

From New Deal to Green New Deal

Lessons from the post-war shift

New Paradigm Workshop
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Agenda

1. Paradigms and how they shift
2. The post-war shift
3. Lessons

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1. Paradigms and how they shift

Modern economic history can be roughly split into different eras in which certain sets of ideas dominate politics and policy-making: a “political-economic paradigm”

- A set of **political/economic goals**, or problems needing to be addressed
- A general **analytical/theoretical framework**
- A public **narrative/language**
- A set of principal **social-economic policies**

1. Paradigms and how they shift

Three orders of change (Hall)

1. Adjustment of an existing policy
2. A change in the policy
3. A change in the goals of policy altogether

The third order constitutes a 'paradigm shift' in the overall political-economic paradigm

1. Paradigms and how they shift

Two shifts in Western (Anglo-American) political economy over last 80-100 years: during/after WWII and after crises of '70s

Shift process that ends with 3rd order change:

- Prevailing orthodoxy
- Economic shocks/crisis
- Breakdown and transition
- New economic policy

Shifts don't occur by accident – partly a function of organization and effectiveness across an 'ecosystem of influence'

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2. The post-war shift

We will now inspect each element of the shift process in turn, starting from pre-Wall Street Crash

- Prevailing orthodoxy
- Economic shocks/crisis
- Breakdown and transition
- New economic policy

Prevailing orthodoxy

- (Largely) laissez-faire, the Treasury view
- General equilibrium, structural unemployment does not occur
- ‘Night-watchman state’ – for some – upholding law; increased introduction of proto-welfare state measures and regulation
- Recovery from WWI drives post-war boom, ‘Installation period’ of technological innovation (Perez)
- Trade with and extraction from imperial possessions
- Growing financial sector, deepening

Economic shocks/crisis

- Labour movements became more empowered, driving unrest, supply-side effects, changing political representation
- Booms in some sectors were met by stagnation in areas, including through continued reliance on staple industries (UK), changes in technology
- Changing nature of international trade – growing competition, sluggishness overall – and impact of return to gold standard
- War debt and reparations non-trivial factor in economic outlook
- Wall Street Crash in 1929, after speculative bubble burst – impacts spread across the world, Great Depression

Breakdown and transition

- Following the Great Depression, the number and significance of anomalies shattered confidence in orthodoxy
- Assertion that the increase in unemployment was part of the normal business cycle—and so the economy would naturally self-correct—was undermined by persistently high unemployment
- Cuts in public wages/spending - deflationary impact
- Resultant economic and social distress discredited the laissez-faire orthodoxy: a classic degenerating programme
- Emboldening of political movements, sparking turmoil

New economic policy (1)

- Crisis emboldened existing liberal/progressive forces, empowered extremist politics, and legitimised non-capitalist systems
- New paradigm coalesces around Keynesian macroeconomics
- High unemployment/low investment exist structurally and only solved by deliberate intervention (benefiting from multiplier effects)
- New Deal: regulation, intervention, institutionalism
- Shifting geopolitics and European instability shift power toward USA – and then WWII breaks out

New economic policy (2)

- State planning and technological development during WWII, unprecedented social mixing and total war
- Further drives action toward full employment, universal social security, labour rights, nationalization, redistribution
- Western consumer lifestyle embedded and social and economic freedoms and equality improve – the ‘Great Compression’
- International Bretton Woods institutions, an effort to ensure global financial stability, and linked to end of empire changes domestic and international political economy
- ‘Post-war consensus’ presides over ‘golden age of capitalism’, ‘Wirtschaftswunder’, ‘Trente Glorieuses’ etc

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3. Lessons

What lessons does the post-war shift hold for today?

Let's inspect key elements:

