for loss imposition and identifying the present government's perceived interests with those of governments or even parties far into the future is, the framework argues, the effect of strong social integration among present members. Capacities to authorise and control present sacrifices, without being tyrannical, are features of thought style cultivated among those with social regulated ordering. These features help groups – in this case, governments – to buffer against distributive coalitions (in this case, trades unions, investor lobbies, pensioner groups and the like) articulating losers' concerns, helping them to sustain commitment to loss imposition legitimately with broad consent.

Crosstabulating the two dimensions²³ identifies four elementary forms²⁴ of informal institutions of social organisation, which can be clearly identified in contrasting governments.²⁵ Strong social regulation and integration together yield the form of social organisation known to anthropologists as 'hierarchy' in a rather strict sense which contrasts with the loose and common usage which indicates almost any kind of inequality or a system of command and domination. For if people (such as ministers in a cabinet) are strongly integrated and regulated, they cannot be straightforwardly dominated. Instead, power must recognise rules of authorisation to act and collective capacities for legitimation. These features turn it from domination into legitimate authority. Unlike despotism, hierarchy has more than a first place: it has an honoured second position, and many more gradations of integrated subaltern too.

Weak regulation and integration comprise the institutional order of individualism, where institutions encourage people to negotiate relations from such positions of strength as they can attain. In government, strong ministers often become patrons and weaker ones become clients in cliques.

Where external regulation is weak but integration is strong, institutions sustain enclaving. Here boundaries between members and non-members are heavily emphasised, and serve as ways to sustain coordination. Lacking authority, incentive or external force, boundaries are only sustained by shared commitment to principles believed and accepted by members.

Where integration is weak but regulation is strong, there is 'isolate' ordering.²⁶ People must cope separately as best they can under heavy constraints. Legitimate authority being unavailable

in the absence of social integration, those who can access *de facto* power may pass on constraints to others by imposition; their position is that of the structural despot.²⁷ By contrast, those who cannot – including structural despots who try and fail to impose constraints – must postpone, evade, circumvent or simply accept constraint, and be pushed back into the ‘structural serf’ position.

Any empirical setting exhibits some mix of these four.²⁸ There may be tension or conflict among these forces or settlements may develop, with different weights.²⁹ Any context, such as a cabinet and core executive, can be analysed by the relative weights of these elementary forms, by how they wax and wane over time in response to positive feedback or institutionally self-reinforcing pressures within each one and negative feedback or countervailing institutional pressures among them.

The four elementary forms cultivate thought styles exhibiting contrasting framings of a government’s future planning horizon.³⁰ These stances are elicited as solutions to difficulties faced in sustaining each form of organisation. For example, because other resources are unavailable in enclaved settings, people rely on shared belief in and shared emotional commitment to principle to sustain organisation. To sustain commitment on that basis, the principles must become matters of great urgency. This has the effect of foreshortening the future, and dividing possible futures into Manichaeian polarities of principled virtue or unprincipled vice. Equally, under hierarchical institutions, the long future planning horizon helps to sustain members’ investment in and sense of security from the collective system of authorisations. Life under isolate institutions is necessarily conducted toward the short term, because it is impossible to develop reliable inferences about the future behaviour of other people or oneself if one cannot rely on bonds to others and can only presume that everyone must adapt to circumstances as they arise. This produces either Micawberish short term optimism that some risk taken in the domain of losses may pay off if attempted sufficiently often, or else pessimistic acceptance of loss that cannot be evaded or postponed. Indeed, if the institutional ordering is subject to dynamics of self-reinforcement or positive feedback, it may cultivate both styles at once, in unstable alternation. Individualistic ordering cultivates a planning horizon, the length of which is a function of the arrangements negotiated. If patrons in an individualistic ordering are subject to external constraints to be seen to accept certain constraints, and those patrons are willing for the time being to negotiate voluntarily to comply until such time as they can so a better alternative, then their planning horizon under those special circumstances may be considerably longer than that of other individualistically ordered people who make no long term commitments with other patrons at all but operate from transaction to transaction. People can

only work from transaction to transaction, if circumstances present them with few advantages from being seen to accept any external constraints. By contrast, patrons who elect to work together for the medium term because each calculates that he or she is better off by being seen to accept an external constraint may feel no more than a provisional commitment to doing so. They may be prepared to ‘defect’ if they can represent that defection as a matter of *force majeure* which they can forgive.

Table One summarises the differences in these future time horizons for planning ahead which are cultivated in each of these elementary forms of organisation.

[Table One about here]

The table shows that, while hierarchical institutions may, in principle, sustain capabilities for cost-imposition upon majorities with consent, there is also a ‘second best’ institutional ordering that can deliver a weaker degree of long term commitment. In some special circumstances either where a single patron is temporarily dominant or where adversities leave powerful ‘crown princes’ only able to survive by cementing alliances or where their separate interests are best served by being able to show others later that they tried their best to sustain cooperation in sacrifice.³¹ Although defection remains more likely to occur than under hierarchy, the instrumental thought style cultivated under individualistic institutions can support a degree of medium term commitment. In the 1960s, a period of individualistically ordered government did indeed provide a workable second-best substitute for hierarchy, which, with great difficulty, maintained the trajectory of debt reduction.

By contrast, isolate ordering is most likely to lead governments to look for short term fixes which rack up long term costs, even when there is a structurally despotic figure. Notwithstanding the enduring constitutional and civil service structures that make for a background of hierarchy, many governments moved from their initial institutional form into significantly deeper isolate ordering toward the end of their time, thus changing their thought style:³² this process is known as an ‘isolation dynamic’.³³ During these phases, policymaking often leads to periods of fiscal expansion in the register of Micawberish optimism about economic prospects. This typically leads to unsustainable booms and bubbles. During these periods, governmental capacity to use inflation in a controlled and unanticipated way fashion is most undermined. By the mid-1970s, these isolation dynamics had become much more significant in British governments.

Enclaved groups and governments tend to be so strongly integrated internally that they resist accountability to others, so that they are willing impose costs without commitment to sustaining consent. Otherwise, processes of schism can provoke a series of stand-offs within the government over issues of principle but which do not sustain long term disciplined commitment

of the kinds in which we are interested. As we shall see, there have been cases of both kinds of enclaving, in admittedly mild forms, in British governments from *after* the mid-1970s, reinforcing the contrast with the thirty years from 1945 to 1974.

Despite the pressures for hierarchy from constitutional accountability, cabinets and core executives are by no means always hierarchical in this sense. Sustaining informal hierarchy among ministers requires institutional work. Some writers on postwar British governments downplay hierarchical institutions. Ministerial biographers often leave readers with the opposite impression, that cabinets were hotbeds of individualistic contestation, negotiation, grandstanding and individual patron-client relations. Other writers focus on clashes of ideologies perhaps suggesting that they were instead clusters of enclaved factions held together by philosophical beliefs (socialism versus social democracy, or one nation conservatism versus free markets and sound money, etc.) and cooperating reluctantly despite differences of belief.³⁴ Another recent strain sees only loose networks of special interests.³⁵

Informal orderings in the 1940s and 1950s governments were more hierarchical in their mix, for significant parts of those governments' lives, than the institutions shaping many subsequent administrations. Individualistic rivalries among 'crown princes' were also especially important, especially during leadership contests but in some administrations also during routine governing. In some governments, too, there were occasional enclaved factions, and not only on the backbenches. No informal ordering is likely to be sustained over a government's life, let alone over decades of governments by several parties.

The article provides a brief review of the evidence for these arguments, showing the impact of changing informal institutions on debt reduction capabilities. Full empirical examination of neo-Durkheimian institutional hypotheses is challenging because separate, independent information is required about the *explanans* of the informal social organisation among ministers and the *explanandum* of the measures of thought style. Social organisation is best coded using data from diaries, memoirs, biographies and secondary historical works, archived private papers and ministerial papers which have been declassified and made publicly available in official archives. Coding focuses on measures such as cohesion or fractioning, the importance of collective or bilateral relations, extent of individual rivalry; the form of power and of authority within a government, strength of loyalty and how far it is to individual patrons or to the government, strength of enforcement division of ministerial labour, extent of discretion allowed to ministers, etc. Similar sources are used to code formal measures of thought style including stances toward time, cost and gains, but here the declassified and archived ministerial papers are often more useful than are diaries, memoirs and biographies. Moreover, because all four forms are present in

some degree, methodological choices must be made about how finely grained coding needs to be, to account for those forms which are at any one time less heavily articulated in a government. Because the weight of the forms in the mix shifts over the lifetime of any particular government, it is also important to code changing social organisation and thought style by sub-period. This initial empirical examination of these hypotheses draws upon a study which compared the informal institutional organisation and the styles of political judgement of postwar British administrations.

