Reviews

Going for Growth

Will Straw (ed.)
ippr, 2011

Reviewed by Noel Thompson

'In the long run we are all dead. Economists set themselves too easy a task if in tempestuous seasons they can only say that when the storm is long past the ocean will be flat once again'. Keynes's challenge to economists in his *Tract on Monetary Reform* is as relevant today as it was in the 1920s. Iterated in a context where Great War public expenditure had significantly inflated the National Debt and contributed to the turbulence of the immediate post-war period, Keynes warned against any notion that fiscal retrenchment and the equilibrating properties of the market would be sufficient to move the economy back to full employment and sustained growth. The *Tract* itself proposed a more active and imaginative monetary policy but his later work emphasised the need for state intervention in the form of increased public expenditure, both to supplement private sector activity and to create the kind of infrastructure and confidence that would allow that sector to flourish. Again, there are powerful parallels with contemporary concerns; rendered even more powerful by recent events.

The Institute for Public Policy Research's *Going for Growth* can be seen as a response to the Keynesian call for creative and positive thinking in difficult circumstances. Certainly it is a refreshing antidote to the Coalition's focus on front-end-loaded fiscal retrenchment and unquestioning faith in the power of market forces to rebalance the economy in favour of an employment-generating private sector; a faith which recent GDP figures suggest rests on a belief that dead cats do indeed bounce.

Contributors to this volume would seem to have the necessary credentials to rise to the Keynesian challenge: ex-civil servants (the Treasury, the Department of Innovation, Universities and Skills, the Department for Work and Pensions); luminaries and directors of European, British and American think tanks (the ippr, the Institute for Welsh Affairs, Demos, the Hans Brockler Foundation, the German Institute for Economic Research, the British National Endowment for Science, Technology and the Arts); financial analysts (Merrill Lynch, Lehman Brothers, McKinsey and Company); academics at or associated with universities such as Oxford, the LSE, Columbia, Flensburg, London South Bank, Buckingham Cardiff Business School; employees/associates of international agencies (OECD, WTO); senior trade unionists; private and public sector advisers to the great, the good and the prestigious (the European Parliament, the Welsh Assembly Government, the Downing Street Policy Unit, the European Commission, the government of Shanghai and

Chancellors and Presidents of US academic institutions) and, more generally, economic gurus of varying degrees of leftish persuasion. All were assembled for three roundtable discussions in the autumn of 2010 under the auspices of the *Friedrich Ebert Stiftung*, *Left Foot Forward* and the Progressive Economics Panel and it is these discussions and deliberations which form the basis of this short book.

What emerges is what might be expected from such an assemblage: an authoritative assessment of our present predicament and policy prescriptions of an activist and, essentially, 'progressive' kind. Ussher considers how within existing constraints fiscal and monetary policy might best be used to accelerate recovery, making the point that as regards the banking sector it is unfair to ask it simultaneously to lend and to effect a prudential rebuilding of its balance sheets. In this regard the Bank of England should consider the purchase of corporate bonds, rather than quantitative easing, to furnish the requisite investment to the private sector.

Philippe Legrain emphasises the importance of playing to the high-skill, high-value-added activity that will allow us to meet the formidable challenge of the emerging and emerged economic giants of the global economy; something that will require Britain to address the perennial issue of ensuring a suitably skilled workforce (Adam Lent), but also adopt a multifaceted approach to innovation involving, amongst other things, an innovation-focused public procurement strategy. However, as Duncan Weldon reminds us, export growth, while a worthy aim is 'so worthy that almost every country in the world is pursuing it' (p. 14).

As to public expenditure constraints on an activist public expenditure strategy of the kind articulated by Keynes in the 1930s: Gerald Holtham makes the point that such expenditure will not exacerbate present debt problems if the state borrows to invest in revenue-generating assets; though this will necessitate investment in railways and toll roads not schools and hospitals. And in terms of the conduct of macroeconomic policy Tony Dolphin argues for the need to broaden the range of objectives to encompass full employment as well as inflation targets and, critically, in the light of recent experience, bringing asset price inflation into the framework.

Others such as Richard Seline, Andy Westwood, Anna Turley and Stian Westlake emphasise the critical nature of the regional dimension; both the variegated economic challenges which regions face and the particular assets and consequent strengths which, with the right kind of institutional infrastructure and support, regions can deploy to meet them. Here the relationship between industry, commerce and the HE sector is seen as of particular importance (Westlake). Such regionally/locally-focused strategies will also 'provide a golden opportunity for progressives to shake off accusations of centralist, prescriptive economic policy-making and redefine their vision for local economic growth in our country' (Turley, p. 113)

There is much of worth in this volume: not least its activist, optimistic and therefore very Keynesian tone. Yet Gustav Horn appropriately reminds us of the major economic threats that lie just ahead and in particular the danger to exports as a result of instability in the eurozone, together with the deflationary consequences of the austerity programmes accompanying the tackling of sovereign debt crises.

However, two further observations should be made. First, there is the unnerving sense of déjà vu that much of the work provokes. Just about every expedient proposed has been advanced or pursued by previous Labour governments: infrastructural investment, export-led growth, a high skill/high-value added (Third Way/New Labour) approach to global competition, an innovation (white-heat-of-the-technological-revolution) strategy; the emphasis on an active regional development strategy and bank regulation and a redirection of bank lending (see the Labour Party literature of the 1930s). This is not to suggest that such expedients are inapposite but it would suggest a need to reflect on the structural, institutional, cultural and, dare one say it, systemically capitalist obstacles that have been and remain in the way of their effective implementation.

Secondly, and more importantly, the volume is predicated on the notion that growth is the more or less unproblematic solution to our present discontents. As Daniel Bell wrote in the *Cultural Contradictions of Capitalism*, ‘growth has become the secular religion of advancing industrial societies’ (Bell, 1976, 237) and as the ‘Introduction’ opines, growth is indeed a critical part of the answer to many of our most pressing contemporary challenges. But it is also part of those extinction level developments that threaten and will continue to threaten us when the ocean is relatively flat (if rising) once again: global warming, resource depletion (peak oil by 2020), a 50 per cent increase in the global population by 2051, intent on western levels of affluence, the rapid increase of long-term and chronic conditions related to obesity, the acidification of the seas and the rapid erosion of biodiversity – to note just a few. Growth may ultimately be part of the solution, but it must also be recognised as a major cause of these problems. And what is sadly missing from this volume is any critical reflection on the nature of the growth we should be going for and the fundamental change in the culture, lifestyle, values and associated consumption that such redirected growth will require. We should not perhaps ‘surrender to the pessimistic logic of austerity’ (p. 9) but we certainly need to reflect long and hard on the virtues of restraint.

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Reference

Bell, D. (1976) *The Cultural Contradictions of Capitalism*, New York, Basic Books.