Britain in Decline

Also by Andrew Gamble

From Alienation to Surplus Value (with Paul Walton)

The Conservative Nation

Capitalism in Crisis (with Paul Walton)

An Introduction to Modern Social and Political Thought

The British Party System and Economic Policy 1945–83 (with Stuart
Walkland)

The Free Economy and the Strong State

Britain in Decline

Economic Policy, Political Strategy and
the British State

THIRD EDITION

Andrew Gamble

M
MACMILLAN

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First edition 1981
Reprinted 1983, 1984
Second edition 1985
Reprinted 1986, 1988, 1989
Third edition 1990

Published by
MACMILLAN EDUCATION LTD
Houndmills, Basingstoke, Hampshire RG21 2XS
and London
Companies and representatives
throughout the world

Typeset by Taurus Graphics
Abingdon, Oxon

British Library Cataloguing in Publication Data
Gamble, Andrew

Britain in decline: economic policy, political strategy and the British state.—3rd ed.

1. Great Britain. Economic conditions, history

I. Title

330.941

ISBN 978-0-333-46521-9

ISBN 978-1-349-20940-8 (eBook)

DOI 10.1007/978-1-349-20940-8

In memory of A. N. Silver

The purely British causes of the economic depression are complex, but they can be summed up in a single sentence. English manufacturing costs are among the highest in the world. If this situation continues, any economic structure based on exports is faced with inevitable ruin . . . England is trying to compete in international markets, and at the same time provide her people with a wage level and a standard of living which does not permit costs to be low enough either to export profitably, or to attract the capital necessary for the development and upkeep of her manufacturing.

André Siegfried, *England's Crisis* (1931)

What with our sentimentality, our Party system, our government by committee, our 'Mandarins', our 'Society', and our Generals . . . the game is just hopeless . . . Our political organisation is thoroughly rotten, almost non-existent. It is Carthaginian – really the only comparison I can think of. Never was there such an absurd waste of power, such ridiculous inconsequence of policy – not for want of men but for want of any effective central authority or dominant idea to make them work together.

Lord Milner (1909)

Shame is a kind of anger turned in on itself. And if a whole nation were to feel ashamed it would be like a lion recoiling in order to spring. I admit that even this shame is not yet to be found in Germany; on the contrary the wretches are still patriots. But if the ridiculous system of our new knight does not disabuse them of their patriotism, then what will? . . . The state is too serious a business to be subjected to such buffoonery. A Ship of Fools can perhaps be allowed to drift before the wind for a good while; but it will still drift to its doom precisely because the fools refuse to believe it possible. This doom is the approaching revolution.

Karl Marx (1843)

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Acknowledgements

The author and publishers wish to thank the following who have kindly given permission for the use of copyright material: Banco Nazionale Del Lavoro for data from an article 'Phases of Capitalist Development' by A. Maddison, published in the June 1977 issue of the Bank's *Quarterly Review*; The Controller of Her Majesty's Stationery Office for data from Royal Commission on Trade Unions and Employers' Associations, *Report* and *Employment Gazette*; National Institute of Economic and Social Research for tables from *Review*; Organisation for Economic Co-operation and Development for tables from OECD Reports, National Accounts 1961–72 and *Economic Outlook*, July 1979.

Preface to the First Edition

This book is an exploration of some historical problems of the British state and their relation to some of the current concerns of British politics. Many people have helped me to write this book. I owe a great deal to students at Sheffield who have attended my lectures and seminars during the past few years. I have also learnt much from discussions with postgraduates and with colleagues at Sheffield. I would particularly like to thank Jerry Agnew, Anthony Arblaster, Dave Baker, Peter Duff, Brian Duncan, Stephen George, Eddie Jachcel, Bryan Mason, Quentin Rudland, Patrick Seyd, Ian Taylor and Stuart Walkland.

My wider intellectual debts are too many to mention. They will be apparent on every page of this book. Its judgements and arguments lean heavily on the work of others. I would especially like to thank Henry Drucker, Martin Jacques and Ralph Miliband for encouraging me to develop in essay form for books and journals edited by them some of the ideas that are explored in these pages. I am conscious of many weaknesses that remain and I hope to pursue some of the ideas more deeply in future work. But I decided that now was the right time to publish in a connected and extended form the general conclusions I had reached.

