



**'The prospects are absolutely terrible . . .  
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stage be a sort of political revolution'**

## Interview with Wynne Godley

Interview conducted by Rob Rowthorn and Dave Currie

*Wynne Godley is Professor of Applied Economics and Director of the Department of Applied Economics at the University of Cambridge. He founded the Cambridge Economic Policy Group (CEPG) in 1971 after working for some time in the Treasury engaged in macro economic forecasting. The CEPG is the main group concerned with medium term forecasting in the UK. It has consistently pointed to the danger that growing import penetration and loss of world markets will lead to increasing stagnation and rising unemployment in the UK. The CEPG has therefore advocated a strategy of economic expansion based on a combination of fiscal policy and import controls to overcome these problems. Despite being dubbed as 'alarmist' by the press, and being dismissed by many academic economists, the Group's record in forecasting medium term trends has been remarkably accurate. In particular, they foresaw much earlier than other groups the stagnation in output from the mid-seventies and the devastating consequences of the policies of Thatcher's government.*

*Perhaps we could start by talking about your views on the prospects for the UK through the 1980s.*

My view is that the prospects are absolutely terrible within the framework of existing policies or anything like them. We already have the worst slump since the 30s, and our depression is very much more severe than other countries' depression, notwithstanding that we are the only industrialised country which is self-sufficient in oil. And all the factors which have been making for depression are going to continue, so as soon as oil stops contributing in a positive way, the depressive forces will get even worse, and we shall see something I can only describe in apocalyptic terms. It is a prospect so dreadful that I can't really believe that there won't at some stage be a sort of political revolution, which will demand, effectively call for, a basic change of policy.

***Would you say that in some respects the present depression is worse than that of the 1930s? The figures you are now projecting for unemployment are at least as high as in the 30s and the economy is less resilient than it was in those days.***

I think in one sense it isn't as bad as the 30s in that the national income hasn't fallen so much yet, largely because of the North Sea Oil, so it

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has been possible to maintain a high level of unemployment benefit, and the amount of suffering so far is not so great. But at the same time the prospects within the framework of existing policies must be worse, we're in a more advanced state of industrial senility. We have no Empire, we've lost our markets, we've lost such an enormous proportion of world trade compared with the 30s when we were still a very predominant manufacturing nation in world terms. But we aren't anymore.

*And in the 1930s there were expanding industries in the south-east but there are no equivalent expanding sectors today.*

I don't think there are any equivalent industrial sectors at all.

*If you see Thatcher's policies as doomed to failure, what alternative policies would you see replacing them?*

Well, I think the alternative policies to replace them are very much more difficult to implement than most people who oppose current policies suppose. It is more than just reversing Mrs Thatcher's policies because the previous Labour government had already initiated a quasi-monetarist policy which had started a slump. It was then very severely aggravated by the Conservative government. But if one was simply to reverse what this government has done one would still be left in a very bad position. But of course, into the bargain, it can't be simply reversed because a lot of destruction has already taken place. Anyone who thinks that there is a simple option of reflation is completely wrong.

*Does this mean that you think there is not a great deal of excess capacity in the economy at the moment?*

Well, there have been some industries which have just closed down — motor cycles obviously, and others such as textiles, pottery and steel have diminished in size. Moreover a lot of firms in most industries have closed down so that capacity has been reduced throughout the economy.

But having said this I'm inclined to think that there would be enough capacity one way or another to employ everyone — if only we could make sure that the additional earnings created in the process of expansion were spent on British goods and not on imports. To some people I know this sounds like sacrificing the consumer to the producer. But they are completely wrong because they are forgetting that consumers are also producers, and that British consumption in total cannot be greater than British production. It's largely because we

spend such a high proportion of our income on imports that we can't make anything like full use of the productive capacity that exists and there is so much unemployment.

*This brings us to the question of import controls. What do you think is the benefit of such controls?*

The benefit of import controls, subject to various conditions, is first of all that it is now probably the only way of being able to regain full employment.

In theory you could do the same thing, that is to say you could expand, with devaluation but it would take a long time; one of the few things we know is that the responses to price changes work very slowly. So devaluation could at best produce an expansion of output, slowly, over two, three, or five years and it would also be inflationary. I think that the major advantage of import controls is that they could produce an expansion of output quickly and would not be inflationary, contrary to what most people say.

*You think that prices would not rise significantly if there were import controls?*

I don't think so myself. I think very likely it's the other way round and inflation would be reduced rather than aggravated.

