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This paper explores the links between the ideas that have informed macroeconomic and industrial policy as well as corporate governance, and Britain's industrial development and social outcomes, from the interwar years to the present. It begins by examining interwar developments in both theory and policy in relation to industrial organisation and development, and the important – but virtually unknown – contributions made by John Maynard Keynes in this context.

It then traces postwar developments – and the return of laissez-faire during the 1970s and 1980s – before considering the so-called "renaissance of interest" in industrial policy in the aftermath of the 2008 financial crisis, which – as yet – has produced very little results. It concludes by returning to the question of the path that Britain's industrial development might have taken, had Keynes's ideas about industrial organisation and policy been taken as seriously as his ideas about macroeconomics.

1. Introduction – Back to the future

Britain, like many other nations, emerged from World War One into a strange new world. The productive pressures resulting from four years of essentially industrial warfare had put an emphasis on large-scale manufacturing to satisfy demand; and this encouraged the development of new ideas about industrial organisation, policy and corporate governance. Meanwhile, attempts to return to pre-war "normality" were frustrated not only by the slower growth and high unemployment that accompanied the cessation of hostilities, but also the inexplicable behaviour of an economy which was both increasingly reliant on income tax for government revenues and contained the beginnings of the welfare state. Austerity now came with even more unwelcome side effects than before.

The situation was made more urgent by the very real possibility of uncontrolled social change. The Russian revolutions of 1905 and 1917, along with the increasing influence of fascism in various parts of Europe, suggested that there were serious problems with democratic capitalism, as it then stood. In Britain, these worries were further fueled by concerns about mass unemployment, which had not previously been seen as a serious problem (Gordon 1972); this was made worse by austerity, as the government attempted to return to the gold standard at prewar parity, balance its budget and repay wartime debts.

All of this encouraged public debate about these all too obvious economic, social and political problems. An important contributor was John Maynard Keynes, whose ideas about the potentially beneficial role of the State in managing the economy would ultimately help to inform macroeconomic policy after the Second World War. Much less well known, however, are Keynes's contributions to the interwar debate about microeconomic (industrial) policy, especially during the 1920s and early 1930s, which are documented in essays and personal letters, newspaper and magazine articles, speeches and radio interviews, and the reports of important government committees, including the Liberal Industrial Inquiry Committee (LII).[1] Although not directly credited to Keynes, who was a key member and main author of the LII's report, *Britain's Industrial Future*, this report contains the most comprehensive source of these ideas, which Keynes defended and promoted until his untimely death in 1946.

The Liberal Party's contribution to this debate – which was based on detailed empirical research, from which reliable conclusions might be drawn – took a similar approach to the study of industry as Charles Booth and Seebohm Rowntree had taken in their earlier studies of poverty.[2] This research had revealed not only the extent, but also the

[1] The most compete recent discussion of these contributions can be found in Crotty 2019, especially Chapters 6 through 9. See also Crotty 1999 and Chick 2018.

[2] See Booth 1893-1903; Rowntree 1901.

environmental and systemic (as opposed to moral and individual) nature of poverty and unemployment, with much of the poverty they observed being caused by factors beyond the control of the poor. This helped promote the idea of "social justice" and a growing role for the State in the regulation of social and economic life (Konzelmann et al. 2018, pp. 74-76). But it wasn't until the Liberal social reforms preceding the First World War that these ideas were translated into policy, which – informed by Keynes's ideas about macroeconomic dynamics – would be significantly built upon after World War Two.

The Liberal Inquiry into the future of British industry, along with Keynes's many other contributions to the development of policy proposals in relation to industrial strategy, thus had the potential – like Booth's and Rowntree's earlier research on poverty – to profoundly influence the long-term development of British industry. And had these survived the 1930s and Second World War – and been as influential as "Keynesian" macroeconomic theory and policy proved to be – it might have set the British economy on a very different road to that actually taken.

Unfortunately for both Keynes and the Liberals, *Britain's Industrial Future*, published in 1928, not only came at a time when the Liberal Party was rapidly becoming a spent force; it was also soon to be overshadowed by seismic world events – including the economic and social effects of the 1929 Stock Market Crash and Great Depression – as well as the need to re-arm for another expensive industrial war. By the time the world emerged from that war, Keynes's ideas about industrial policy were largely forgotten; and the legacy of Keynes, who did not long survive the war, would be mainly restricted to his contributions to macroeconomic theory and policy.

Fast forward almost a century, and the post-2008 world looks rather similar to the interwar years, with finance once again in a position of economic and political dominance. Unemployment, poverty and inequality are high, whilst economic growth remains elusive. "Populist" parties are arising across Europe on both sides of the political spectrum, whilst the British Conservative and Labour parties are, like the Liberal Party before them, exhibiting significant internal strains, with new political groupings making their appearance. Austerity is back as a policy for the downturn – with predictable results. The outcome of all this is also similar; and politicians are once again talking about the need for industrial strategy. However, although questions about how to encourage both innovation and industrial re-development have become increasingly urgent, Keynes's ideas about these crucial issues remain little known.

This paper explores the links between the ideas that have informed macroeconomic and industrial policy as well as corporate governance, and Britain's industrial development and social outcomes, from the interwar years to the present. Parts two through four examine interwar developments in both theory and policy in relation to industrial organisation and development, and the important – but virtually unknown

– contributions made by Keynes in this context. Part five considers postwar developments – and the return of laissez-faire during the 1970s and 1980s. The "renaissance of interest" in industrial policy in the aftermath of the 2008 financial crisis is the focus of Part six. Part seven concludes.