Changing informal institutions in the postwar governments and styles of judgement in economic governance: patterns in relaxation counter-inflationary discipline and tolerance for government debt

The Attlee governments were more hierarchical in their informal institutions than would be recognised only by reading biographers who concentrate on personal rivalries between Bevin, Morrison and Dalton, or by historians of political ideas who treat Bevan's resignation over Gaitskell's dental and optometric charges as a symptom of factional ideological conflict between socialism and social democracy. Prime ministerial authority provided some of its strong social regulation, less in deference to Attlee individually than in the institutionalised committee system which provided strong social integration and secured authoritative collective despatch of government business. Attlee maintained a careful balance between exercising prime ministerial authority and delegating powers to ministers subject to committee scrutiny. This system faltered seriously in the crisis of 1947, when both Attlee and the cabinet exercised too little supervision over Shinwell's decision-making at the Ministry of Fuel and Power until the situation had deteriorated to the point that it seriously affected citizens. But it recovered quickly afterward. There was no sustained shift into isolate ordering in 1947-8. Cripps' attempted coup was adroitly foiled with both social regulation and social integration, in part by integrating Cripps himself by promotion. As chancellor, Cripps collaborated closely with Attlee in exercising political and financial discipline over spending ministries. Only after the 1950 election, Bevin's illness and Bevan's move to Labour and National Service did the informal institutions move into a mild phase of isolate ordering, set against a ground bass of continuing hierarchical institutions. Yet even then, as shown in Bevan's conflicts with the medical professions, the government's informal institutional boundaries sustained moderately strong buffering against distributional coalitions' demands; the costs of the new welfare programmes were kept deliberately modest and wage demands repressed.³⁶ When Gaitskell succeeded Cripps, Treasury authority over the spending departments remained undiminished. Gaitskell's budget was expansionary only in rearmament, which was a medium term programme and – as Bevan predicted – its targets were

not even achieved. Bevan, Wilson and Freeman were effectively pushed out of government by Gaitskell's decisions, so that incipient enclaving around Bevan did not seriously undermine hierarchical ordering, until the party went into opposition. Debt repayment was able to begin from 1948, when Marshall Aid began.

Churchill's 'overlord' system never worked as intended. Yet it sustained integrated supervision, as Butler found to his cost in 1952 when Cherwell readily mobilised support to defeat the 'Robot' plan for floating the pound.³⁷ Tight cabinet integration and discipline was maintained, even during Churchill's and Eden's illness. Throughout the government's life, Eden and Butler played distinct roles in honoured second places. Butler's coordinating role grew more important after July 1953.

Churchill's stroke in July 1953 was a turning point, and the government began to move into isolate ordering. Both Eden and Butler grew frustrated that Churchill would not step down, yet could not carry his full workload. Churchill sought to maintain as tight a grip on government as he could, reorganising the cabinet care to devolve responsibility without releasing power. Hierarchy continued to be important, not because of Churchill's individual mystique as war leader but because of his system of delegation, accountability and supervision. Butler's and Eden's frustrations were precisely at the continuation of Churchill's authority, not its absence. There was little movement into individualistic ordering. Neither Butler nor Eden showed any of the private clique-building that Wilson's 'crown princes' would do a decade later: only at the margins of the cabinet did Macmillan engage in personal grandstanding over his housing programme.

The isolation dynamic changed the government's economic stance. Butler is popularly remembered as an expansionist,³⁸ but his first few budgets used both the vocabulary and measures of austerity. In 1951, deflation was necessary because inflation had risen to very high levels, partly as a consequence of international forces. In 1953, as the isolation dynamic began, Butler felt able to avoid increasing taxes or bearing down so heavily on public spending. The judgement reflected inference from short terms in GDP growth the previous year, convincing the Treasury that austerity had worked. Hopes for an armistice soon in Korean war reinforced this hope. This economic optimism continued into 1955.

Churchill's stroke in 1953 and Eden's illness signalled to their colleagues that their own political relations must now be thought of in the short term. In 1954, Churchill violated the norms of prior collective discussion and agreement in instructing Butler to despatch to Moscow offering talks to dampen cold war tensions.³⁹ In 1951 Monckton was appointed to the Ministry of Labour with a brief to secure industrial peace; by 1954 this meant tolerating high wage

settlements. Butler found to his chagrin over one rail dispute that the Treasury's authority over the Ministry of Labour's commitment to the pursuit of industrial peace was limited.⁴⁰ By comparison with Attlee's use of troops in a dock strike, this was a breach in institutional buffering. But in 1954 its effect on budgetary control was fairly limited. It did however portend future tensions between imperatives for wage control and for industrial peace which could not be contained by hierarchical means. Only near the end of his premiership did Churchill show an interest in bearing down on wage increases especially in the nationalised industries.

The shift from controlling spending and suppressing domestic consumption in favour of exports to promoting domestic growth to increase tax receipts to reducing debt was not itself a sign of a shift from hierarchical thought style. Provided that is done in rule-based manner, hierarchical thought style can accommodate it. In the early 1950s, the Treasury's 'fine tuning' 'stop-go' demand management was based on informal rules of thumb rather than strict formal models. But it was understood within a rule-based framework of long term commitments to debt reduction and avoiding overly rapid growth for fear of inflationary bottlenecks and wage demands. This rule-based framework was relaxed in 1953 when hierarchical ordering began to weaken and the isolation dynamic began. Over-optimistic fiscal expansion based on extrapolation from short term trends in budget surpluses characterised Butler's budgets in 1954 and especially 1955.⁴¹ It was the first sign of a pattern that would be repeated throughout the remainder of the postwar decades.

Eden's short-lived government moved more quickly than other postwar administrations from hierarchical into isolate ordering. In disappointment with Butler's first budgets and in fear of Macmillan's ambition, after a short post-election period of apparent integration, Eden increasingly moved to capture a position so dominant that it shifted the government into isolate ordering, with himself increasingly in a despotic position. The consequences for the decision-making process over Suez are well-known. Eden's use of guile with the Israelis over Suez, his insistence of micro-managing the decision-making and both his and Selwyn Lloyd's misleading of the House of Commons were symptoms of despotic isolate practices.⁴² The humiliating outcome left Eden with no fallback options. Then the contenders organised their cliques for a period of individualistic ordering during the leadership campaign.

1955 and 1956 were marked by industrial strife and rising inflation. Butler's 1955 budget in Churchill's final weeks had been expansionary, but it proved too much so. In October Butler had to introduce deflationary spending cuts and tax increases including extending purchase tax to kitchen utensils: this became known as his 'pots and pans' budget. Newspapers, docks and rail disputes initially had led Eden to try to integrate his cabinet in domestic policy, but this soon

gave way. Yet his response to the strikes was, largely, to accommodate the unions' wage demands. Although civil servants were asked to review trades union powers, Eden, Monckton and Butler fatalistically agreed that nothing could be done, and that the problems simply had to be borne. The spike in inflation of 1956 was unanticipated even by ministers and Treasury officials. It was partly the effect of wage settlements and partly of Butler's and the Treasury's excessive optimism in spring 1955. As Chancellor in Eden's final year, Macmillan had to introduce a fairly deflationary budget, as well as emergency measures following US sanctions over Suez. The sharp correction was as short-term in its thought style as the expansion had been.

The 'structural serf' aspects of judgement in the final months of Eden's broken-backed administration in his domestic policy contrasted, but only *within* the generally isolate ordering, with Eden's increasingly structurally despotic style of judgement on foreign affairs. The combination measures the depth of positive feedback within isolate ordering.

After the leadership contest and the 'little local difficulty' of the resignation of the Treasury team in 1958, Macmillan's government returned to hierarchical ordering. Butler accepted his subaltern position; no minister sought to develop a clique of personal clients; nor was there a personal 'kitchen cabinet' in Number 10. After Salisbury's early departure, there were few voluntary ministerial resignations until 1962. Macmillan's series of reshuffles were, until the drama of 1962, as much driven by hierarchical 'fine-tuning' as economic management was. After Thorneycroft's departure, Macmillan rarely negotiated with ministers for their support. Macmillan's system of policy reviews set a framework, but he avoided micro-management. Disagreements among ministers, such as those Macleod had with Home and Sandys, were driven by departmental rather than personal interests. Yet a zone of individualistic ordering remained in foreign affairs, with a reserved zone for Macmillan and considerable discretion for Home; even Heath was given considerable leeway to build his own team in handling talks on the EEC application.

Hierarchical ordering was evident in thought style about economic management until 1962. Macleod's approach at the Ministry of Labour showed tighter integration between wage control policy and industrial relations policy than Monckton's and Eden's, as his successful showdown with Cousins and the T&GWU in the London bus strike showed. In his memoirs Macmillan presented himself as constantly pressing for economic expansion; but this was only true from 1960-1 until his resignation in 1963.⁴³ Contrary to popular recollection, neither ideological differences nor arguments between expansion and deflation nor the small difference of £50m in the public expenditure estimates were the central issues over which the Chancellor, Thorneycroft, and junior Treasury ministers, Powell and Birch, resigned in 1958. Macmillan and

Thorneycroft agreed that deflation and tight discipline over spending were needed. Disagreements was about whether this was best achieved by greater or less reliance on interest rates in the overall policy mix. Thorneycroft's highhanded treatment of his colleagues compounded the issue.⁴⁴ The only enclaved faction in government went to the backbenches, until Thorneycroft and Powell returned to government a little later as loyal ministers. Although the 1959 budget has been described as electioneering expansionism, it was not received as such at the time. In 1961 and 1962, the government collectively to increase social regulation and integration in economic governance through the new growth targets, wages policy industrial policy and introduction of the tripartite National Economic Development Council.