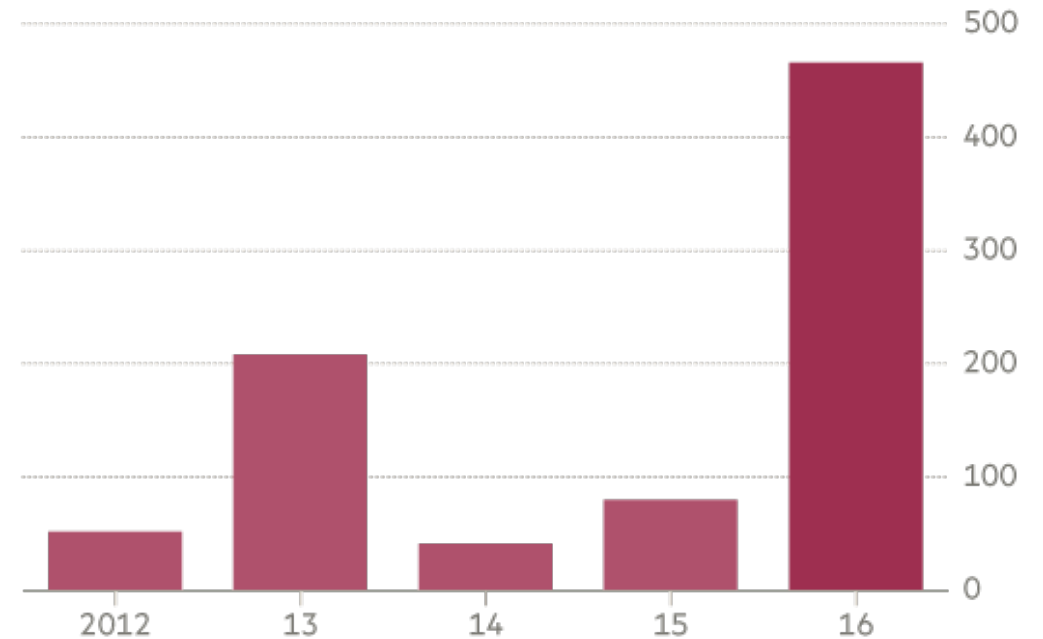
- Intellectual elements of the shift
- Discourse and narratives that were used
- Politics and the election of signal governments

Before, let's discuss context

Context

“In those days I felt and said I would be willing to part with half of what I had if I could be sure of keeping, under law and order, the other half”

Foreigners are surging into New Zealand's property market
Land sale approvals, hectares ('000)



Source: Overseas Investment Office

FT

Intellectual and academic (1)

Important elements:

- Think tank complex and wider ecosystem of influence played a key role in post-war shift (e.g. Fabianism, LSE), as in all shifts
- Influence beyond West: Nehru, Lee Kuan Yew, Jinnah, other post-colonial leaders. Where will influential ideas come from this time?
- Alternative systems (Soviet Union) provided ammunition for/against new paradigm, acted as countervailing intellectual force
- Don't fall into trap 'common room theory of change' - labour demands, geopolitics, necessities of war - very important factors
- Need 'academic as leader' types. But shouldn't be blinded by the individual impact over full 'ecosystem of influence'

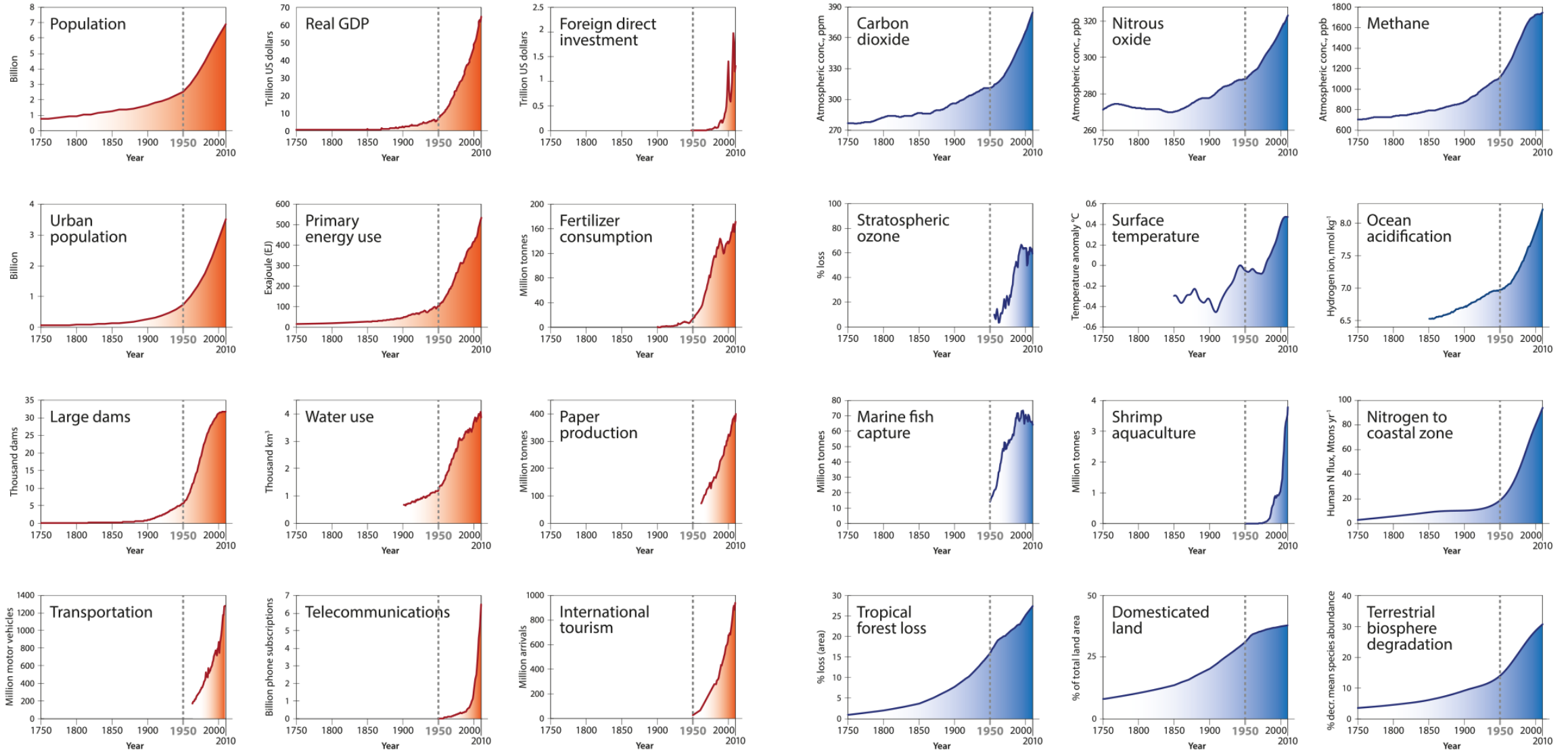
Intellectual and academic (2)