*Do you think that with an expansion of demand uneconomic capacity would be brought into use and that protection would encourage industrial conservatism?*

That just depends what is being compared with what. If our national product is very much larger, we can have more goods and services, more employment and higher public expenditure; that for me is a good definition of a relatively efficient economy. I mean to say efficient compared with a world in which we have falling output and falling government expenditure and high and rising unemployment.

*What would you say to the right wing argument that the present depression is needed to drive inefficient firms out of business and get rid of out-of-date equipment?*

I think that there are two very clear answers to that. One is that I would rather live in a world which is producing and employing inefficiently, than one which is not producing at all and not employing at all. That is a sufficient answer to the question. But the other one is that I don't believe that depression is the right atmosphere for any creative kind of change to take place anyway. With a policy of protection and expansion creative change can occur, particularly if import controls are not selective and don't just prop up one relatively inefficient firm after another under conditions of stagnation. They should be used as a macroeconomic instrument, as a device whereby generalised expansion can take place.

*What you are saying is that import controls have to be used in such a way as to facilitate modernisation rather than obstruct it, and to protect certain areas against the effect of overly rapid change?*

This is extremely important because I think that most of the opposition to import controls is based on a total misunderstanding of their potential role in macroeconomic policies. People see import controls as being predominantly or entirely a device for propping up this or that inefficient firm, which somehow ought to go bust anyway. I don't see it like that at all. I see it as a very general macroeconomic instrument to enable a very general expansion to take place. If import

controls are not selective at all, then of course it doesn't even stop the relatively inefficient firms, or even whole industries, still going bust. People who want the very inefficient to go bust will still have their joy.

*There is quite a difference between the position of your group on import controls and that of the TUC. The TUC still resists the call for general import controls and calls for selective controls. Would you think that in the TUC position there is more danger of conservatism than in a call for general controls?*

I'm putting forward what I think to be the ideal policy which is that controls should be as little selective as possible.

*Your argument seems to be as follows. If we are going to have economic expansion at home we can't afford to pay for a vast quantity of extra imported manufactured goods. The purpose of import controls is to stem this potential flow and as far as possible, to do this in a non-discriminatory way so that protection is not used as an excuse for propping up declining industries and propping up the inefficient producer.*

Sounds obvious, doesn't it? We've got to keep imports to the level that can be paid for by exports by one means or another. We have to keep imports to the level that can be paid for by exports *anyway*, that is a given. I want to do that at the highest possible level of domestic output, and if that requires protection then so be it. I vastly prefer protection to depression as a means of balancing the books.

I would like to say something about the TUC position on selective control. I'm not going to quarrel too fiercely with this position because a sufficient condition for obtaining my support is that it has the desired macroeconomic properties.

That is, so long as we keep imports in total down to the level that can be paid for with exports and have full employment in the economy as a whole that's good enough for me. And if you can devise a selective scheme which has that property then I would support it. Because that is the touchstone. What I however would positively object to is a

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scheme of protection which is not conceived of as a component of an all-round macroeconomic policy, but props up or picks up or saves some otherwise uncompetitive industry still in a general context of depression and stagnation.

*So you really see import controls as part of a strategy for general expansion?*

Essentially, as that, yes.

*Do you think the expansion of demand, which would accompany import controls, would in itself generate long term economic growth? Or do you believe some kind of active industrial policy would also be needed to ensure the necessary investment and modernisation of industry?*

My judgement is that we would have a reasonable chance of setting in train a dynamic process of growth and modernisation if we could have a consistent period of expanded demand for manufactured products which we have never had in the postwar period, not once, never longer than two years. There used to be a thing, as everyone knows, called

'stop-go' or 'go-stop' which meant that domestic demand was expanded for two years at a time and the economy went galloping down a cul-de-sac. All the wrong signals were given, producing expansion of services, and expansion of imports so the policy always had to be reversed. Now what we have *never* had is a period of sustained expansion of demand with consistently directed signals towards industry. I think it is possible that if we could have sustained growth of demand, just within the limits of our capacity to produce, that might conceivably be a sufficient policy. But it might not. But there is one compartment of industrial policy which I see quite clearly and that comes under the heading of regional policy, which I support completely, unequivocally. That's to say, we know that there are certain regions of the country that are chronically depressed and where emigration has been taking place consistently and where unemployment remains consistently high, and I strongly support measures to increase relative growth rates in depressed areas. Whether one can do better and in some sense 'back winners' by aiding specific firms or industries, I am not sure.