Yet this positive feedback in policy hierarchy was quickly undermined from within. Macmillan's grew impatient with the crumbling of the 'pay pause', blaming his Chancellor even though it was partly his own fault. Frustrated by Treasury rule-based approaches which he himself supported, from 1960-1 Macmillan sought to dominate over the Treasury in pressing for expansion. He interfered increasingly with his ministers yet, as his health worsened and his punishing schedule of international travel exhausted him, his interventions were less sustained. The July 1962 reshuffle, dubbed the 'night of the long knives' and launched in panic following a leak by Butler, showed Macmillan at his most coercive, potentially moving into a structurally despotic position. But, instead, the sackings undermined Macmillan's own authority.⁴⁵ The reshuffle measured how deeply isolate ordering had gone. Afterward the weakened Macmillan was clearly unable to risk sacking the ministers he had introduced, so deepening the isolation dynamic.

Like Butler's boom begun during an isolation dynamic, so Maudling's 'dash for growth', begun in the isolation dynamic of the Macmillan administration, was another fiscal and monetary expansion which was inadequately regulated and inadequately integrated either with incomes policy or with balance of payments and exchange policy. As social regulation and integration weakened within the governments, the integration and regulation of policy judgement was also eroded. It nearly proved ruinous in the bust of October 1964.

Both the Labour party and centre-right economic critics⁴⁶ regarded the period of Conservative economic management between 1951 and 1964 as one of failure. They regarded 'fine-tuning' of demand as misguided, evidenced by 'stop-go' cycles of expansion, balance of payments and sterling crises followed by deflation. Yet by 1964 net government debt had been reduced to just above 110% of GDP and it continued to fall. Growth had averaged 3% annually from 1951 through 1964 inclusive peaking in 1954 and 1963; inflation had averaged 3.57% between November 1951 and October 1964 with spikes in 1952, 1955, 1957 and 1962. Although

net borrowing had risen, for most of the period there had been gross budget surpluses too enabling repayment of net debt. While hierarchical ordering had lasted, it sustained spending discipline. Inflation which helped with debt reduction, although unintendedly, had sometimes arisen from policy stances taken during isolation dynamics. Thus, even isolation dynamics had made some contribution to reducing debt.

Its enclaving in the 1950s having been exhausted, the Labour Party came to power in October 1964 strongly ordered by informally individualistic institutions. The cabinet was informally structured around rivalries among leading ministers whom Wilson would later call his 'crown princes'. Patrons built cliques of political clients among junior ministers and backbenchers. Initially, the leading figures were Callaghan and Brown. Jenkins' rise made him leader of former Gaitskellites. Brown's crumbling reputation and behaviour led by 1968 to one of his many resignations being accepted. Callaghan's position was damaged by devaluation but while at the Home Office he rebuilt his political base by nurturing links with the unions. Between 1968 and 1970, Jenkins' positions were unassailable as Chancellor and as the second strongest individual in government after Wilson. Clashes among these ministers were often framed by their impact on relative individual prestige more than by their substantive policy risks and prospects.⁴⁷ Wilson used his position as the strongest patron in a competitive ordering as a base from which to negotiate alliances with or to face down the other leading figures, while keeping as many of them as possible in the cabinet, lest they become dangerous on the backbenches. The government's difficulty in achieving authority, integration and long termism in economic policy is well known. Wilson had to divide responsibility between his leading figures, creating the Department of Economic Affairs for Brown while giving Callaghan the Treasury. No settled division of labour was agreed until 1966 when Stewart took over what was by then the subordinate department.

Cohesion was only as tight as were the implicit 'deals' between Wilson and his most powerful ministers. This had to substitute for the authority and integration achieved in more hierarchical administrations. On arrival in October 1964 and discovering the scale of the balance of payments and sterling crisis resulting from the bust of Maudling's 'dash for growth', Callaghan and Brown were present at the meeting which made the medium term commitment to seek market confidence in the medium term by maintaining the exchange rate, borrowing in the short term but continuing to repay old debt in the medium term.⁴⁸ The leading figures saw their interest in collaboration. Each knew that they had to be seen to stave off devaluation: none wanted the risk of being associated with advocating it. If devaluation came, it could only be from *force majeure* after ministers had been seen to have exhausted every available alternative. This meant imposing

short term losses on majorities through continued financial repression, incomes policies which grew tighter in 1966, and annual rounds of deflationary spending cuts and interest rate rises in response to balance of payments and sterling crises, while sustaining higher short term borrowing.⁴⁹ Each year, it became more difficult to sustain ministers' commitment. By 1966 Brown had come to the view that devaluation was preferable to yet more deflationary measures, but was prevailed upon not to undermine the policy, and mollified with promotion to the Foreign Office. Callaghan too 'wobbled' at one point. In 1967 Wilson himself surreptitiously authorised reflation. When in 1967 devaluation could not be prevented and Callaghan had to resign, Wilson avoided the danger he would present on the backbenches by exchanging his post with Jenkins'. Thereafter Wilson was committed to Jenkins, who more than once stayed the hands of his own supporters from organising attempted coups against Wilson,⁵⁰ realising that loyalty was now more to his advantage than seeking the leadership in the short and even medium term.

Jenkins was able to impose further losses in the short term through the 'two years' hard slog' following the January 1968 emergency budget with its symbolically painful cuts for the Labour party.⁵¹ Surpluses were run to allow significant debt repayment. Inflation was allowed to rise gently, although interest rates increased to combat it. Indeed, at between 3.0% and 2.7%, the percentage of GDP spent on servicing government debt under Jenkins was between half and a full point below that which Butler had had to sustain in the mid-1950s, and not greatly different from that which Labour had operated under Callaghan's chancellorship (Figure Five).

That a medium term orientation could be sustained under so individualistically ordered a government is significant. Labour sustained short term imposition of losses in taxation, reduced domestic consumption and financial repression, without being able to rely on hierarchical ordering. Moreover, the government's isolation dynamic was short, shallow and, by luck, arose in the wake of, rather than before devaluation. Its potential for relaxing fiscal policy was rendered nugatory by Jenkins' now pre-eminent power in the administration. Jenkins' pursuit from spring 1968 of more bilateral deals with his colleagues was just one important sign of the recrudescence of the individualistic ordering in the government which provided a more secure short to medium term basis for disciplined economic management.

In its informal institutional ordering, Heath's shadow cabinet in opposition was an unstable mix dominated by Heath's own aspirations for a return to a more integrated and regulated system, and already deep tendencies toward isolate ordering. Heath instituted a baroque and hierarchical system of policy review committees, trying to operate in opposition as a shadow government. Yet he became increasingly withdrawn, domineering, and distant from

backbenchers whom he treated loftily as voting lobby fodder.⁵² Maudling steadily reduced his commitment to politics.⁵³ Macleod simply retreated to a defined patch he could control.⁵⁴ Home lost his limited interest in domestic policy. Heath therefore need not negotiate with his colleagues, but nor could he bind them in. In government, the isolation dynamic deepened. After Macleod's death, no one remained able to challenge Heath. Barber was made Chancellor precisely because he had no political base from which to withstand Heath's insistence. In 1972, Maudling resigned in disgrace: the government lost the person whose work on cabinet committees had sustained integration among ministers. Initial commitment to more regulated and collective decision-making was eroded by Heath's increasingly domineering style. After the policy setbacks and adversities including the Rolls Royce rescue and the humiliating defeat by the miners in February 1972, Heath lost confidence in his ministers, took much more policy making into Number 10 and withdrew yet further. Instead he relied on senior civil servants such as Sir William Armstrong for policy advice. Heath now occupied a structurally despotic position in a deepening isolation dynamic.

The result was a series of 'U-turns' and policy innovations which involved much tighter regulation and imposition (for example through incomes policy limits), weakly integrated with wider economic policy stances. Yet at the same time macro-economic policy was steadily more expansionary, creating the 'Barber boom'. Fuelled by credit deregulation, a bubble in real estate and other assets, the boom was much more inflationary even than Maudling's had been. The bust at the end of 1973 was occasioned by the second oil price shock. The government's second confrontation with the miners was as humiliating as the first; the policymaking process within the administration showed crumbling cohesion and arbitrariness.⁵⁵

Again, isolate ordering weakened discipline and integration in economic policy-making, with by now predictable results. True, the soaring inflation helped to inflate reduce historic debt. Yet the leap in GDP growth in 1973 to over 7% was unsustainable. Sustaining debt reduction in the early 1970s rested more upon inflation than it did on growth, spending cuts or diverting resources from domestic consumption. But Heath and Barber did not deliberately use inflation as a tool for debt reduction. Indeed, no other economic risk worried them more. The increasingly rococo incomes policy was intended to pass on to workers the macro-economic constraints the government faced. Unfortunately, the individualistic responses in the property markets and enclaved ones from workers made the strategy unworkable. The isolate ordering in government left Heath with no fallback when imposition failed. In consequence, inflation ceased to be unanticipated after 1972 and so could do less for debt reduction; instead, it became

institutionalised in expectations and index-linking arrangements. With the floating of the pound in 1972, a key buttress for financial repression fell away.