- Capitalism has tendency to erode social fabric upon which it relies.
- ‘Keynesianism’ as a by-word for the conservative-liberal response to crisis and the threat of revolution (Mann)
- “Civilisation is a thin and precarious crust, erected by the personality and will of a very few, and only maintained by rules and conventions skilfully put across and guilefully preserved” – Keynes

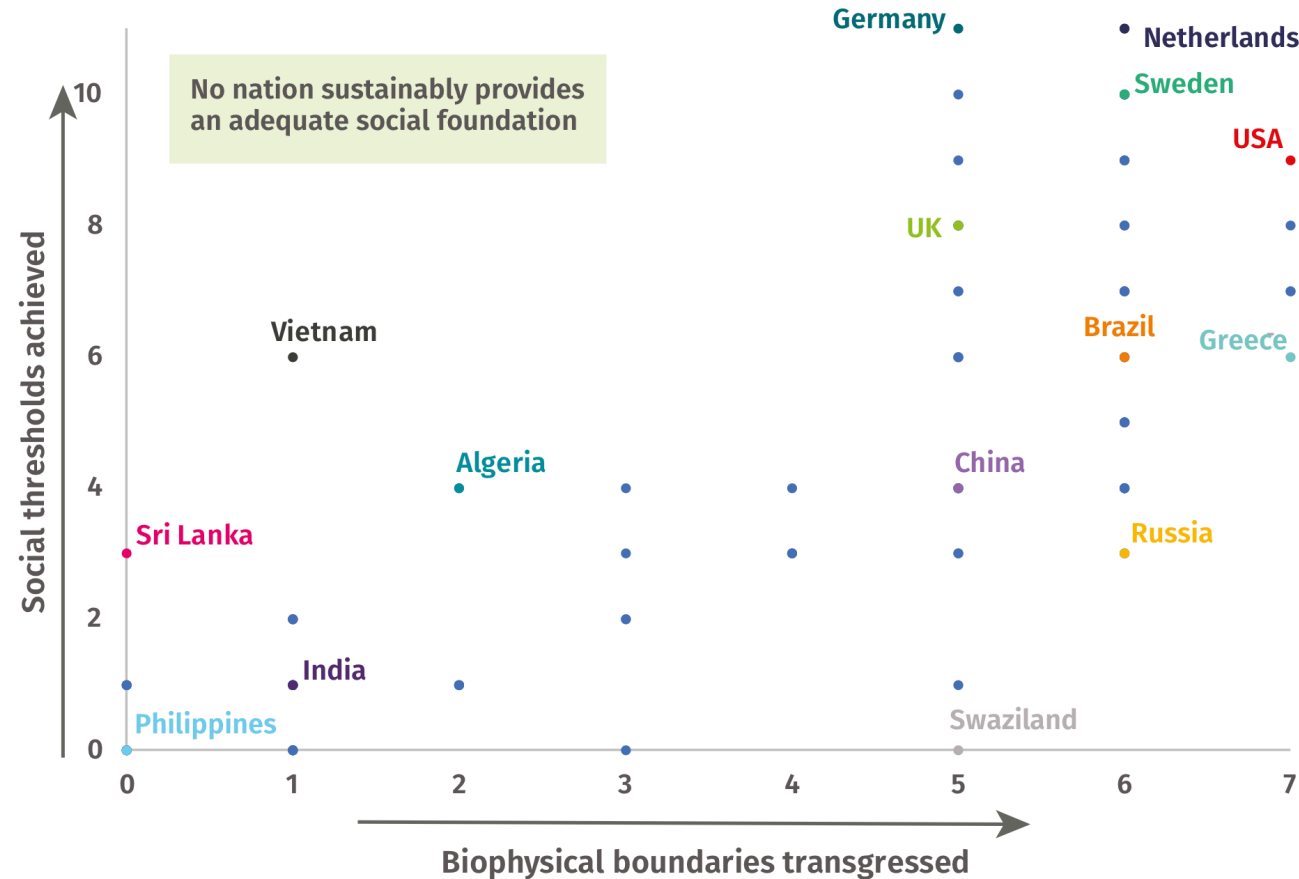
Intellectual and academic (3)