2. Interwar developments in economic and industrial theory and policy

During the interwar years, Keynes was largely preoccupied with refuting the totalitarian response to the social and economic hardship of this period, in the form of fascist, communist and socialist movements that were gaining influence across Europe. He was particularly concerned about demonstrating that democratic capitalism – and the market approach to economic activity – were not inherently flawed but had instead been failed by economic thinking that ignored the monetary nature of economic relations (Tily 2016).

The 1919 Versailles conference had prioritised the financial interests of creditors in postwar economic arrangements. Central banks were made independent of political authority, whilst private international financial actors were assigned key roles in their governance structures. The free movement of international capital under the gold standard was restored; monetary policy was aimed at supporting currency values and repaying debt; and government spending was tightly constrained.

Keynes had resigned from the British Treasury Delegation in frustration because he believed that, far from establishing the conditions for postwar recovery and peace, the Versailles Treaty threatened to undermine them; and during the summer of 1919, he wrote *The Economic Consequences of the Peace*. The book was an immediate international success, establishing Keynes's reputation as a leading economist, especially on the left. Its assessment of the Versailles treaty and its likely results would also prove prescient.

Towards the end of *The Economic Consequences of the Peace*, Keynes described the challenges confronting Britain:

> England is in a state of transition, and her economic problems are serious. We may be on the eve of great changes in her social and industrial structure…
>
> The most serious problems for England have been brought to a head by the war, but are in their origins more fundamental. The forces of the nineteenth century have run their course and are exhausted. The economic motives and ideals of that generation no longer satisfy us: we must find a new way and must suffer again the *malaise*, and finally the

> pangs, of a new industrial birth. (Keynes 2007 [1919], pp. 145-6 (emphasis in the original))

2.1. Interwar theories about industrial concentration and competition

During the 1920s, very large and successful (mainly American and German) vertically integrated corporations came to dominate the sectors of the economy in which they operated; and banking concentration resulted in similarly large financial institutions. In Britain, the "big five" banks (Barclays, Lloyds, Midlands, Westminster and National Provincial) accounted for approximately 80 percent of English deposits by 1920, each with a head office in London and a national branch banking system (Carnevali 2005, p. 15). All of this attracted economists' attention to the question of how to reconcile increasing returns in production – and, hence, industrial and banking concentration – with competition in markets. From the perspective of static neoclassical economic theory, firms securing scale efficiencies relative to market size were a threat to free market competition.

During the 1920s, as Britain experienced high levels of unemployment and excess capacity, neoclassical economic theorists attempted to explain the microeconomic (firm/industrial organisation) effects of low levels of demand. They also sought to explain and justify the existence of large-scale production, despite the challenge this posed to market competition. Focusing on the supply side and assuming a given market size, economists developed static equilibrium models of perfect, oligopoly and monopolistic competition. Theories of oligopoly and monopoly were used to explain the growing concentration in British industry and to justify large-scale production. These theories maintained that capacity utilisation – and hence employment – is determined by the equilibrium level of output, which only in perfectly competitive markets is at full employment. In imperfectly competitive firms, equilibrium output is at less than full capacity. This meant that – theoretically, at least – in sectors dominated by such firms, some level of unemployment is technically "efficient"; but as in any other market, it was considered *voluntary* on the part of those unemployed, with the solution being a reduction in the price of labour.

During this same period, Keynesian macroeconomic theory was evolving in quite a different direction, contending that the problem of unemployment was *involuntary* and the consequence of an insufficient level of effective *demand*, with the solution being government spending on public works to compensate for weak private sector spending. However, although economists have long lamented the absence of "microeconomic" foundations for macroeconomic theory, the inconsistency between these conflicting explanations of output and unemployment appears to have gone un-noticed.

2.2. Keynes's approach to economic and industrial analysis

Keynes's analysis of economic and industrial organisation and development followed Alfred Marshall in emphasising the importance of developing theory and policy on the basis of the empirical investigation of reality, as well as the role of cooperation as a key factor determining competitiveness. Keynes also viewed macroeconomic and industrial policy as complementary, with both being essential for the restoration and maintenance of full employment.

In Keynes's view, the proper method of analysis has two clear stages: The first involves developing the simplest and most analytically workable set of assumptions; this should then be followed by substituting more realistic assumptions derived from empirical investigation for those initial assumptions of stage one. From this perspective, only the second stage model, based on realistic assumptions, is appropriate for developing guidelines for government policy.[3]

Keynes believed both that the unemployment of the 1920s was primarily structural and located in Britain's key export industries, and that the decline of Britain's prewar export dominance would be permanent. But he did not consider the solution to be the traditional assault on unions, cuts in wages and reduction in export prices:

> Rather, we must seek to submerge the rocks in a rising sea – not forcing labour out of what is depressed, but attracting it into what is prosperous; not crushing the blind strength of organised labour, but relieving its fears, not abating wages where they are high, but raising them where they are low… We can best achieve this by recreating the mood and conditions in which great works of construction, requiring large capital outlays, can again be set on foot. (Keynes 1981 [1924], p. 221)

Keynes went on to elaborate his vision of macro- and microeconomic policy in a series of articles during 1925 and 1926. These included "The End of Laissez-faire", a critique of economic coordination by means of unregulated competition, due to the destructive consequences of real world *disequilibrium* competitive processes. In it, Keynes argued that supporters of laissez faire did not take into consideration the complications arising from the presence of economies of scale in production, significant overhead costs, and monopolies and combinations, all of which were dominant features of British industry during the 1920s. These factors make the social and economic costs of competitive failure so great as to effectively render some firms

[3] An example of this reasoning can be found in Keynes 2010 [1926], pp. 282-87; it is also described in Crotty 1999, pp. 557-64.

too big to be allowed to fail. Keynes was also concerned about the maldistribution of income and wealth resulting from unregulated competition.