*You seem to be arguing that a sustained expansion of demand is in itself sufficient to produce long term growth in the economy and a high level of investment. Do you think that firms will automatically invest on a large enough scale to modernise the economy provided there is enough demand? Do you think this is likely or will some special measures be needed to encourage investment?*

My real opinion is that expanded demand is sufficient. There's a long tradition of giving incentives and tax allowances to firms and I'm quite happy to make investment in effect free. But just as the advantages given to fixed investment have been so unsuccessful under conditions of chronic stagnation and cumulative failure, I rather doubt if they are crucially important in a world of sustained expansion of demand. But I'd be open to suggestion.

*Do you think that planning agreements, as suggested by Tony Benn and within your own group Francis Cripps, could be useful as a way of encouraging and directing private investment?*

I think they could be, yes, but it's very difficult to say general things, about how and when they should be used. They may be necessary or they may not. I'm not clear about that.

*Quite a lot of people in the labour movement say that what we need is a stronger state sector. More publicly-owned companies, together with planning agreements, to produce some kind of coherent industrialisation such as the French had in the 1950s or the Japanese have had for the last 70 or 80 years. However, you seem to lean more to the market oriented approach and believe that, provided demand conditions are satisfactory, the private sector can look after itself.*

Yes, that's broadly what I think.

*But that's not true of everyone in your group.*

No, it's not true of everyone in my group, and I'm very open to suggestion. I'm so unclear as to how you set up criteria for state intervention.

*Do you mean that the state doesn't actually have the information needed for effective intervention?*

No, I don't think it does. Certainly it has made the most dreadful mistakes in the past in the field of public investment.

*Some people say that the British National Oil Corporation is an exception to this. That BNOC has given the government much better knowledge of oil production and the oil industry, so it can negotiate seriously with the private firms operating in the North Sea, in a way it could never have done otherwise.*

I wonder what that's really amounted to though. I mean negotiating with them to do what?

*The government knows more of what the true conditions of production are.*

Which is very useful for taxing them, and presumably for knowing how to determine prices. But I wouldn't have thought it would have made very much difference to investment — that's the crucial point.

*To sum up. Your group as a whole are all agreed on the positive virtues of expanding demand, for which they believe protection and import controls are necessary. But there are quite a lot of disagreements over what else has to accompany such a policy.*

Yes, there are differences of emphasis. I must of course make it absolutely clear I'm not an expansionist of the conventional kind, of the 'go' kind.

*You mean that unless something is done about the balance of payments, expansion of demand is just a waste of time?*

That's it, it's just a waste of time or worse.

*It goes back to George Brown's national plan, doesn't it, which came a cropper after a few months because nothing was done about the balance of payments?*

Well, it goes back before that. It really goes back to Heathcote Amory, it goes back to 1959. And then Maudling.

*Let's turn to some international questions. How do the problems of the UK economy — and your solutions to them — tie in with problems in the world economy?*

Well, the general answer is that I don't think that free trade is the best way of organising international trade. The classical theory of international trade, which appears in text books and which is extremely influential in peoples' minds, is based on a *postulate* of full employment. If you assume full employment you can easily prove that free trade is mutually advantageous. But if you think, as I do, that full employment cannot be assumed, then it's easy to make out a realistic case that free trade is extremely destructive to economies that are relatively unsuccessful. Instead of making them more prosperous and better-off, it destroys them. I think this is a general proposition; it applies to the United Kingdom at the moment because it's a relatively unsuccessful country, and I think it is beginning to apply to the United States, which is also becoming a relatively unsuccessful country.

*When you say that you think that the free trade system is a bad system, how do you think it should be changed? It's easy enough to say Britain should have import controls, but how do you see this in international terms?*

Well, the logical answer to the question which, as an academic, is what I am primarily called on to give, is quite clear to me. If all relatively unsuccessful countries protect in the way we suggest — using import controls to raise domestic output and *not* to strengthen their balance of



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payments — the system of protection can be generalised advantageously. But that assumes a high degree of international co-operation, and international co-operation of a new kind.

*That's quite important to say. It contradicts the widespread view that you and your group are very inward-looking and are not concerned with the international consequences of your proposals.*

Yes, that is because a certain amount of smearing takes place. We're type cast and people very often don't read what we say, but only what other people report us, often inaccurately, as saying. That is very strictly *on the record*. But Francis Cripps and I have written, as you know, a piece specifically on this question, pointing out that there will probably be a net advantage to the Third World as a whole from protection of the kind we propose. Our aim is *not* to reduce *total* imports, but rather to spend more of our foreign exchange earnings on the imported raw materials which are needed for economic expansion. This would aid the less developed countries without harming the advanced countries.