The book has been nursed at various times by four Macmillan editors: Shaie Selzer, Rob Shreeve, John Winkler and Steven Kennedy. Steven Kennedy has given special and much appreciated assistance and advice in helping the

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book through its final stages. Thanks are also due to Keith Povey and Elizabeth Black for their efficient copy-editing of the typescript. Anthony Arblaster, Stephen George and Christine Rodway read parts of the book in draft and made many valuable suggestions. The typescript was prepared with great speed and accuracy by Hazel Watson.

Neil Lyndon, over many years and in the course of many discussions stretching long into the night, has encouraged and influenced this and other projects, and since his removal from the capital has helped persuade me by his own example to maintain a proper balance between the soil and the pen.

My family will not be sorry to see the last of this book. They cannot remember a time when I was not writing one and they no doubt hope that the present decline in the fortunes of British publishing proves to be permanent, so that I never have the opportunity to write another.

Andrew Gamble

Sheffield
December 1980

Preface to the Second Edition

I have taken the opportunity of this second edition to rewrite the first and the last chapters to provide a more systematic survey of explanations of decline and to take account of political and economic developments since 1980.

Some of the reviewers of the first edition interpreted its argument in surprising and often quite different ways, crediting me with opinions and attitudes which I was quite unaware I possessed. This book was not written as a polemic. It does not advocate any particular programme or set of policies as *the* solution to Britain's economic decline. That would be out of place in a work of this kind. The main purpose of the book is rather to explore the principles and the limitations and strengths of different programmes and explanations that have been advanced at different times, so as to widen understanding about the context in which the political debates over decline have taken place. What I argue throughout the book is that it is Britain's role within the world system which is crucial for an understanding of the history of the decline.

Andrew Gamble

Sheffield
July 1984

Preface to the Third Edition

By the time of their third election victory in 1987 the Conservatives were making strong claims that the British economy was at last enjoying an economic miracle. The country had been turned around. Given the vigour and conviction with which the claims were asserted it might seem presumptuous to prepare a third edition of a book with the title *Britain in Decline*. In the 1930s Sidney and Beatrice Webb published a book entitled *Soviet Communism: A New Civilisation?* In later editions they removed the question mark. A premature decision as it turned out. Inserting a question mark after *Britain in Decline* might now seem the patriotic thing to do, but it would probably prove equally premature. Since 1987 the recovery has begun to look fragile as the economy has plunged back into strikes, rising prices, faltering growth, and a balance of payments deficit of awesome dimensions. The OECD is forecasting that by the time of the next election Britain will again be below the OECD average on inflation and output. Decline as an issue in British politics seems likely to be with us for a while yet.

This book was a product of the 1970s, and first appeared in 1981 during the great economic and political shake-out of the first phase of the Thatcher government. Much has changed since then, and my perspective on many of these events has changed too. I have not however tried to alter the substance of the main chapters, leaving them as a commentary on the debates and solutions proposed in the 1970s. I

have re-named the social market strategy the free economy strategy, because the former term became associated during the 1980s with the SDP and was no longer used by Conservatives. Chapter 1 has been substantially revised to provide a more extended review of the literature on decline, and the final chapter is a new chapter. It describes and assesses the economic recovery and the political changes which took place in the 1980s, and looks at some of the forces that will shape economic policy debate in the 1990s.

Andrew Gamble

Sheffield
July 1989

Introduction

It is remarkable to see how relatively numerous in declining empires are the people capable of making the right diagnosis and preaching some sensible cure. It is no less remarkable, however, that wise utterances generally remain sterile, because, as Gonzales de Cellorigo forcefully put it while watching impotently the decline of Spain, 'those who can will not and those who will cannot'.