"Considering what the State ought to take upon itself to direct by public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion," Keynes accepted the trend towards industrial concentration (Keynes 2010 [1926] p. 288). During the 1920s, this included private, public and non-profit organisations (Pollard 1983, pp. 98-107). Here, Keynes saw a role for the State, not in managing them directly through nationalisation, but in setting goals, supporting and encouraging their development, evaluating their performance, and regulating them.

3. Keynes and industrial strategy – *Britain's Industrial Future*

The 1926 general strike coal dispute was the catalyst that shifted Keynes's interests towards Britain's industrial problems.[4] In the same year, the Liberal Party leader David Lloyd George financed the Liberal Industrial Inquiry (LII) to carry out a detailed study of the British economy, with the assistance of leading economists and businessmen; and as part of the LII Committee, for the next eighteen months, Keynes engaged in a detailed empirical investigation of key British industries.

Keynes was a major contributor to the resulting LII report, *Britain's Industrial Future*, which was published in 1928. As well as being a member of the Inquiry's Executive Committee and Chair of the Committee on Industrial and Financial Organisation, he drafted Book 2, *The Organisation of Business*; wrote two chapters ("Currency and Banking" and "Reform of the National Accounts") and collaborated on the two other chapters ("The Burden of Taxation" and "Rating Reform and the Rating System") of Book 5, *National Finance*. Keynes also endorsed Lloyd George's proposals for specific public investment programs in Book 4, *National Development*; and he co-authored the "Summary of Conclusions" section and edited the report as a whole.[5]

Britain's Industrial Future begins by articulating its authors' vision of a "multi-sided" industrial policy and purpose:

> The measures we advocate in relation to… financial and industrial reforms, international trade and national development, the just distribution of wealth, the worker's right to be a citizen, not merely a subject in the world of production… spring from one clear purpose. We believe with a passionate faith that the end of all political and economic

[4] See Moggridge 1992, Chapter 18 "Industry and Politics", pp. 446-74.

[5] See Crotty 1999, p. 569; Crotty 2019, pp. 96-97; Harrod 1951, 392-93; Moggridge 1992, 457-59; Skidelsky 1992, 264-69.

> action is… that individual men and women may have life, and that they may have it more abundantly. (LII 1977 [1928], p. xxiv)

To realise this vision, Keynes and the LII Committee were concerned about understanding and addressing the problems resulting from the decline in particular industries and widespread under- and unemployment, as well as from large disparities in the distribution of income, wealth and housing, which in turn contributed to inefficiency and industrial strife. But rather than trying to justify large scale industrial organisation, the LII Committee took this as given and focused on the scope for beneficial State action as a consequence of this change in the structure of production.

In a speech to the London Liberal Party Candidates Association in 1927, entitled "Liberalism and Industry", Keynes argued that:

> [c]ombination in the business world, just as much as in the Labour world, is the order of the day; it would be useless as well as foolish to try to combat it. Our task is to take advantage of it, to regulate it, to turn it into the right channels… We need the maximum degree of decentralisation which is compatible with large units and regulated competition. (Keynes 1981 [1927], p. 643)

The LII Committee recognised that Britain's industrial problems were located mainly in the traditional export industries – coal, iron and steel, shipbuilding and textiles – and that it was necessary to adjust the "whole structure of our economic life" to twentieth century industrial conditions (LII 1977 [1928], p. 455). They therefore recommended "turning our attention to what we have long neglected – the development of our home resources… housing, road construction, electricity, and the regeneration of agriculture and our rural life" (Ibid.).

The LII Committee saw the State's role as articulating a vision for the future of the economy, and then working closely with businessmen and workers to facilitate realisation of that vision. It described the "new industrial order… as a system of industrial self-government under the regulation and encouragement of the State" (LII 1977 [1928], p. 205), involving "the substitution of an organised system of co-operation for the existing system of conflict… [with] steady and wise guidance continued through a long period" (Ibid., pp. 219-20). This guidance would be provided by:

> a properly organised department of State… [and] some organ representative of industry as a whole, to afford leadership and stimulus in the development of the *machinery of co-operation*, to keep continuously in mind the interaction of industries one with another, and ensure that the direction of industrial policy in this field shall not merely be political or bureaucratic in character. (Ibid. (emphasis added))

The new system would have the objectives "not merely of industrial peace, but of effective *co-operation* to achieve efficiency in production and justice in distribution" (Ibid., p. 215 (emphasis added)).

The Committee also took care to distinguish the proposed new industrial order from "the harsh individualism and the employer autocracy of the nineteenth century, which Socialist preachers mostly have in mind when they denounce 'Capitalism'… [and] the scheme of rigid State control or the scheme of trade-union dictatorship, between which the vague dreams of socialism waver" (Ibid., p. 205).

The contributors to *Britain's Industrial Future* – many of whom had direct experience in industry – made it clear that they believed the economic order based on laissez-faire had passed and that "[t]he theory that private competition, unregulated and unaided, will work out, with certainty, to the greatest advantage of the community is found by experience to be far from the truth" (Ibid., p. xix). Whereas there was comparatively little social cost associated with the collapse of small (or sole) proprietorships or partnerships with unlimited liability as a consequence of unregulated competition, this was certainly not the case with larger firms; and unregulated competition could not solve the economic problems of large joint-stock companies, where shareholder ownership was separated from managerial control over their day-to-day operations.