By 1974-5, net public debt stood at just below 60% of GDP. Subsequent governments did reduce net public debt further, although by 1974 the big reductions had already been achieved. By 1979 debt was just over 51% of GDP. Only in 1990-1, after Lawson's inflationary boom, was debt reduced rapidly down to a nadir of 32.5% of GDP. It then began rising steadily, before ballooning after 2007; on present forecasts, it will not peak for several years yet.

Yet Heath's administration marked a key climacteric. Economic growth was much more volatile after 1970 and on a generally falling trendline. From the 1970s to 1990, inflation was probably more important than growth in achieving debt reduction. The high interest rates needed through the late 1970s, early 1980s and again in the late 1980s to deal with inflation increased the costs of debt servicing. From the 1981 budget onward, high unemployment was used to achieve victory over inflation and the trades unions and to control the money supply. This weakened growth in industries other than financial services. The cost of servicing debt rose steadily after 1974-6, from 2.6% of GDP to 4.5% by 1985-6.⁵⁶ The era of financial repression came to an end when Thatcher and Howe removed capital exchange controls in 1980.

Wilson's 1974-6 cabinet was characterised by a standoff between enclaved factions over Europe and a prime minister in deep isolate ordering, unwilling to integrate or discipline policy. Unwilling to confront the unions after the miners' strike, incomes policy lapsed and inflation soared. From 1976, Callaghan attempted to reorder the cabinet in a much more hierarchical manner.⁵⁷ Enclaved ordering on the left in the cabinet persisted around Benn. On the centre right, a resurgent individualistic organisation emerged marked by incipient rivalry between Crosland and Healey, leading Crosland to make a tactical alliance with the left during the 1976 IMF crisis. As hierarchy decayed in favour of individualism on the right and enclaving on the left, Callaghan adroitly played off ministers, to get through the 1976 crisis, but thereafter government was now dependent on the Liberals to get its legislation through. Although Foot increasingly allied with Callaghan and Healey, deepening enclaving among workers and shop stewards backed by the Bennite faction in government and the parliamentary party created a standoff in which integration and regulation of policy were hampered. Emergency borrowing from the IMF was repaid at Healey's insistence. But standoffs left the premier in an isolate position by 1978. Callaghan sought to transform his increasingly isolate serf position into a more isolate despotic one by insisting on a 5% pay norm, this occasioned the outbreak of long pent-up worker frustrations in the public sector which sent wage demands and inflation soaring – again,

unintendedly, through attempted but failed imposition. The government had to capitulate and never recovered.

In Thatcher's first administration, a small monetarist enclave achieved temporary domination⁵⁸ and tamed inflation in the short term, at the cost of unprecedented unemployment and de-industrialisation. However, as that enclave dissipated a structurally despotic prime minister presided over a weakly integrated policymaking order, in which policymaking was not at all integrated between Number 10 and Number 11. Lawson, although believing that his shadowing the Deutschmark was a form of discipline, in fact allowed an inflationary asset bubble to build up. By 1989, inflation was again running at alarming levels and threatening again to become settled in expectations. Only taking interest rates back up almost to 15%, near the levels seen in the late 1970s, could break inflationary expectations, and the inevitable consequence was another recession. Major's government was famously weakened by an enclaved faction of Europhobes, leaving an isolate premier with weakened capacity for policy integration. The 1990-1993 recession served to restrain inflationary forces, but the government was lucky in that the downturn was shallow enough that debt did not rise significantly.

Ironically, the one government after 1974 which significantly if briefly reduced total government debt was Blair's first 1997-2001 administration. In informal institutional ordering, that government most resembles the period of Jenkins' chancellorship between 1968 and 1970. A deeply individualistically ordered group clustered around a powerful prime minister and chancellor was able to achieve some cohesion because the two most significant patrons in the ordering were under, and recognised that they were under strong imperatives to work together to impose fiscal and monetary discipline. The 'second-best' solution, in lieu of hierarchy, was available only briefly for four years before Gordon Brown began to 'defect' from the informal institutions of a tight deal between otherwise rival patrons. Between 1997 and 2001, with benign economic conditions and especially due to low costs of debt servicing, net government debt fell from 41% to 31% of GDP. As the Labour government shifted within its individualistic ordering toward one in which Brown determined, unlike Jenkins in 1968-1970, that he could risk weakening policy integration in order to secure his own fiefdom, the result was, as we should by now expect, a looser fiscal policy, increasing expenditure faster than GDP growth, and increasing debt once again, although gently at first. Low interest rates and therefore debt servicing costs made this manageable before the general economic collapse beginning in 2007-8.

Table Two presents an analysis of changes in informal institutions by which cabinets and core executives were ordered since 1948. It shows unequivocally that periods of isolation dynamics in governments were the principal ones in which short future planning horizons were

cultivated, and in which fiscal and/or monetary discipline was weakened either in rushes of short term Micawberish optimism (Butler, 1954-55, Maudling 1962-4, Barber, 1971-4, Lawson, 1986-9, and Brown 2001-7) or in fatalistic lassitude that losses from inflation or unsustainability simply had to be accepted (Wilson and Healey, 1974-76, Callaghan 1979). Conversely, it shows that, as predicted, during periods of individualistic ordering when voluntarily agreed pacts among patrons for instrumental acceptance of external imperatives are seen to be worth pursuing, a second-best substitute set of informal institutions can be sustained for a period of time, which can support short or medium term cost and loss imposition for longer term gain (Wilson, 1964-70, Callaghan and Healey 1976-8, Blair and Brown, 1997-2001).

[Table Two about here]

During the postwar financial repression decades of hierarchical or individualistic governments when isolation dynamics were generally short interruptions, consent for the imposition of losses upon workers, consumers and pensioners (although not necessarily for investors losing from financial repression) was offset by gently falling inequality (most marked during the hierarchical governments of the 1940s and 1950s, although the Gini coefficient only moved between .25 and .28 during the 1960s),⁵⁹ high employment, rising social mobility and socialised health and other services which engendered a sense of community of fate across classes. In the 1970s, several of these achievements went into reverse. Gini coefficient and income dispersal measures rose consistently after 1976. Many studies find flat or falling mobility in Britain since the 1970s, at least with respect to upward mobility chances for people in manual working and some other less advantaged groups.⁶⁰ Although the July 1966 measures probably ended the commitment to full employment as a priority, the 1976 crisis measures really began the strategic use of unemployment as a tool of economic management. At the time when the basis of social organisation in government for debt reduction by means other than inflation atrophied, so too did the policy basis of reduced inequality and high mobility which secured consent for holding down living standards to repay debt. From the 1970s until 1997, inflation was the principal means by which debt reduction was achieved, but without offsetting institutions for securing broad consent. Reflecting the enclaved and then later isolate despotic form of the Thatcher administrations internally, political commitment to the pursuit of social integration by broad consent in policy was rejected. Imposition of large costs and losses without wide or deep consent at the time but sought retrospectively can be undertaken in democracies, especially where electoral systems exaggerate majorities and where those bearing losses are less likely to vote or where they are geographically concentrated. It may be necessary for national salvation during emergencies. That was and is still the justification given by supporters of the Thatcher

government. But such impositions cannot usually be attempted more than once in a generation without lasting damage to government's capacities – as Heath's administration found with its attempted imposition of trades union reform and incomes policy in face of radical enclaving among key groups of workers – or to citizens faith in the responsiveness of the institutions of the democratic state – as appears to have been a growing problem in Britain since the 1980s.

Conclusion

The Durkheimian anthropological perspective argues that governments reproduce their own social organisation in their style of political judgement. By cultivating thought styles which support or undermine long term thinking, willingness to impose losses in the medium term but to offset this with institutions to secure wide consent, the informal institutions that order governments cultivate their capabilities for economic governance of debt reduction.

As is true more widely in explaining political judgement in government, thought style is more important than ideology in sustaining these capabilities, for both Conservative and Labour governments exhibited these features; indeed most scholars now regard the concept of a postwar consensus in ideology as greatly exaggerated.

Those forms which sustain strong social integration and social regulation among ministers and core executives can sustain styles of political judgement for coherent integration of policies, wider social integration of governance by consent, and regulated, disciplined commitment to loss-imposition on a basis of rules rather than arbitrary imposition. Debt reduction without heavy reliance on internally generated inflation may then be sustained, as was observed in 1945-50, 1951-3, 1958-61. In their absence, a particular configuration within individualistic ordering can provide a workable substitute for debt reduction, at least for a while, as was true in the 1960s and in 1997-2001.