Carlo Cipolla¹

Britain has now been in decline for a hundred years. It has become the most observed and analysed decline in modern history, provoking a speculative literature of enormous dimensions. Few explanations have not been proffered, few causes not dissected, few remedies not canvassed at least twice. The decline has been the central fact about British politics for a century, a major preoccupation of its political intellectuals and intermittently, but increasingly, of its political leaders. Two processes stand out – the absolute decline in the power and status of the British imperial state, and the relative decline of the British economy with its long-standing failure to match the rates of expansion of its rivals.

The starting point of Britain's decline was the position of unrivalled dominance it had achieved during the nineteenth century. By 1900 Britain controlled over one-fifth of the world's land surface and ruled one-quarter of the world's population. Its land forces remained small but its navy was still maintained at a level where it would be superior to the

two next most powerful navies combined. The foundation of this empire had been the commercial and strategic policies pursued by the British state for 250 years. Its consolidation and further extension in the nineteenth century had been the result of the industrial and technological lead Britain established by being the first major economy to industrialise. The height of Britain's industrial domination of the world was reached in the middle decades of the nineteenth century. At that time one-third of the world's output of manufactured goods came from Britain. Britain produced half the world's coal and iron, half the world's cotton goods, almost half its steel. From this position Britain conducted one-quarter of the world's trade and built up a massive commercial and financial predominance. Even in 1900 Britain still accounted for one-third of the world's exports of manufactures, and the registered tonnage of British shipping was more than the tonnage of the rest of the world combined. London was the unchallenged commercial and financial centre of the new capitalist world economy. The international monetary system was centred upon the gold standard and the pound sterling, and British foreign investments had risen by 1914 to the remarkable total of £4000 million.

The slope of Britain's descent has not been uniform. There have been periods of recovery, even of advance and success, but the underlying trend has been inexorable; the problems surrounding Britain's future have accumulated, whilst the reserves for meeting challenges of all kinds have dwindled. This is why the decline in world power and the relative decline in economic performance appear inextricably linked. At every crisis of the economy the prospects for lasting recovery have looked bleaker, the strait-jacket of decline tighter. Speculation bursts out afresh at such times about a 'British disease', a malady whose causes lie so deep in British psychology and British culture that no cure may be possible.

The most common diagnosis of this 'disease' in the 1960s and 1970s was that the country was living beyond its means. The British consumed too much and worked too little. Britain was portrayed as a new Rome, over-burdened by

taxation, bureaucracy, and excessive public and private consumption, and suffering rampant inflation and a paralysing internal struggle over the distribution of wealth and income. Sometimes these writers differed as to the identity of the barbarians at the gates. Many believed they were already within the city; but all agreed that the British had become morally dissolute. Notions that the British were lazy and refused to work harder, whilst demanding ever greater quantities of things to consume, were commonplace. As one Labour minister put it: 'For generations this country has not earned an honest living.'²

The evidence for such alarmist judgements rested on three key economic indicators – the balance of payments, public spending and pay. Each one at different periods has been a trigger for national panics. In the 1950s and 1960s regular balance of payments crises were occasions for national mortification and alarm.³ In the 1970s fears began to be expressed that public expenditure was running out of control and that public spending was crowding out investment, spending and jobs in the private sector. In 1975 Milton Friedman and Roy Jenkins separately declared that government spending at 60 per cent of GNP was endangering freedom, or as Roy Jenkins put it, 'our plural society'. As Joel Barnett, Chief Secretary to the Treasury, commented,⁴ 'It was a typically elegant phrase, if rendered more meaningless than might normally have been the case when in the following year we changed the definition of public expenditure, so as to reduce the percentage substantially.'

Another source of anxiety in the 1960s was the tendency to pay to outpace productivity and cause inflation. This too rose to a peak in the 1970s. Whether it was the 'nation' importing more than it exported, the government spending more than it received, or the mass of wage-earners demanding in total a bigger cake than they were producing, the sources of the British disease were traced to particular British institutions and patterns of behaviour.