In "The End of Laissez-Faire", Keynes had contended that "[o]ne of the most interesting and unnoticed developments of recent decades has been the tendency of big enterprise to socialise itself" (Keynes 2010 [1926], p. 289) – which he viewed with great optimism. In his view, when a large joint-stock company reached a certain age and size, its shareholders would become "almost entirely dissociated from the management", by virtue of the widely-dispersed nature of share-ownership. At this point, he believed that management would be more interested in:

> the general stability and reputation of the institution [than] … the maximum profit for the shareholders. The shareholders must be satisfied by conventionally adequate dividends; but once this is secured, the direct interest of the management often consists in avoiding criticism from the public and from customers of the concern. This is particularly the case if their great size or semi-monopolistic position renders them conspicuous in the public eye and vulnerable to public attack. (Ibid.)

Large joint-stock institutions would therefore over time approximate the status of "public corporations" – serving a public purpose – rather than "individualistic private enterprise" (Ibid).

Although the LII Committee did not study the small firm sector in any detail, its vision of a potentially beneficial role for the State in establishing conditions conducive to industrial prosperity extended to all forms of industrial organisation:

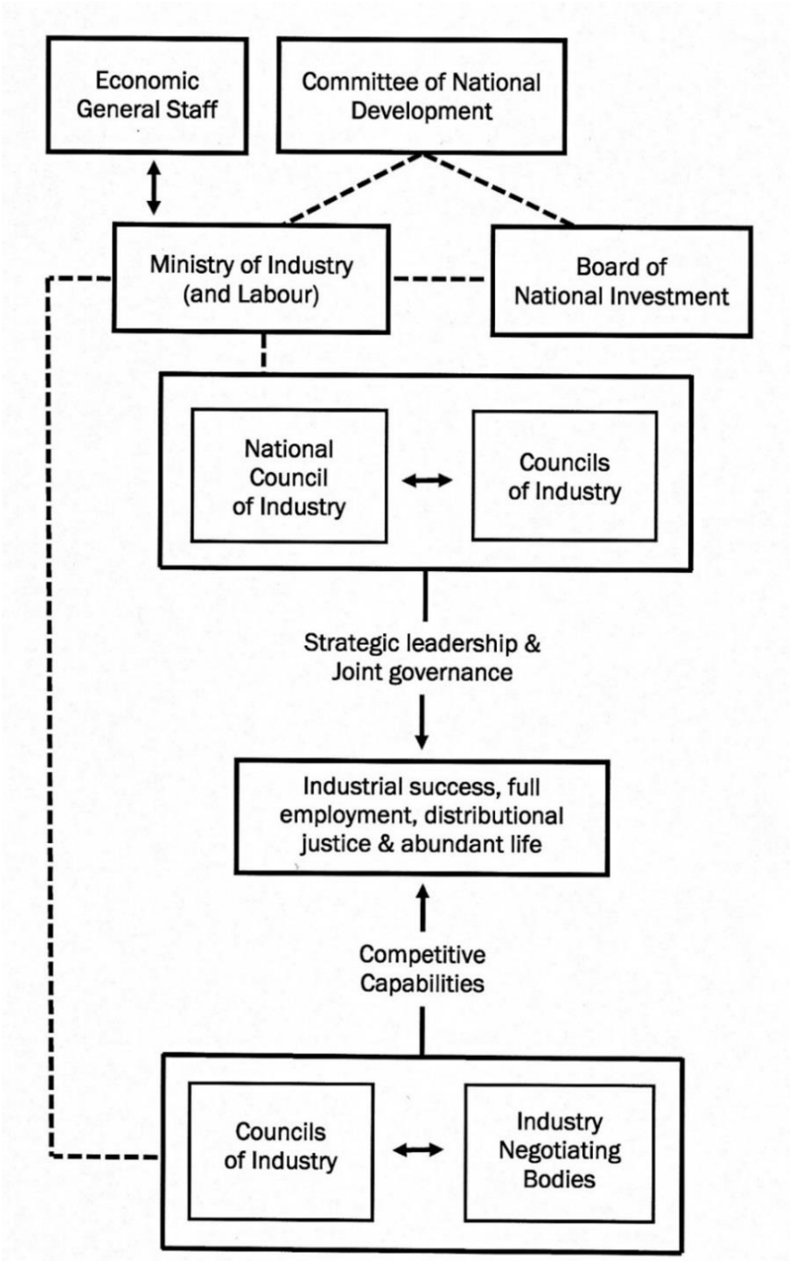
> Where neither diffused ownership nor monopolistic tendencies are present, our object should be not to interfere with the existing state of affairs, but to establish an environment in which normal competitive conditions can flourish with the greatest efficiency and the least possible waste (LII 1977 [1928], p. 85 (emphasis added)).

But for "those companies which have passed out of the effective control of their shareholders... and those companies which have attained... something of a monopoly position and where free competition from newcomers is inefficient" (Ibid.), the LII Committee's proposals were for corporate governance reform aimed at reporting transparency; strengthening the responsibility and authority of the external Auditor; and improving the effectiveness of boards via a German-style dual board structure, with the Management Board to include outside members with technical expertise, and a "Supervisory Council... representing the shareholders and, in some cases, the employees" (Ibid., p. 91). The Committee went on to contend that:

> [i]t would be an incidental advantage of this system … to make provision for the representation of employees on exactly the same footing (though not necessarily with an equal voting power) as the shareholders, without allowing to either employees or the shareholders any undue or inconvenient powers of interference with the daily management of the concern (Ibid., pp. 91-92).

The governance structure of the new system would be built upon existing institutions at both State and industry levels, with new institutions being created in collaboration with the parties involved – and only where they did not already exist.

Figure 1: Structure of the LII's proposed system of industrial self-government



At the top, an *Economic General Staff* would be established to work closely with the Prime Minister, the Cabinet and key economic Departments of the State as well as the Ministry of Industry (and Labour). Its responsibilities would be to keep apprised of any economic problems affecting the development of industry and trade; to collect information and statistics; to call the Cabinet's attention to important domestic and international developments; and to develop Government plans for addressing fundamental economic challenges, such as unemployment, national resource development and stabilisation of trading conditions.