However, as governments move into isolation dynamics, judgement style about policy becomes short term. Disciplines required to sustain debt reduction without inflation are *unintendedly* relaxed. Temporary, unanticipated inflation can help to reduce debt. Of course, some inflation is often exogenously driven (e.g., for the UK, American financing of the Vietnam war, or commodity price shocks in the 1970s and after 2009). Nonetheless, willingness to make integrated and disciplined use of instruments such as high interest rates, demand management, credit corsets or incomes policies, for what as they can achieve during adversity, is a consequence of the integration and regulation of the informal institutions governing the administration itself. In governments undergoing short isolation dynamics, risks created by inflation unleashed by their weak integration may be containable, if the government recovers or another government is soon elected. But sustained isolate ordering with a despotic strain tends to provoke strong

countervailing reactions in the wider polity, as Heath's government experienced. Lacking the flexible structure of fallback options by which individualistically ordered governments contain the effects of setbacks and adversities,⁶¹ these standoffs can undermine capabilities to restrain inflationary forces. In divided governments with marked isolate ordering without a despotic strain but also show strong enclaving, inflation can lose its effectiveness in debt reduction because it becomes institutionalised and expected, as occurred after 1973. Thus, while initially inflation may be unanticipated and not institutionalised, and so useful in reducing debt, isolate ordered governments are precisely the ones most likely to find that inflation cannot be controlled. Only governments, such as Major's after 1993, which benefit from already historically low levels of debt and benign economic environments, can sustain informally isolate institutional configurations without the risk that their weakly integrated policy structure will prove damaging.

To the extent that this argues for hierarchical or very particular kinds of individualistic informal institutions within governments, the case is a limited one. Enclaved factions, isolate ordering and individualistic ordering marked by unrestrained rivalry are not only inevitable in the rest of the polity – among, for example, backbenchers, some parts of the civil service, regulatory agencies, interest and pressure groups – but vital in any democratic system. To survive, governments must find ways of securing wide consent and containing bandwaggoning dynamics which reinforce each form to the point of gridlock, standoff or humiliating defeat. Otherwise, those mobilising the disadvantaged against imposition of losses on their living standards may resort to undemocratic ways of expressing their frustrations, as very nearly occurred in the bitter industrial conflicts of 1978-79 and, to a much lesser degree, in the urban riots of 1981. This risk is greatest during periods of uncontrolled inflation.⁶² A central task for governance quite generally, running far beyond the narrow confines of government itself, in the next period of debt reduction and low growth, will be to develop informal institutions by which to civilise conflict but also to conduct conflict, allowing some space for each of the elementary forms of social organisation.⁶³

Notes

- ¹ Reinhart CM and Sbrancia MB, 2011, *The liquidation of government debt*, Washington DC: Peterson Institute, Table 8.
- ² McDonald, A, 1989, The Geddes committee and the formulation of public expenditure policy, 1921-1922, *Historical journal*, 32, 3, 643-674; Hood C, Emmerson C and Dixon R, 2009, Public spending in hard times, London: Institute for Fiscal Studies; Dunsire A and Hood C 1989, *Cutback management in public bureaucracies*, Cambridge: Cambridge University Press.
- ³ See NIESR data made available as a spreadsheet for downloading by the Guardian newspaper at <http://www.guardian.co.uk/news/datablog/2010/oct/18/deficit-debt-government-borrowing-data#data>.
- ⁴ Calculated from the data released in spreadsheet form by the Guardian newspaper from data supplied to them by NIESR, at <http://www.guardian.co.uk/news/datablog/2009/nov/25/gdp-uk-1948-growth-economy>.
- ⁵ Reinhart CM and Sbrancia MB, 2011, *The liquidation of government debt*, Washington DC: Peterson Institute, Table 8.
- ⁶ See e.g., the annualised table at <http://www.whatsthecost.com/historic.cpi.aspx> or quarterly data supplied by NIESR to the Guardian newspaper and released in spreadsheet form at <http://www.guardian.co.uk/news/datablog/2009/mar/09/inflation-economics>.
- ⁷ Sandbrook D, 2012, *Seasons in the sun: the battle for Britain, 1974-1979*, London: Allen Lane.
- ⁸ Figures for public debt used here are for public sector net debt excluding financial interventions, calculated by the ONS and Treasury, available from <http://www.guardian.co.uk/news/datablog/2009/mar/01/government-borrowing-economy1>. For the postwar decades 1948-1974, therefore, it is necessary to use other data or reconstructions carried out by others researchers. One such reconstruction is given at www.ukpublicspending.co.uk/uk_national_debt.
- ⁹ Allen WA, 2012, Government debt management and monetary policy in Britain since 1919, in Bank for International Settlements, 2012, *Threat of fiscal dominance?*, BIS Papers no 65, Basel: Bank for International Settlements.
- ¹⁰ Office for Budget Responsibility, 2012, *Fiscal sustainability report*, July, London: Stationery Office.
- ¹¹ Thompson H, 2013, UK debt in comparative perspective: the pernicious legacy of financial sector debt, *British journal of politics and international relations*, 15, 3, 476-492.
- ¹² Today, 'ultra-cheap' money appears not to be succeeding in increasing the volume of lending, partly because demand for credit is low and partly due to the paucity of low-risk projects.
- ¹³ Allen WA, 2012, Government debt management and monetary policy in Britain since 1919, in Bank for International Settlements, 2012, *Threat of fiscal dominance?*, BIS Papers no 65, Basel: Bank for International Settlements.
- ¹⁴ See e.g., Rollings N, 1988, British budgetary policy, 1945-1954: a 'Keynesian revolution?', *Economic history review*, 41, 2, 283-298 for evidence on the early part of the period; see e.g., Tomlinson J, 2004, *The Labour governments, 1964-1970: economic policy*, Manchester: Manchester University Press for the more complex situation in 1965.
- ¹⁵ Booth A, 2000, Inflation, expectations, and the political economy of Conservative Britain, 1951-1964, *Historical journal*, 43, 3, 827-847.
- ¹⁶ Jacobs AM, 2011, *Governing for the long term: democracy and the politics of investment*, Cambridge: Cambridge University Press.
- ¹⁷ O'Hara G, 2009, How (not) to cut government spending and reduce public sector debt, <http://www.historyandpolicy.org/papers/policy-paper-95.html>.
- ¹⁸ Douglas M, ed, 1982, *Essays in the sociology of perception*, London: Routledge and Kegan Paul; Durkheim É and Mauss M, 1963 [1902-3], *Primitive classification*, tr Needham R, Chicago: University of Chicago Press.
- ¹⁹ Douglas M, 1986, *How institutions think*, London: Routledge and Kegan Paul; 6 P, 2011, *Explaining political judgement*, Cambridge: Cambridge University Press
- ²⁰ Durkheim and Mauss, *Primitive classification*, 11.
- ²¹ 6 P, 2004, *E-governance: styles of political judgement in the information age polity*, Basingstoe: Palgrave Macmillan; 6, 2011, *Explaining political judgement*; 6 P, 2012, Explaining styles of political judgement in British government: comparing isolation dynamics between administrations, 1959-74, Political Studies Association conference, Belfast, 3rd-5th April 2012; 6 P, 2013, Explaining decisionmaking in government: the neo-Durkheimian institutional framework, in press, *Public administration*.
- ²² Durkheim É, 1951 [1897], *Suicide: a study in sociology*, London: Routledge.
- ²³ Douglas M, 1970, *Natural symbols: explorations in cosmology*, London: Routledge; Douglas M, 1982, Cultural bias, in Douglas M, 1982, *In the active voice*, London: Routledge and Kegan Paul, 183-254.
- ²⁴ Durkheim É, 1995 [1912], *Elementary forms of religious life*, tr Fields K, New York: Free Press; 6 P, Elementary forms of social organisation: developing the neo-Durkheimian institutional approach, submitted.
- ²⁵ Hood CC, 1998, *The art of the state: culture, rhetoric and public management*, Oxford: Oxford University Press.
- ²⁶ Douglas M, 1996, *Thought styles: critical essays on good taste*, London: Sage.
- ²⁷ Coyle DJ, 1994, The theory that would be king, in Coyle DJ and Ellis RJ, eds, 1994, *Politics, policy and culture*, Boulder, Colorado: Westview Press, 219-240; 6 P, 2011, *Explaining political judgement*; 6 P, 2012, Explaining styles of political judgement in British government: comparing isolation dynamics between administrations, 1959-74; 6 P,

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²⁸ Thompson M, Ellis RJ and Wildavsky A, 1990, *Cultural theory*, Boulder, Colorado: Westview Press.

²⁹ Thompson et al, *Cultural theory*; Author, 2003.

³⁰ Rayner S, 1982, The perception of time and space in egalitarian sects: a millenarian cosmology, in Douglas M, ed, 1982, *Essays in the sociology of perception*, London: Routledge and Kegan Paul, 247-274; Peck EW and 6 P, 2006, *Beyond delivery: policy implementation as sense-making and settlement*, Basingstoke: Palgrave Macmillan, 5-77.

³¹ Cf. The analysis of Lincoln’s cabinet in Goodwin DK, 2005, *Team of rivals: the political genius of Abraham Lincoln*, Harmondsworth: Penguin.

³² 6 P, 2012, Explaining styles of political judgement in British government: comparing isolation dynamics between administrations, 1959-74, 6 P, What is “opportunism” and when does it arise in government decision-making? A neo-Durkheimian explanation, submitted.