Britain would initially spend less on imported manufactures from other advanced countries. On the other hand we should spend more on raw materials imported from less developed countries who would therefore be able to increase *their* imports of manufactures. So although Europe, Japan and other advanced countries would export

less to Britain they would be compensated by more exports to the Third World. Contrary to what our critics always claim, our policy of protection would actually increase world trade and production *particularly* in the Third World.

*What about the objection that in practice import controls might well work against the Third World, simply because political considerations would make it very difficult to use controls against countries like, say, Germany.*

Well, I would prefer protection to be completely non-selective with regard to country of origin, which is, of course, fully in accordance with GATT. Contrary to what most people seem to suppose, whatever custom and practice may be, the treaty we signed, or the agreement we reached, was about the circumstances under which we could protect; it did not forbid protection as such. The sin against the Holy Ghost in GATT is to protect in a discriminatory way. So, the present movement is for the developed countries, notwithstanding all their emotional desire for free trade, their lip service to free trade, to move very strongly in the direction of discriminating against the less developed countries. I would make controls completely non-discriminatory, there would be some protection of a non-discriminatory kind against *all* exporters of *manufactured* goods. But I think that, under the policy that I propose, the prospects for less developed countries would be better than they look at the moment, with a drift towards protectionism of a selfish and discriminatory kind.

*So what you're saying is that by having a generalised strategy for import controls we can stop the present drift towards discriminatory measures against the Third World?*

Absolutely.

*Many people say import controls would simply export unemployment. What is your answer to that?*

I've already answered that, in that I've sketched a model under which, so long as you keep the total level of imports as high as it otherwise would have been, the level of employment in the rest of the world is at *least* maintained, and maybe increased, in so far as the production in the Third World is higher.

*So some lose but others gain?*

There should be a *net* benefit, and certainly not a net loss, so I entirely reject the idea that it's an internationally anti-social policy, providing always my conditions are met.

*What would you say about the question of retaliation, especially from the Western world?*

On the general question of retaliation, it has to be immediately conceded that if all countries retaliated they would win and we would lose. In other words, a policy of protection can be completely nullified by concerted retaliation by other countries. However, there are a lot of observations one could make about that. Firstly, other countries protect successfully, such as Japan, and in the past Germany. Secondly, since under our programme other countries would gain rather than lose, this is depriving them of a valid rationale for retaliation. Thirdly, if we protect in a non-discriminatory way and others retaliate in a discriminatory way against us, they are in contravention of GATT, not us, so it is they who would be breaking international law.

*This brings us to the Common Market. Although non-discriminatory protection may be consistent with GATT, it clearly is not consistent with the Treaty of Rome.*

Yes, it is a big subject this, I'm sorry I'll see if I can condense. First of all recall that it was always obvious, it was part of the prospectus of going into the Common Market, that we would pay much more for food and make a large contribution to the budget, and in return we would get dynamic benefits from having a 'home market' of 250 million people.

Well, we paid the costs all right, but as Nicky Kaldor forewarned, we got none of the promised benefits. So I regard the consequences of joining the Common Market up to now as absolutely dreadful, because we've paid the costs without receiving the benefits. Now I do think we have made a very serious mistake, a very serious error of tactics as a country, in how we've handled the problem. British governments, as soon as they realised that they were making these contributions to the budget, and the country was paying more for food, behaved like children and said 'give us our money back', although it was all part of the understanding right from the beginning. So I think that that queered the pitch for negotiating over the really important things. They should have continued to pay these costs, which they always knew they were going to have to pay, and negotiated to get a better deal for industrial products and ensure that Britain received some of the dynamic benefits we had been promised. And that could perfectly well have meant protection, or its logical equivalent, which would be subsidies of some kind, or planning agreements of some kind.

I feel quite optimistic that agreement could have been reached along those lines with the precedent that free trade in agricultural products was so readily abandoned by the Common Market. Originally free trade in food was one of the cornerstones of the Common Market, but when exchange rates started fluctuating free trade was found to be extremely disadvantageous to the German farmers and excessively advantageous to the French farmers. Free trade in agricultural products was therefore abandoned and the present very complicated Green Currency system was introduced. This is nothing other than disguised protection; it is logically equivalent to protection for agricultural products. It would have been easily within the scope of the ingenuity of the civil servants of Brussels to cook up a similar scheme for industrial products — a 'black pound' if you like — which would have protected British manufacturing industry.