A *Committee of National Development*, directly accountable to the Prime Minister and actively assisted by the Treasury, would take over the work performed by the Development Commission. It would be responsible for formulating a comprehensive policy for the development of national resources and for coordinating the work of the Departments involved.

A *Board of National Investment* would be created to regulate the aggregate rate of growth in the economy by not only controlling the pace of public capital accumulation but also directing it to the industries and regions hardest hit by structural unemployment. “All capital resources accruing in the hands of Government Departments [would] be pooled in the hands of this Board” (Ibid., p. 111). It would allocate these resources to pay for economically and socially efficient investment projects, with the objective of securing and maintaining full employment. The LII committee believed that the Board of National Investment had the potential to “become a factor of great importance” in developing Britain’s national resources, without crowding-out private sector investment (Ibid., p. 461); and although the establishment of a National Investment Board was not directly credited to Keynes at the time, he would propose it again and again for the rest of his life.

A *Ministry of Industry (and Labour)* would be developed from the Ministry of Labour. The LII Committee believed that:

> [i]t would be undesirable to leave the function of guiding and stimulating industry into new courses wholly to a public department however well organised. Industry itself must provide leadership. Industrial policy must be safeguarded against those sudden reversals which are apt to follow changes in government, and against any risk of a too rigid bureaucratic method (Ibid.).

The effectiveness of the Ministry of Industry could therefore only be effective if and when “the great organisations of employers and workpeople” had themselves created (with State assistance where required) an effective structure to coordinate intra- and inter-industry activity through self-regulation: it “should be regarded as one of the primary duties of a Minister of Industry to assist and forward industrial efficiency, not by overriding or disregarding the organised bodies of employers and workpeople, but by bringing them together and working with them” (Ibid., p. 222.).

Thus, a *Council of Industry* would be established in each sector to self-regulate and self-coordinate both inter- and intra-industry activity, under the guidance of the Ministry of Industry, with which it would meet frequently and work in close association. The LII “attach[ed] very great importance to the creation and active working of the Council of Industry, as affording the means both of giving leadership to industry from within itself and of keeping the Ministry and the Government in touch with the best industrial opinion on both sides" (Ibid., p. 223.).

Ultimately, the LII Committee anticipated the establishment of a *National Council of Industry*, with responsibility for self-regulating the whole of industry under the watchful eye of the Ministry of Industry. But it was felt that this should not take place until:

> industry is more fully organised and when the practice of cooperation is more widely established. In the meanwhile, the urgent thing is to provide a nucleus round which instructed opinion in the industrial world can form itself, and to give driving force to the movement towards a better industrial order. (Ibid.)

There would also be *Industry Negotiating Bodies* within each industry, representative of all sections of industry, including a "neutral element". These would ultimately have responsibility for a range of issues extending beyond wage negotiations. But the LII Committee stressed the importance of creating "the machinery of organised cooperation" at the level of the individual factory or workshop, rather than at the level of the national negotiating bodies. For establishments employing fifty or more people, there would be a legal requirement to set up a consultative body – a "Works Council" – composed of representatives from every important group within the concern, from top management to the shop floor.

> These bodies should… [have] ample knowledge of the facts… with a view always to the twofold end of efficiency in production and justice in distribution...
>
> They should… consider such matters as the conditions of entry into an industry and the methods of training its recruits; the best ways of stimulating inventions and improvements, and of opening careers to talent; the methods of giving to various groups of workers an appropriate share of responsibility, and of diffusing as widely as possible a share of ownership, and the sense that the industry in some degree belongs to all who are engaged in it. (Ibid., p. 206.)

At the end of March 1928, the LII Committee's proposals were adopted by the Liberal Party in a series of resolutions. In the Preface to "Can Lloyd George Do It?" – a pamphlet written by Keynes and Hubert Henderson in support of Lloyd George's 1929 election pledge to reduce unemployment through a programme of public spending – Keynes and Henderson contended that "*Britain's Industrial Future* remains the fullest statement of the Liberal programme" (Keynes 2010 [1929], p. 87).

4. "Events, dear boy, events" – From the Liberal Inquiry to the Macmillan Report

The 1929 general election did not deliver a Liberal Party government. Instead, a minority Labour government under James Ramsay MacDonald took office; and shortly afterwards, in October 1929, the Wall Street Stock Market crashed. The following month, the new government set up another committee of economists and businessmen – the Committee on Finance and Industry – to look into the problems confronting the British economy. Its objective was to determine the root causes of Britain's depressed economy and whether the organisation of the banking and credit system and the government's monetary policy were helping or hindering industry and trade.

The Committee was known as the Macmillan Committee, after its chairman, the Scottish lawyer Hugh Pattison Macmillan; and it included Keynes and Ernest Bevin (General Secretary of the Transport and General Workers' Union) as non-ministerial members, chosen because of their expert knowledge of economics and industry. The Committee took evidence from leading economists and industrialists; and Keynes provided two papers for the meetings. In one of these, he revived the LII Committee's proposal for an Economic General Staff; and on 24 January 1930, the government announced the establishment of an Economic Advisory Council.

The Macmillan Committee Report, largely authored by Keynes, was approved in May 1931. It recommended nationalisation of the Bank of England and government regulation of international trade and finance; and it emphasised that general wage reductions should *not* be seen as a way out of Britain's problems.[6] It also proposed creation of a central institution – similar to the LII's proposed Board of National Investment – responsible for designing and directing a programme of large-scale public investment:

> [W]e think that efficiency and fore-thought might be much increased if a body were to be set up which might be designated the Board of National Investment, in the hands of which all matters relating to the deliberate guidance of schemes of long-term investment would be concentrated (Macmillan Committee 1931, p. 207).