³³ 6 P, 2012, Explaining styles of political judgement in British government: comparing isolation dynamics between administrations, 1959-74, 6 P, What is “opportunism” and when does it arise in government decision-making? A neo-Durkheimian explanation, submitted.

³⁴ Béland D and Cox RH, eds, 2011, *Ideas and politics in social science research*, Oxford: Oxford University Press.

³⁵ Rhodes RAW, 1997, *Understanding governance: policy networks, governance, reflexivity and accountability*, Buckingham: Open University Press; for an argument of this kind about the postwar governments, see Pemberton H, 2004, *Policy learning and British governance in the 1960s*, Basingstoke: Palgrave Macmillan.

³⁶ Radice G, 2008, *The tortoise and the hares: Attlee, Bevin, Cripps, Dalton, Morrison*, London: Politico’s; Thomas-Symonds N, 2012 [2010], *Attlee: a life in politics*, London: LB Tauris; Jefferys K, 1992, *The Attlee governments, 1945-51*, London: Longman; Pearce R, 1994, *Attlee’s Labour governments 1945-51*, London: Routledge; Hennessy P, 1992, *Never again: Britain, 1945-1951*, London: Jonathan Cape; Morgan KO, 1985, *Labour in power, 1945-1951*, Oxford: Oxford University Press.

³⁷ Bulpitt J and Burnham P, 1999, Operation Robot and the British political economy in the early-50s: the politics of market strategies, *Contemporary British history*, 13, 1, 1-31; Hennessy P, 2006, *Having it so good: Britain in the fifties*, Harmondsworth: Penguin, 199-217.

³⁸ Brittan S, 1971 [1964], *Steering the economy: the role of the Treasury*, Harmondsworth: Penguin, 190-195.

³⁹ Howard A, 1987, *RAB: the life of R.A. Butler*, London: Jonathan Cape, 207-9; Hennessy P, 2001 [2000], *The prime minister: the office and its holders since 1945*, Harmondsworth: Penguin, 203.

⁴⁰ Hennessy P, 2006, *Having it so good: Britain in the fifties*, Harmondsworth: Penguin, 198-9.

⁴¹ Butler RAB, 1971, *The art of the possible: the memoirs of Lord Butler*, London: Hamish Hamilton;

⁴² E.g., Thorpe DR, 2003, *Eden: the life and times of Anthony Eden, First Earl of Avon, 1897-1977*, London: Pimlico.

⁴³ Booth A, 2000, Inflation, expectations, and the political economy of Conservative Britain, 1951-1964, *Historical journal*, 43, 3, 827-847.

⁴⁴ Turner J, 1994, *Macmillan*, Harlow: Longman, 226-239; Booth A, 2000, Inflation, expectations, and the political economy of Conservative Britain, 1951-1964, *Historical journal*, 43, 3, 827-847. Even the most determined advocate of the ‘ideological disagreement’ view admits that monetarism was not articulated in 1958: Cooper C, 2011, Little local difficulties revisited: Peter Thorneycroft, the 1958 Treasury resignations and the origins of Thatcherism, *Contemporary British history*, 25, 2, 227-250. In any case, if it had been, it could have been used to support Macmillan’s preference for greater use of interest rate increases to curb the supply of credit, as much as to support Thorneycroft’s preference for greater use of public spending cuts.

⁴⁵ Thorpe DR, 2010, *Supermac: the life of Harold Macmillan*, London: Chatto and Windus.

⁴⁶ Brittan S, 1971 [1964], *Steering the economy: the role of the Treasury*, Harmondsworth: Penguin.

⁴⁷ 6 P, Structure and political agency, thought style and strategy schedules in government: a neo-Durkheimian explanation, forthcoming; 6 P, How ‘natives’ work – in Whitehall, for example: explaining practices and what practices explain, forthcoming.

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- ⁵⁴ Shepherd R, 1994, *Iain Macleod: a biography*, London: Hutchinson.
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- ⁵⁷ Morgan KO, 1997, *Callaghan: a life*, Oxford: Oxford University Press; Sandbrook D, 2012, *Seasons in the sun: the battle for Britain, 1974-1979*, London: Allen Lane.
- ⁵⁸ Campbell J, 2003, *Margaret Thatcher, volume two: the iron lady*, London: Vintage, 13-14, 28-30, 33, 53, 81-2, 111.
- ⁵⁹ See chart on share of income held by top 1% of population, downloadable from <http://www.guardian.co.uk/news/datablog/2012/may/22/social-mobility-data-charts>.
- ⁶⁰ For a nuanced analysis, see Payne G and Roberts J, 2002, Opening and closing the gates: recent developments in male social mobility in Britain, *Sociological research online*, 6, 4, <http://www.socresonline.org.uk/6/4/payne.html>.
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Table One: Contrasting institutional thought styles about future planning horizon cultivated as ways of rationalising organising challenges

↑ <i>Social regulation</i>		
<p><i>Isolate institutions</i> <i>Organisation sustained by:</i> (a) in presence structural despotic position: imposition or imposed passing on of constraint (b) in absence any current structural despotic position, only structural serf positions: coping, adaptive relations under constraint <i>Future time horizon:</i> short <i>Stance toward cost and loss imposition and acceptance:</i> (a) in presence structural despotic position: seek to pass on imposed costs and losses to others by imposition or to evade, but accept if this fails (b) in absence any current structural despotic position, only structural serf positions: seek to evade, circumvent, or postpone acceptance; if this fails, accept</p>	<p><i>Hierarchical institutions</i> <i>Organisation sustained by:</i> members' acceptance of constraint, imperatives and bonds as authoritative and granting clarity of authorisation to members for action; authority of imperatives and bonds rests on investment in their persistence, thereby sustaining security <i>Future time horizon:</i> long term <i>Stance toward cost and loss imposition and acceptance:</i> willing to accept external imposition if rule-based and legitimate and to impose costs and losses in rule-based fashion with general basis of consent, for long term gain</p>	→ <i>Social integration</i>
<p><i>Individualistic institutions</i> <i>Organisation sustained by:</i> negotiated relations between patrons and clients, and negotiated limits to rivalry among patrons <i>Future time horizon:</i> as long as negotiated arrangements can or must last <i>Stance toward cost and loss imposition and acceptance:</i> imposition acceptable if necessary for patrons to survive by negotiating agreement, for the time being; external imposition found irksome and will seek to manipulate, in the medium term, to restore scope for negotiated discretion</p>	<p><i>Enclaved institutions</i> <i>Organisation sustained by:</i> in the absence of authority and incentives, only by members' belief in and commitment to principles and capacity to exercise suasion to buttress others' belief and commitment; <i>Future time horizon:</i> foreshortened to ensure urgency of action on principles <i>Stance toward cost and loss imposition and acceptance:</i> voluntary acceptance acceptable if principled, imposition from beyond enclave unacceptable</p>	

Table Two: Informal institutions in government cultivate thought styles and time horizons which explain stances in economic governance

<i>Period</i>	<i>Prime minister and party in government</i>	<i>Informal institutions of social organisation in cabinet and core executive</i>	<i>Time horizon (aspect of thought style)</i>	<i>Economic governance</i>
1945-49	Attlee, Labour	Hierarchical; shallow isolate phase in 1947 when weak oversight of Ministry of Fuel and Power shows hierarchy temporarily weakening; then recrudescence afterward	Mostly long; major long term programmes instituted in welfare, NATO; shortens temporarily during 1947 fuel crisis	Architecture of financial repression put in place; major effort to begin to repay debt from 1948 onward, starting with short term Marshall Aid loans
1949-51	Attlee, Labour	Hierarchical, but weakening in favour of individualism	Still long but shortening, especially after 1950 election and leading figures die or retire	Some fiscal expansion under Gaitskell
1951-53	Churchill, Conservative	Hierarchical	Long	Carefully rule-balanced austerity with gentle promotion of economic growth
1953-55	Churchill, Conservative	Isolate increasingly significant; no structural despot	Short	Fiscal expansion leading to bottlenecks, wage pressures, and inflation
1955-57	Eden, Conservative	Isolate very significant; Eden as structurally despotic figure	Short, driven by improvising response to domestic and foreign emergencies	Initially fiscal expansion then sharp contraction in October 1955, and even sharper again in response to US sanctions on UK borrowing from IMF because of objection to Suez operation
1957-61/2	Macmillan, Conservative	Hierarchical, with zone of individualistic organisation in foreign affairs, with reserved zone for PM	Long	Deflation initially, then relatively cautious support for growth until 1961. July 1961 measures use short term loss imposition as part of much longer term and integrated economic plan for growth
1961/2-63	Macmillan, Conservative	Isolate increasingly significant; Macmillan's drift toward structurally despotic figure checked and reversed by reception of July 1962 reshuffle	Increasingly short	Pursuit of expansion with increasing energy from July 1962: beginning of Maudling's 'dash for growth'
1963-64	Douglas-Home, Conservative	Individualism more significant: PM needs to negotiate to secure ministers	Short, under expectation imminent election and dissolution of	Deepening of Maudling's 'dash for growth'; deregulation to abolish retail price maintenance