*In your view, then, the conflict over the common agricultural policy and budgetary policy is really rather a diversion from the central issues of industrial policy and trade.*

The importance of these costs was *very* greatly exaggerated; and by taking the stance we have our most important bargaining counter has been thrown away. We should willingly pay off the French farmers and get the French to help us negotiate the equivalent protection for our industry. Particularly vis-a-vis the Germans.

*Do you think that it is politically feasible to extend protection to Britain's industrial products whilst remaining within the EEC?*

I'm not really in a position to judge that. I don't know what the answer is. I can really only get up to the point where I can see what is advantageous to us, what is advantageous to other countries, and if something is very advantageous to us and not disadvantageous to other countries, then I feel that there must be a political solution. If I am being unrealistic then, in the last resort, I'll have to say 'we've got

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to emigrate and go to Australia, if they'll have us'!

*Or if reform of the EEC is out of the question should Britain withdraw?*

To leave it. Absolutely.

*What about the possibility of planning agreements on an international level? Do you mean that the investment decisions of big companies should be somehow co-ordinated on a European level?*

Yes. That I see because I can imagine that as an aspect of regional policy. That to me is very like, it is really exactly the same, as a regional policy within *one* country.

*You mean that, because big companies are now multinational, and operating all over Europe, we need a European regional policy. Each country to be seen as a region, just as 25 years ago we needed a national regional policy.*

And just as we still need a national regional policy. Precisely, that's exactly the right analogy.

*But what kind of institutional form would that take? When one talks about regional policy within Britain, one can say it's up to the government in London to control the investment of firms and direct them to certain areas of the country, such as Scotland or Wales. But what would be the institutional form for a regional policy covering Western Europe as a whole? If Britain pulls out of the Common Market, the prospects for international control of investment and for a European regional policy seem remote.*

That's absolutely true. This is the maddening thing. The Common Market does, potentially, if not actually, have the institutions to conduct an effective, quasi-regional policy between the countries. And the proportion of the EEC budget which goes on regional development should be very greatly expanded.

*So you are saying the Common Market could offer us certain benefits, in principle, provided it was a very different kind of Common Market. So in fact you have a potentially positive attitude towards the Common Market?*

Very much so, yes.

*But you may be reluctantly negative?*

Absolutely. Because what I'm proposing is extremely different from anything that has happened so far or is now in prospect.

*To return to some of the questions we discussed earlier. Do you really think that one million unemployed by 1990 is achievable by your strategy of import controls and reflation of the economy?*

I think it is possible. So far as I can see the rise in unemployment from under 1.5% in the 1950s to its present appalling level is simply, well almost entirely, the result of insufficient demand, and could, not

immediately, but over say a period of five years sustained expansion, simply be reversed. I do think that.

*But it would require quite a big investment programme wouldn't it?*

Very big.

*It's not just a matter of putting people back to work in existing factories and existing plants.*

No, because full employment requires an addition to total output of 25% or so. It's an enormous difference.

*What you're saying, in other words, is that it is possible to have a big expansion in the British economy to provide a lot more jobs, but that this would require a really big expansion and not just a marginal improvement in the present situation.*

Absolutely enormous. And even with no change in underlying productivity trends, I would reckon the increase in output could be 25%, a huge, huge change.

*What about the claim that any big expansion in the British economy would be highly inflationary?*

I think they're simply wrong about it. Nobody understands inflation. People have very strong views about it but they have no right to them. The historical evidence is against the idea that full employment means inflation. When we had absolutely full employment in the 1950s, with unemployment around 300,000 on average, under half a million on

## we paid the cost of the Common Market but we got none of the promised benefits

average, price inflation fell from 12% at the end of the Korean War to zero, precisely zero, in the year 1959. And since then it's been in a period of very high unemployment that inflation has accelerated. So those people who assume that an expansionary policy is bad for inflation, makes inflation worse, have got a hell of a lot of explaining to do. Indeed, history gives me considerable grounds for hope that if you have an expansionary policy you would at least have as good a chance as any other policy of getting inflation down. I think that the political conditions under which you could get an effective incomes policy are very much more likely to be fulfilled if there is expansion and falling unemployment than recession and rising unemployment.

*You mention the question of incomes policy. By implication you're saying that in an expanding economy the unions would be more willing to accept an incomes policy because it would be accompanied by rising living standards, whereas in the past it has been accompanied by a reduction in living standards.*

Absolutely.