However, significantly, the Macmillan Committee did not challenge the so-called "Treasury view" – that public investment crowded out private sector investment – and concluded that government expenditure on public works was not the answer to the country's economic challenges. This was despite the signing of "Addendum 1",

[6] See Williamson 2003, pp. 255-258; Gordon 1972.

advocating a programme of public works, by some of its leading members, including Keynes and Bevin.

With regard to the relationship between British industry and finance, the report concluded that it was not as close as it was in either Germany or the United States, and small businesses, in particular, were being put at a disadvantage. The Committee noted that "closer coordination between British industry and the City of London would be advantageous for the provision of long-dated capital, especially for large-scale industry" (Thomas 1931, p. 11). But in response to what came to be known as the "Macmillan gap", it recommended establishment of a separate financial institution – "which would confine itself to smaller industrial and commercial issues" (Ibid., p. 12) – to provide finance to the small business sector.

Also in 1931, with a deepening depression, unemployment at nearly 20 percent and an expanding government deficit, the then Chancellor, Philip Snowden, set up the May Committee on National Expenditure, named after its chairman, the financial expert Sir George May, to suggest ways for the government to reduce its spending. The Liberal and Conservative committee nominees, all with experience in finance, blamed the deficit on the minority Labour government's extravagance; and in the Committee's report, contending that public expenditure was "restrictive of industrial enterprise and employment", they called for cuts in "wasteful" public spending, including a 10 percent cut to the unemployment benefit (Williamson 2003, p. 267). The Labour committee nominees, however, maintained that the deficit was a result of the economic depression and dissented from the report, instead submitting a minority report fundamentally disagreeing with the Committee's recommendations. The minority Labour government refused to implement all of the May Committee's recommended spending cuts; and as a result, the Labour Prime Minister and Chancellor joined the Conservative and Liberal Parties in a National Government, while Labour went into opposition.

One of the casualties of the September 1931 financial crisis was sterling's departure from the gold standard. This not only freed up monetary policy and permitted a reduction in Bank rate from 6 to 2 percent; it also reduced the cost of financing the 1917 War Loan. Another casualty was free trade, courtesy of the Import Duties Act of 1932. The combination of devaluation, cheap money and protectionism led to a recovery which produced balanced budgets from 1933 to 1937. However, unemployment was slow to come down; and it was increasingly confined to the north of England, Scotland and Wales. There was a brief slump in 1937-8; but with rearmament, the economy again rebounded in 1938 – nearly a decade after the start of the Great Depression.

4.1. Keynes's evolving policy focus

Throughout the entire interwar period, Keynes tirelessly sought to garner support for his policy proposals. He repeatedly advocated a major programme of large-scale public investment as the key to sustained prosperity and expressed support for industrial policies, including industrial location programmes and State-directed credit allocation. In 1930, as a member of the government's Economic Advisory Committee, Keynes proposed establishment of a Board of National Investment, with the authority to finance large-scale public *and* private capital investment projects at below market interest rates; but his proposal was rejected (Crotty 2019, p. 121).

In September 1932, in a presentation at the annual Labour Party conference, Keynes applauded Labour's support for the idea of setting up a National Investment Board; and in early 1933, he published "The Means to Prosperity", making the case that because of the "multiplier" - first introduced in Richard Kahn's 1931 *Economic Journal* article and which Keynes estimated to be 2 for Britain – large-scale public investment would more than pay for itself; so it would not add to long term public deficits and debt.

But during the 1930s, Keynes no longer wrote at length about industrial policy. The 1929 Stock Market Crash and Great Depression had shifted his focus to the problems associated with insufficient effective demand and generalised – as opposed to structural – unemployment. In 1936, Keynes published *The General Theory of Employment, Interest and Money*, setting out the theoretical foundations for his economic policy proposals, in which he repeated his commitment to large-scale public investment, calling for "a somewhat comprehensive socialization of investment … [as] the only means of securing an approximation to full employment" (Keynes 1997 [1936], p. 378).

Soon after, Keynes was helping plan for another major war. With World War Two imminent, Keynes wrote a series of articles in *The Times*, including "Opportunities of Policy", in which he again argued for a National Investment Board:

> Now is the time to appoint a board of public investment to prepare sound schemes against the time that they are needed. If we wait until the crisis is upon us, we shall, of course, be too late. We ought to set up immediately an authority whose business it is not to launch anything at present, but to make sure that detailed plans are prepared. (Keynes 1981 [1937], p. 394)

In 1939, in a letter to his sister, Margaret, who was on a Royal Commission studying the feasibility of a public board responsible for industrial location, Keynes wrote that:

> practically all reforming minds are in favour of making some move in the direction of the establishment of a National Investment Board… If a National Investment Board were to be set up, it would be most advisable that it should work in close collaboration with a Board for the location of industry. But the functions of the former body… would go… very far beyond those of the latter. (Keynes 1971-1989, pp. 590-591)

During the Second World War, Keynes was deeply involved in both wartime planning and planning for peace afterward. But he died soon after, in 1946; and although the immediate postwar decades have been identified as the "Keynesian revolution", the economics profession proved unwilling to abandon its "scientific" approach to modelling. Keynes's ideas and approach to both theory and policy were quickly absorbed into the static equilibrium framework of the "Neoclassical-Keynesian synthesis", of which Keynes would surely have disapproved. Thus, instead of the "Keynesian" revolution being fashioned on Keynes's vision of the economy and society, "a new theoretical edifice was erected which could be reconnected to the neoclassical theory of harmony and just shares in the distribution of income... The 'Keynesian' revolution gained acceptance because ultimately it was, after its formalisation, deeply conservative in character" (Balogh 1976, pp. 83-4).