		willing to serve	existing negotiated arrangements between PM and ministers	
1964-67	Wilson, Labour	Individualistic, with tight voluntary alliance among leading patrons voluntarily to accept external constraint	Moderate, aware of risk of crisis breaking negotiated arrangements but attempting to stave off	Annual deflationary exercises in response to balance of payments, sterling and reserve crises, undertaken as conditions for securing short term US-supported loans; efforts between these to stimulate growth, but offset with efforts to make weak but statutory incomes policy somewhat effective in the face of growing wage demands; final surreptitious expansion leads to devaluation
1967-68	Wilson, Labour	Short, shallow, mild period of isolate ordering; dissipated March-April 1968	Short to moderate	Sharp deflation and acceptance of loss
1968-70	Wilson, Labour	Individualistic, with tight voluntary alliance among leading patrons voluntarily to accept external constraint	Moderate to long	Major commitment to long term debt reduction, with suppressed domestic demand and promotion of exports
1970-1/2	Heath, Conservative	Hierarchical but growing isolate ordering	Shortening	Imposition of micro-economic control in attempt to pass on macro-economic constraints through Industrial Relations Act and 'N minus one' public sector wage rule, both defeated during 1972 Increasing signs of improvisation in nationalisation of Rolls Royce and then rescue of Upper Clyde Shipbuilders Deregulation of credit begin to fuel asset bubble-driven boom
1972-4	Heath, Conservative	Very strongly isolate, and becoming more so; Heath as structurally despotic figure	Increasingly short, improvising responsive to emergencies	Unstable combination of further imposition of short term price and incomes controls, defeated eventually by second miners' strike, and short term policy improvisation in response to inflation surges and then oil price increases Boom surges until crash in November-December 1973
1974-6	Wilson, Labour	Isolate PM and chancellor; cabinet otherwise split in two or more enclaves	Short, improvising in core executive	Uncontrolled expansion fuelling wage demands and allowing monetary expansion to cope, causing inflation
1976-79	Callaghan,	Initial hierarchy,	Increasingly short	Sharp correction, bitterly resisted

	Labour	giving way to isolate PM and chancellor; cabinet otherwise split in two or more enclaves; shift toward structurally despotic position for Callaghan, with increasing difficulty vis-à-vis enclaves	in core executive, responsive to emergencies Weak support sought in parliamentary emergency through 'vote and supply' pact with Liberal Party, further weakening cohesion in Labour	within government and by trades unions. Attempt to impose deflationary order but over-ambitious final imposition provokes major stand-off with trades union and weakening cabinet and parliamentary party
1979-85	Thatcher, Conservative	Enclave around PM and, initially, Chancellor	Long	Principled cost-imposition, justified using monetarist theory on a pro-cyclical basis especially from 1981 budget; attempt to pursue principled-based control of money supply; imposition of losses on industry and especially on trades unions in law reform and confrontation with particular unions
1985-90	Thatcher, Conservative	Continued enclaving but also increasingly isolate, with PM in structurally despotic position	Still generally long but shortening especially from 1987/8	Shift toward expansion initially through deregulation of financial services and then through relaxation of monetary rules; in response, inflation surged and had to be combated with high interest rates on an emergency basis
1990-92	Major, Conservative	Weak hierarchy, significant enclaving	Long in some policy fields, short in highly salient political ones because of looming election	Pursuit of conditions for rule-based economic governance through sterling membership of the European exchange rate mechanism
1992-97	Major, Conservative	PM and Deputy PM increasingly isolate, marked enclaving in backbench affecting cabinet	Increasingly short	Following ejection of sterling from European exchange rate mechanism, shift from short term deflationary measures to reassure markets in short term and to reduce inflation to expansion from 1995, followed by final round of announced austerity probably not intended to be implemented but to be used to embarrass Labour in the 1997 election, which the government expected to lose
1997-2001	Blair, Labour	Individualistic, with tight voluntary alliance among leading patrons voluntarily to accept external constraint	Moderate to long	To reassure markets and gain 'licence to govern', system of rule-based governance, transfer of interest rate setting to Bank with responsibility to target inflation level symmetrically; 'golden rule' (which was subject to ministerial interpretation about cycle)

2001-07	Blair, Labour	Enclaving, as former patrons become dependent on factions; some growth in isolate ordering in later years	Unstable, but shortening toward end of period	commencement and end); first term commitment to inherited spending limits Significant increase in public spending, expansion of off-balance sheet debt through PFI programme; use of scope for re-interpretation of 'golden rule'
2007-10	Brown, Labour	Isolate, with PM in structurally despotic position, weakly supported by remaining enclave; enclaving in parliamentary party affecting cabinet	Increasingly short	Emergency responses initially expansionary in response to unanticipated credit crisis and then deflationary in response to insufficiently anticipated falling tax revenues and signs of ballooning debt, combined with major financial interventions to rescue banks