Economic indicators however make poor political scapegoats. Human targets, whether shop stewards, Swiss bankers or oil sheiks, are more satisfying. Trade unionists easily

head the list. The most widely disseminated reason why Britain's trade would not balance, why public expenditure rose inexorably, and why inflation accelerated, was the power of the trade unions.⁵ As Sir Keith Joseph put it in 1979, 'Solving the trade union problem is the key to Britain's economic recovery.'⁶

After the trade unions the favourite target for criticism was the British Establishment. Debunking British institutions and the life-style and attitudes of the British upper class became a major pastime in the 1960s. The growing divide between the dignified and the efficient in so many British institutions and the pervasive resistance to modernisation which that so often represented, became a central theme of much writing, most notably Anthony Sampson's investigations into the anatomy of Britain.

It helped to inspire accounts of Britain's post-war failure in terms of the cyclical patterns at work in the history of all great empires. Parallels for Britain's experience have been sought not only in the decline of Rome but also in that of Venice and Spain. As in all small states that create empires, it is argued, the qualities and attitudes that assisted Britain to rise and expand were discarded or neglected by the later generations that inherited the imperial position. They developed instead tastes, needs and activities which could be easily sustained only so long as the political grip on the Empire remained secure. Once Britain had acquired its Empire and achieved industrial dominance it developed a pervasive 'anti-enterprise' culture and a social conservatism at all levels, particularly in education and business management, which persistently blocked successful modernisation and adaptation.⁷

By the end of the 1980s the Conservative government was confidently proclaiming that the relative economic decline had been decisively reversed. Its policies had set Britain on a course of sustained recovery. But many observers remained unconvinced that very much had fundamentally changed.

The argument of this book is that to assess the claims and counter-claims of the 1980s as of any earlier period in the history of decline it is necessary to grasp the complex

interplay of the decline in power and the decline in competitiveness. What was different about Britain's Empire compared with many previous empires was that it became inextricably linked with a global process of capital accumulation which resulted in the creation of an interdependent world economy and a rate of growth of population and material wealth far surpassing any levels previously achieved in human history.

Britain's expansion may have been launched upon foundations that were similar to those of many previous empires, but its Empire was consolidated and reached its zenith under very different ones. When earlier empires that arose from a self-sufficient agricultural base collapsed, the imperial state was forced back to this base, once decline had reached a certain point. That possibility disappeared from Britain during the nineteenth century. At a certain stage of building its world power Britain abandoned such foundations, merging its future irrevocably with the wider world economy.

All discussion of British decline must start from Britain's relationship to the world economy that was the means of the British rise, which was transformed in the course of that rise, and to which Britain remains tied. What has to be explained is why the most dynamic and expansionist nation in modern European history, the organiser of the largest world empire, the pioneer of industrialisation, and the country renowned above all others for the continuity and flexibility of its institutions and the political skill of its ruling class, should have been so unable to succeed as an industrial economy during the past thirty years in competition with Germany, France and Japan. The eclipse of British military power by the United States and Russia was widely forecast as early as the 1840s because of the much greater human and physical resources they could command. What was not anticipated was the relative inability of the British *economy* to maintain its dynamism and compete with its rivals.

The central problem in British historiography in the twentieth century is why the British economy proved so weak and why political attempts to overcome this weakness

were not successful. The potential consequences of decline became increasingly serious, until the point was reached where fundamental upheavals in British institutions and political arrangements were no longer ruled out. In the 1970s few expected the British state to survive in its present form if decline continued; many foresaw its breakup or its radical transformation. Everyone predicted storms ahead.

For most of the period of its decline the British state proved able to negotiate a gradual descent. At no point did failing power threaten a major rupture in institutional continuity or an irreversible collapse of British prosperity, although neither seemed far away at times. The decline in the world power of the British state occurred in stages, but the continuing expansion of the British economy, even during the inter-war years, helped to compensate for that decline and to limit its impact. The British state used its considerable political, ideological, economic and financial resources, which had been accumulated during the period of British dominance of the world economy, to buy time, to stave off challenges and to delay adjustments. The periodic crises which shook the world economy were often extremely painful, but the British state and the British economy were strong enough to ride them out. Nevertheless, during the slow withdrawal from a leading position in the world economy, which British commercial and political enterprises did so much to create, internal weaknesses accumulated, which were only partly remedied and which contributed to Britain's relatively poor economic performance.