5. A new world order – for now

With the end of yet another economically ruinous war in sight, the aims of the Bretton Woods conference included making sure that the economic and social circumstances that had led to both the war and the depression that preceded it would not be repeated. This resulted in an unprecedented level of both vision and international cooperation.

The Bretton Woods international monetary system established the conditions by which governments could manage their welfare states; and domestic financial markets were tightly regulated to prevent a recurrence of the activities that had produced the 1929 Stock Market Crash. In 1946, nationalisation of the Bank of England reflected the formal repositioning of finance as the servant – rather than the master – of British industry.

5.1. Rationalisation of the industrial structure

The economic difficulties of the 1920s and 1930s led many to question both the market's ability to deliver growth and whether the economy might be better managed at a macro-economic level with Keynesian tools and at a micro-level by "rationalizing" the industrial structure. Thus, following the Second World War, there was acceptance of a role for the State in managing the economy; and governments of all persuasions prioritised *re*-industrialisation, promoting concentration through mergers and acquisitions as a means of raising efficiency (Meeks 1977). Fueled by strong war-time demand and postwar reconstruction, large mass production firms reaped the benefits of internal economies of scale, giving the appearance of improved productivity. Nationalisation was also a key feature of postwar industrial policy, with the initial targets being utilities (coal, electricity, gas and railways). Iron and Steel were nationalised in 1949 and privatised during the 1950s when the Conservatives came to power, before being re-nationalised along with other manufacturing firms during the late 1960s and 1970s.[7]

However, instead of developing new industries and technologies and creating an environment that would protect industry from both political and industrial interference, due to well-connected special interest groups, British industrial policy tended to take the form of shoring-up ailing industries.[8] Whilst British management and governments were dominated by a belief in the advantages of large firms and the efficiency gains of internal economies of scale, the conglomerates put together by nationalisations, mergers and acquisitions were larger than the most efficient size and often composed of groupings of inefficient plants which were either state-owned or owned by widely-dispersed shareholders – that would eventually make them vulnerable to further "restructuring" via the stock market (Prais 1976). Manufacturing capability was severely weakened, but rather than evolving a strategy for addressing the problem, the view was that the economy was progressing to a "post-industrial", service-based stage of capitalism.[9]

From the 1960s onward, as memories of the interwar years faded, there was growing confidence in financial markets; and the stock market came to be viewed as a mechanism for restructuring industry.[10] This was based on the "efficient markets hypothesis" that a firm's share price is an accurate reflection of the value of the underlying productive enterprise. Using this logic, the stock market was theorised to be an efficient "market for corporate control" and the "discipline mechanism" by which under-performing management teams could be replaced by more effective ones when the share price fell (Schleifer and Vishny 1997). Restructuring through hostile take-over was therefore viewed as performance-enhancing (Fama 1970).

[7] British Steel was created in 1967, bringing together the 14 largest British steelmakers under public ownership and to create large integrated steelworks; and during the 1970s, nationalisation was extended to shipbuilding, aerospace and motor vehicles (Rolls-Royce and British Leyland), resulting in further concentration.

[8] See, for example, BIS 2010; Wren 1996; Silbertson 1981; Vickers and Yarrow 1988.

[9] See Gibson, 1993; Dunham-Jones 2000.

[10] British industry was particularly vulnerable, since it had historically been reliant on the stock market, instead of banks, for financing that could not be generated internally.

However, the leverage used to finance these take-overs meant that targets needed to be asset-rich, the selling of which would more than repay the debt (Lazonick and O'Sullivan 2000). Thus, investors targeted companies whose assets were under-valued by the stock market, creating enormous profits and stock-market bubbles, which were interpreted as evidence of improved industrial performance. The reality, however, was that this process was dismantling vast segments of British industry and accelerating de-industrialisation.

5.2. Industrial finance

The Macmillan Committee had noted in 1931 that, as a consequence of banking consolidation, local and regional banks had all but disappeared; and the dominant form of commercial bank was a joint-stock, London-based bank, with a national network of branch banks. Pressure to deliver "value" to their shareholders encouraged a focus on activities generating short-term profits. Thus, in trying to strike a balance between their depositors seeking high rates of interest and liquidity on the one hand, and debtors in industry seeking low-interest loans with medium- to long-term maturities on the other, these banks were increasingly unwilling to take the risks associated with financing small- and medium-sized businesses. So the Committee had recommended the establishment of a separate financial institution to provide finance to the small business sector. In 1945, the Industrial and Commercial Finance Corporation (ICFC) was set up for this purpose, with the Finance Corporation for Industry (FCI) also being established to provide finance for large businesses.

However, neither ICFC nor FCI were State-backed banks, unlike the German development bank, KfW, which had been set up at the same time to invest in small- and medium-sized German companies with the support and guarantee of the German State. In the case of ICFC, whilst the Macmillan Committee had advocated a fully empowered financial institution that could raise funds in the private markets, ICFC was established with a heavy reliance on the existing "big five" large commercial banks in London. It was owned by the Bank of England and the big five banks, which – out of fear of nationalisation – had effectively been forced to fund ICFC and become its shareholders (Merlin-Jones 2010, p. 10). But the Bank of England opposed any official connection between ICFC and government policy; and ICFC was not permitted to compete with the big five banks. Nevertheless, initially at least, the banks were less than supportive of ICFC's existence, which they considered a competitive threat.