- Today, Piketty: “if the tendencies observed in 1970-2010 were to continue until 2059 or 2100, we will approach social, political and economic disequilibria of such magnitude, both within and between countries, that it is hard not to think of the Ricardian apocalypse”
- Economic/social inequality, power imbalances, political destabilisation leading to similar debates.
- Status quo vs modern ‘Keynesian’ correction vs neo-socialism vs ‘neo-illiberalism’/ethno-nationalism

But what if we need a revolution...?

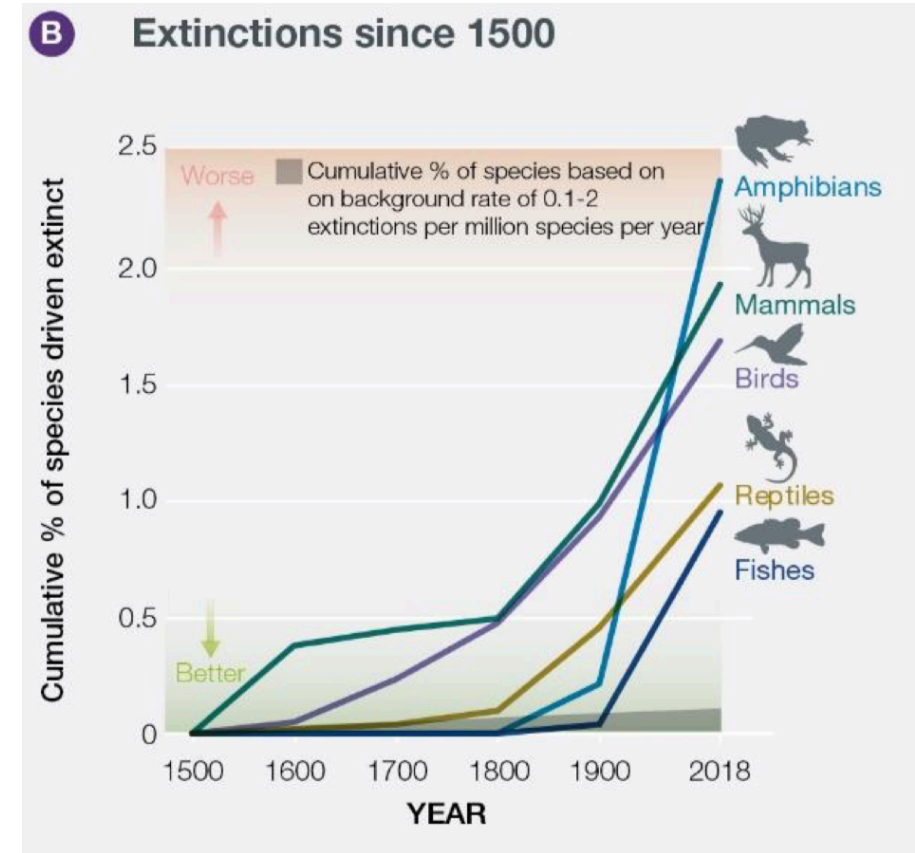
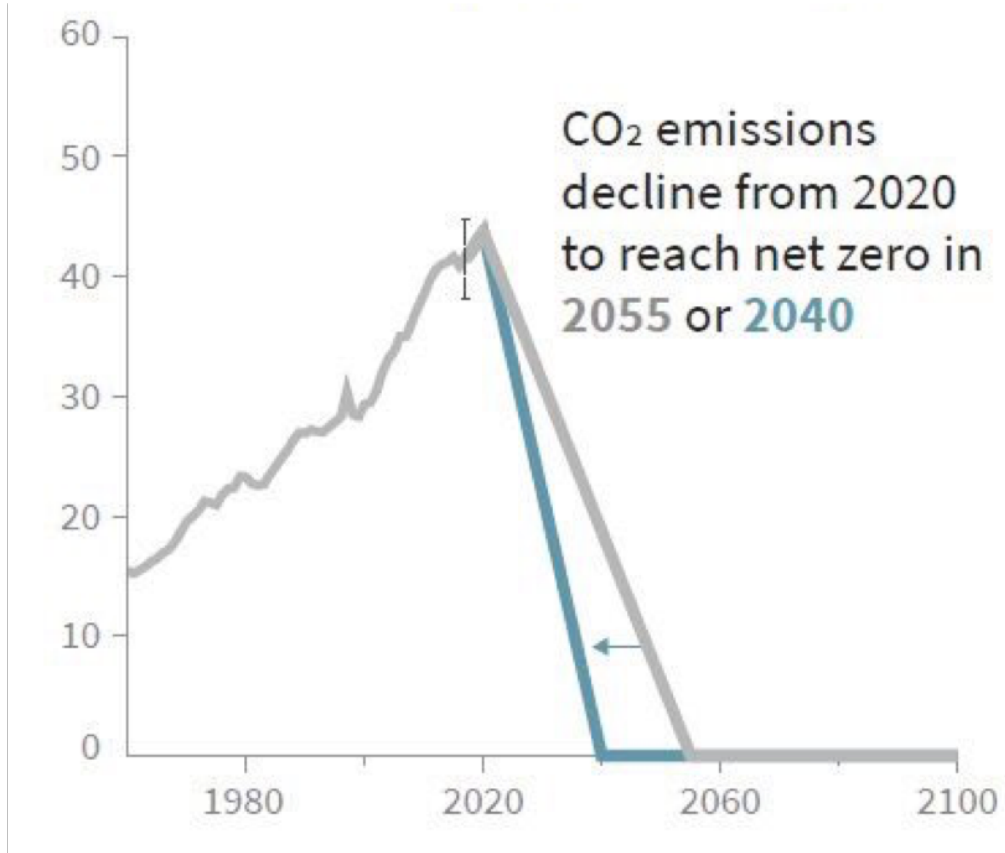


But what if we need a revolution...?



Previous shifts have improved social and economic outcomes at the cost of environmental destruction that has surpassed critical levels

But what if we need a revolution...?



Intellectual and academic (4)

- Scientific community says we need a “fundamental, system-wide reorganisation across technological, economic and social factors, including paradigms, goals and values” (IPBES)
- Status quo doesn't cut it and neo-illiberal/ethno-nationalist approaches exacerbate problems
- Big(gest?) question for the present day: as compounding environmental breakdown interacts with and drives social, economic and political destabilisation, is it possible/desirable to undertake a 'Keynesian' response? If not, what are the alternatives?

Discourse

Two conditions:

- ideas must form part of a coherent narrative that can be easily shared and adapted without central control
- ecosystem of enabling institutions and networks promote them

Effective language developed that was in tune with concerns/desires

- Hegemonic role for the state, “winning the peace”
- Against ‘vested interests’, “euthanasia of the rentier”
- Freedom/positive liberty: “freedom from fear”, “secure people dare”
- ...could these be effective again today? With social media?

Politics

- Post-war consensus based on solid political coalitions, driven by movements electing signal governments.
- End of empire and shifting geopolitics offset by American/Western hegemony secured through international policy architecture
- Today, the old coalitions are fragmenting. Can signal governments emerge and come to power on platform of new paradigm ideas?
- Significant shift in geopolitical balance – will/can/should Western countries precipitate a new paradigm shift?
- Zero-sum internationalism eroding cooperation at precisely the wrong time – who/what will drive international cooperation?



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