Figure One: UK GDP growth, annual percentage change, adjusted for inflation

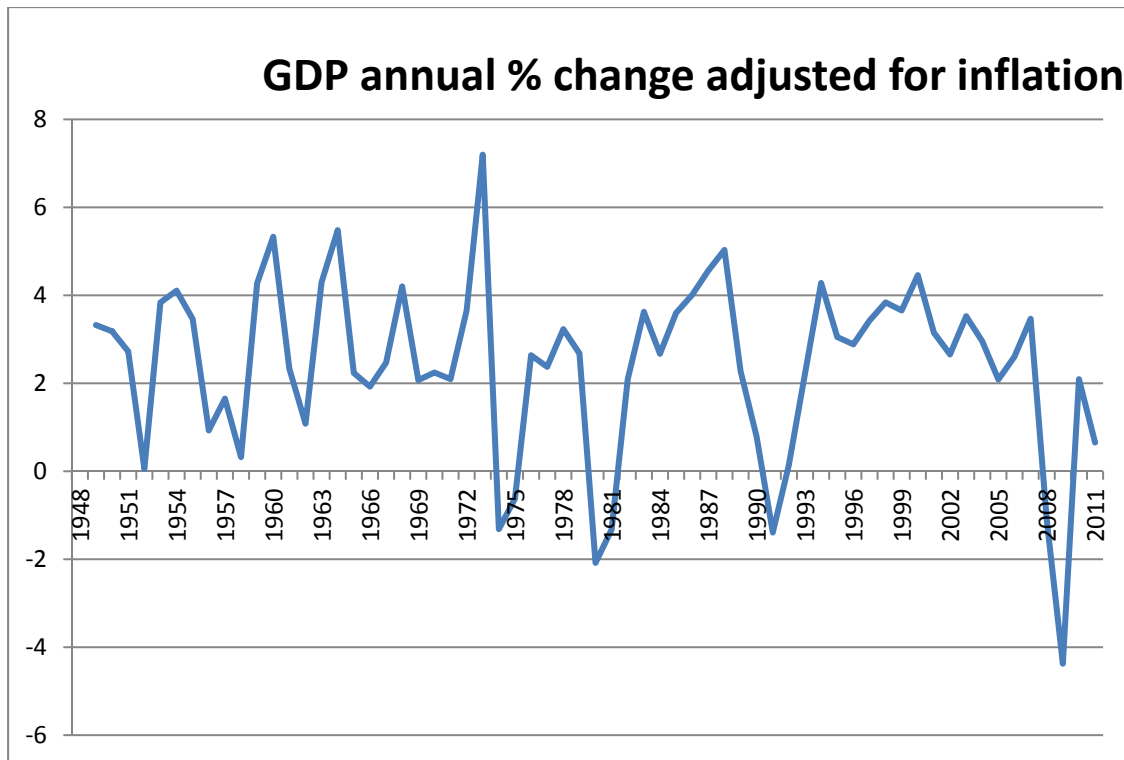


Figure Two: UK Public net debt, percentage of GDP, 1945-2010

Source: http://www.ukpublicspending.co.uk/uk_national_debt

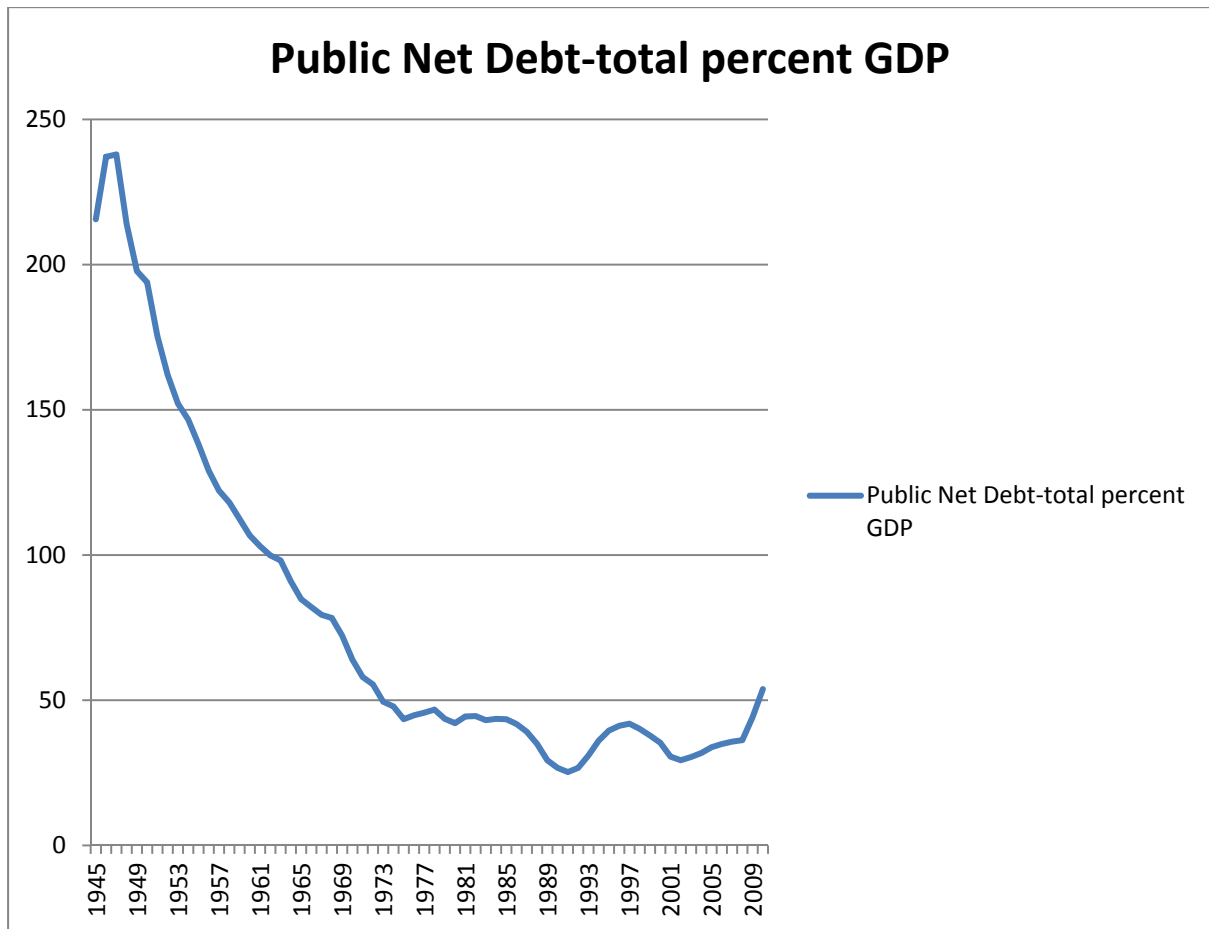


Figure Three: UK net annual borrowing, £m

Source: ONS and HM Treasury

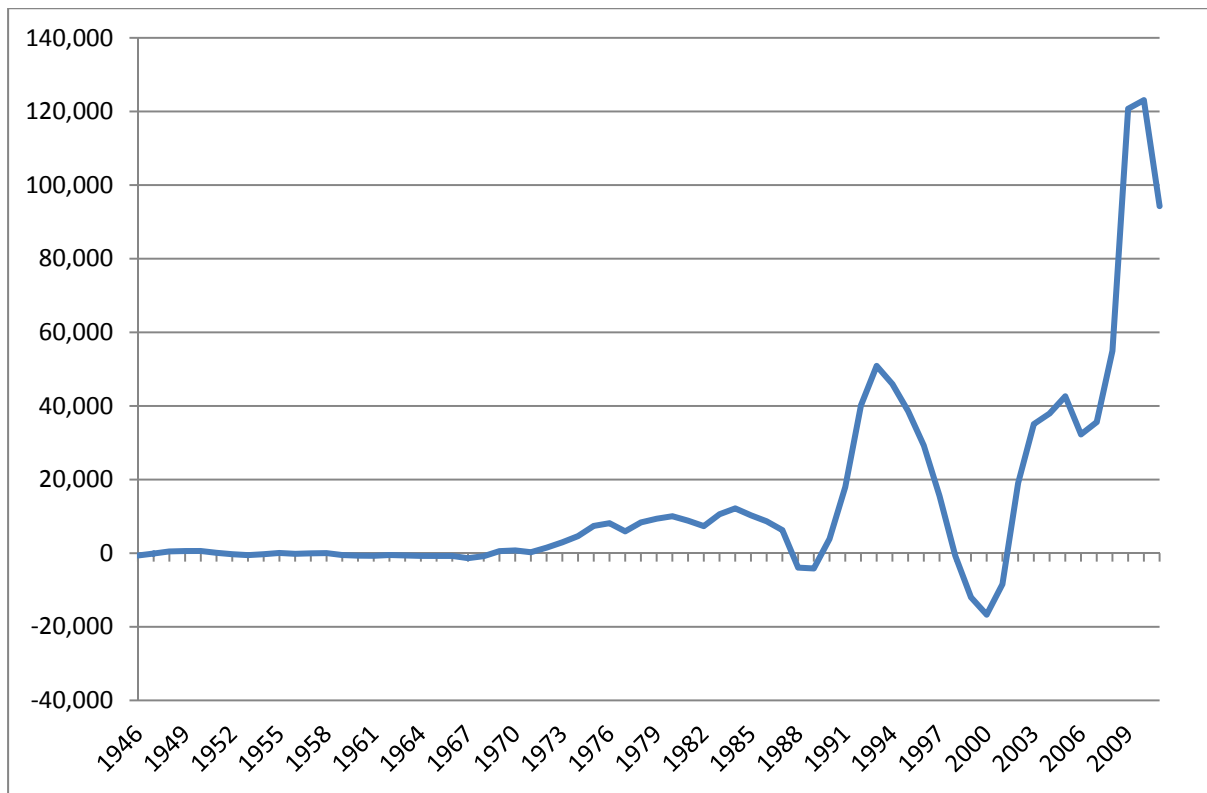


Figure Four: UK inflation measured by Retail Price Index percentage change in price level, quarterly, change over previous twelve months

Source: ONS and HM Treasury

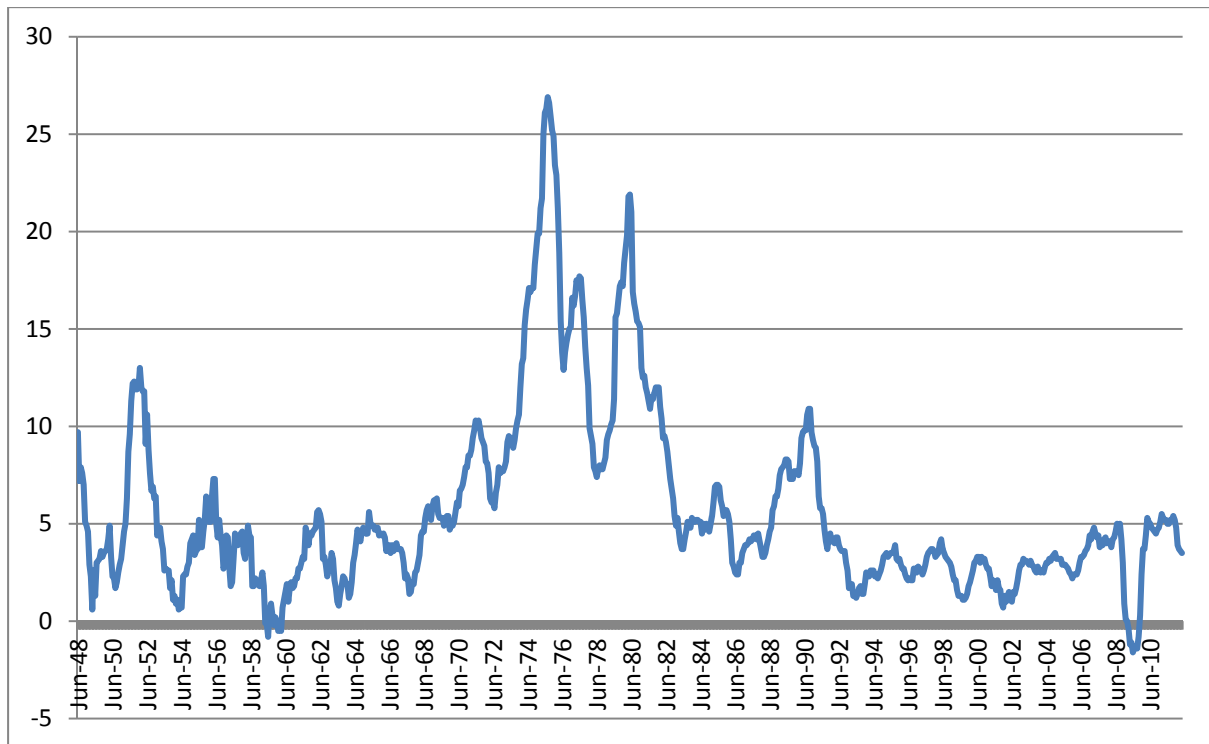


Figure Five: Percentage of GDP devoted to interest payments on government debt

Source: http://www.ukpublicspending.co.uk/uk_debt