After the world economic downturn in the 1970s, the relative weakness of the British economy, tolerated for so long, became increasingly unsupportable, and brought growing social and political tensions. The world recession changed the basis for political calculation and strategy by threatening to turn relative decline into absolute decline. Many believers in a specific 'British disease' argued that no general 'crisis of capitalism' threatened, only a crisis of British capitalism. They pointed to the relative stability and success of other national economies in recovering from the first world recession in 1974-5.

All previous crises of the world economy, however, have

necessarily taken the form of national economic crises and their impact is uneven depending on the ability of each state to protect itself, drawing on whatever resources and strengths it has. The results of the recession, like the results of the boom, were unevenly distributed not because the world economy is made up of a number of self-contained national economies, but because it is an independent economic system. There remain significant national differences, but each part is governed and shaped by the interaction between the processes that govern the whole and the processes which shape internal developments and responses. To analyse the economic policy of a nation-state like Britain it is essential to grasp the extent to which Britain is not a self-contained national economy but is part of a much wider *world* system.

In the 1970s worries about the balance of payments, about pay, and about public spending, became anxieties about Britain's economic future, because of the apparently unstoppable tide of imports and the inability of so many major sections of British industry to compete. Many industries declined and some disappeared. Between 1979 and 1981 there was daily news of factory closures, of mounting unemployment, of cutbacks and contraction in employment, output, and services in both the public and the private sectors. The size of the contraction prompted many people to ask how much longer could this process of decline and contraction go on? What would be the end to it? A Britain with no industry at all? Unemployment and destitution on an unimaginable scale? Exports insufficient even to pay for the imports of food needed to feed the population? The fears were not new. Joseph Chamberlain, Radical, Imperialist, and Tariff Reformer, declared in 1903, in one of the major speeches in which he broke with the doctrines of free trade:

Agriculture, as the greatest of all trades and industries of this country, has been practically destroyed. Sugar has gone; silk has gone; iron is threatened; wool is threatened; cotton will go! How long are you going to stand it?⁹

Many found it difficult to comprehend how a nation that was on the winning side in two world wars could lose the peace and succumb to the commercial challenge of rivals defeated on the battlefield. How could a nation that showed such unity in the Second World War, and was so long renowned for its traditions of civility and consensus, appear so disunited and wracked by conflict, envy and cynicism in the 1960s and 1970s? Why was Britain, unable to achieve an economic miracle in the 1950s, still unable to achieve one in the 1960s when so many faults had been identified and so many remedies proposed, and when, for a time, all parties and all major interests subscribed to growth and a strategy for modernising the British economy?

What we call decline is a product of political perception and definition. The ways in which it is explained are often not independent of the political remedies proposed to deal with it. This book is about the various ways in which decline has been defined and explained, and the political strategies that have emerged to tackle it. It offers an account of Britain's historical development not as a unique self-contained experience but as the interaction between the external expansion of the state and the internal formation of its principal classes and institutions. Only if Britain is viewed as part of the world economic and political system can the national aspects of British development be properly located. Without a world system perspective the real 'peculiarities' of British development are lost to view.¹⁰

This book is divided into three parts. Part I explores the concept of decline, examines how it might be measured, and discusses how it has been perceived in the major intellectual debates. Part II discusses the specific historical roots of decline; the history of the British state and the dominant patterns of external expansion and internal compromise; and the history of the working class.

Part III explores the three perspectives – market, state and class – which have dominated debates on decline and which have helped to form political strategies and programmes for overcoming it. Chapter 4 considers the modernisation programmes of the 1960s and 1970s. Chapters 5 and 6 look at the alternatives which emerged in the 1970s in

response to the apparent failure of existing policies. They took the form of economic liberalism on the right and national protectionism on the left, although neither right nor left has a monopoly of either.

The term 'strategy' is here used to mean a field of debate on economic policy and political action which is unified and bounded by certain shared assumptions about the desirable relationship between the state and the economy. It is concerned with the identification of long-term objectives and different ways of achieving them. A strategy is wider than any particular programme of a political party. Party programmes are influenced both in their formulation and still more in their implementation by many other considerations apart from strategy. The final chapter examines the economic programme of the Thatcher government, and asks whether the end of decline is now in sight.