*But do you believe an incomes policy is necessary?*

Like industrial policies, all governments in the end have to have incomes policies. Every government, before they came in, said they were not going to have one, but in the end they did. I learnt my lesson

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in the Treasury in 1975. I had firmly believed that effective incomes policies were impossible to implement because they always distorted differentials arbitrarily. But when the year 1975 came and there was a great burst of inflation, and the public was somehow expecting, requiring an incomes policy, public opinion was ready for it, when I found myself opposing it for too long in internal discussions, I suddenly found myself to be, as they say, a silly person. I was saying something which was silly. The government has to have an incomes policy towards its own employees, which are very numerous, and it also has to take a stand, one way or another. It has to say, even if it just announces like Selwyn Lloyd did, a pay pause, an appeal for voluntary restraint, which is the weakest form of incomes policy, it always has to do something. And it always in practice matters that it does so.

The precise form it will take is a matter of very skilful political judgement which must be adapted to the circumstances of the time. The clearest things that one can say about incomes policies are negative things. You must not intervene in a grossly arbitrary way with differentials. For instance, flat rate increases should be eschewed because there is always a boomerang later on. But there has to be one, I'm quite clear.

*In practice your view of incomes policies seems to be rather a weak one.*

Yes it is.

*A call for moderation in return for real benefits.*

Yes.

*And presumably the real benefits you envisage are not just things like higher wages as a result of growth, but also things like better social services?*

Yes. As I said just now people are more likely to accept an incomes policy under conditions of growth. With rising real wages the pressure for higher money wages will be less.

*Your vision is of a new sort of social contract under which this time the government really does deliver its side of the bargain?*

Yes, I'm quite optimistic about what could be achieved. The 1950s, when unemployment and inflation were both low, made such a strong impression on me that I would still be optimistic that, if the government had a very strong policy for growth combined with a rather weak policy on incomes, the consequence would be to reduce inflation rather than increase it.

*Do you see the need for controls on prices? Protection would increase the price of imports, and British manufacturers might exploit the situation to increase their own prices.*

There is a huge accumulation of evidence now, that domestic manufacturers do not alter their prices because of changes in import prices.

*But, if there were signs that firms were taking advantage of import controls to raise their prices, do you think it would be feasible to have some form of price control?*

We did have the Prices Commission under the last government and it was, I think, well enough equipped to spot and check exploitation of such a situation. I don't think the Prices Commission made an enormous difference to inflation. But I think that the reason for that

## Nobody understands inflation. People have very strong views about it but they have no right to them

was that there wasn't any sneaky raising of profit margins. They didn't really have a job to do. Prices simply were following costs.

*Even so, your analysis suggests that economic expansion would lead to a substantial rise in profit margins.*

Ah, but that happens because of a cyclical rise in productivity, when overheads including the cost of overhead labour get spread over a greater volume of output. There would indeed be a huge rise in profit margins without any increase in prices.

*And, in fact, this is the way in which additional investment would be financed in your analysis?*

Yes, there wouldn't be any need to raise prices. It's a very important point.

*So, to the extent that you are thinking in terms of an incomes policy, a requirement might be that firms are expected to re-invest their profits rather than hand them all out as higher dividends?*

Yes, you could have dividend control, and you could have price control, at least on a temporary basis.

*There is a problem with your position, isn't there? If you want moderation on the wages front, you have to ensure as a counterpart that firms which make substantial profits use them productively?*

I think that would be a matter of rather fine political judgement at the time. I don't think it would be terribly important quantitatively, but if it was perceived to be important something along those lines might have to be done.

*So there would be a substantial rise in profits as a result of the expansionary policies you propose.*

Certainly, no question of it. And there would be a big increase in the share of profits. There's no doubt about that and that might be damaging for incomes policy, indeed it might, yes.

*One final question, to sum up. Would it be true to say that the strategy you envisage — expansion via import controls without very much state intervention in the economy — is really aimed at stabilising the present economic system, and that you do not envisage any radical change? It's therefore rather different from the position of those on the Left who put forward a package which involves substantially similar elements, but are really thinking in terms of a transition to something more radical, of moving towards a new kind of society?*

Yes, I would accept that. I'm first and foremost concerned with setting the macroeconomic conditions for expansion; I'm sure they're necessary, and I think it is possible that they will be sufficient. But if they're not sufficient, then I'm quite open-minded about changing my opinion and having, what you might call, a more interventionist, I didn't like just to say a more left wing position, yes, a more interventionist position, both on incomes and on investment and even on nationalisation, if necessary.