Despite these challenges, ICFC established local branches and recruited staff with expertise in specific industrial sectors. Rather than investing in narrow industries or sectors, it invested in local companies with sound business fundamentals and good management teams, diversifying its investments across a wide range of industries (Ibid., p. 12). ICFC fostered long-term relationships with its clients; and its investments were considered a certificate of quality management and promising long-term performance. However, ultimately, majority ownership by the big five banks – which had little incentive to protect its core purpose – and being disconnected from government policy together put ICFC at a disadvantage in meeting demand from small- and medium sized businesses for long-term, low-interest loans; and it severely limited the availability of finance for this segment of industry.

In 1959, ICFC was reorganised; and the big five banks allowed it to raise external funds on the stock market, which freed it from spending constraints and made ICFC less reliant on the five big banks. But it also injected short-term pressures to deliver returns to its shareholders; in response, ICFC gradually shifted its activities towards ventures generating higher short-term profits. During the 1960s and 1970s, having been caught up in the merger wave, ICFC set-up Industrial Mergers Limited, which proved to be a highly profitable business at the time; but it "went completely against the traditional areas in which ICFC was developing its strength, the finance of small- and medium-sized businesses" (Coopey and Clark 1995, p. 87). In 1973, ICFC and FCI were merged to form Finance for Industry (FFI), which became a leading provider of finance for management buyouts. FFI was rebranded "Investors in Industry" in 1983, by which point ICFC's original identity and purpose had been lost; and in 1987, Investors in Industry was privatised as 3i Group, a multinational private equity and venture capital firm, no longer focused on loans to industry. Thus, by the 1960s, British industry was already being starved of bank-provided industrial finance – which only served to augment its reliance on stock market financing – and its vulnerability to hostile action on the part of shareholders.

5.3. Industrial policy – and the return of laissez-faire

Despite the challenges – and increasingly successful attempts by the financial services sector to wriggle free of regulation – the "Keynesian" revolution delivered nearly three decades of unprecedented economic and social prosperity and progress. Financial crises were notable by their absence, as living standards and economic equality steadily increased and economic growth rates were unmatched. However, "Keynesian" economic theory and policy proved no match for the "stagflationary"[11] crises of the 1970s; and with the election of Margaret Thatcher in 1979, all of this changed. Macroeconomic policy was sharply reversed, whilst the very concept of industrial policy joined Keynes's ideas about it on the scrap heap of history – where it would remain for at least the next thirty years.

In a speech delivered in July 1976, Thatcher made her views about industrial policy and the future of British manufacturing clear: "Manufacturing industry is of critical importance to our entire economy… the recovery and sustained expansion of British

11 "Stagflation" is the co-existence of inflation, economic stagnation and high levels of unemployment.

industry is the most important task of the next Conservative government" (Thatcher 1976). She went on to argue that excessive state intervention had left British industry "over-governed, over-spent, over-taxed, over-borrowed and over-manned" (Joseph 1976). In Thatcher's view, the solution lay in a programme of privatisation, market liberalisation and deregulation, with the State's role being confined to attempting to correct market failures and fostering the conditions for efficient, free-market operations.

But Thatcher's policies accelerated deindustrialisation; and despite rhetoric to the contrary, during the 1980s, Conservative governments continued to "pick winners", providing generous support to defence manufacturers and the financial services industry in the City of London (Silverwood and Woodward 2018). They also provided incentives to foreign investors to locate production facilities in the UK, which included the Japanese car maker Nissan and later, Honda and Toyota. For the next three decades, this approach to industrial policy was continued under subsequent governments of all political persuasions.

6. A "renaissance of interest" in industrial policy?

Like the crises of the interwar years, the arrival of the 2008 financial crisis attracted attention to the problems of British industry; and business leaders called for leadership and support. In the 2007 Gabor Lecture, entitled "Why Manufacturing Matters", Sir John Rose, chief executive of Rolls-Royce, had argued that since the mid-1960s, the UK's increasing reliance on the services sector – particularly financial services – created growing risks for the economy as a whole. Advocating support for "high-value" manufacturing to act as a counter-balance to high-value services, he made the case for creation of a more diversified economy. He also urged the government to provide a clearer sense of direction for UK industry, highlighting the need to articulate both its objectives with regard to the kind of manufacturing industry it would like to see develop and a strategy for achieving them (Rose 2007).

However, Rose acknowledged the political obstacles to making progress in these areas. Although New Labour had been in government for over a decade, the non-interventionist stance inherited from the Thatcher government remained in place; and "the fear of returning to anything that remotely resembles centralised industrial planning has resulted in even the discussion of such a framework being off limits" (Ibid.).

Several months later, at a meeting of the House of Commons' Business, Enterprise and Regulatory Reform Committee in February 2008, Rose responded to questions from MPs about the future of manufacturing in the UK. When asked what the main aspects of a manufacturing strategy should be, he replied: "the government should do more to set priorities... It should have a better view about the technologies that the UK needs in the future and set future priorities. If you ask me about a lack of technology vision and sufficient amounts of funding, then both need to be improved" (*Financial Times* 2008).

Rose's comments about the potentially obstructive influence of politics, the sort of leadership and institutional structures required – as well as the need for a forward-looking approach and sustainable source of finance for industry – all resonate with the vision set out 80 years earlier, in *Britain's Industrial Future*. This time, however, any thaw in political views about industrial strategy would, at best, be tentative.

With the recession deepening and unemployment continuing to mount, New Labour took its first hesitant steps towards accepting a possible role for industrial policy, with the appointment of Peter Mandelson as Business Secretary. Believing that the UK had become overly reliant on the financial services sector, Mandelson saw the need to rebalance the economy and sought advice from Rose and other British industrialists. The result was a 2009 White Paper, *New Industry, New Jobs: Building Britain's Future*, calling for a "new activism" on the part of government to assist businesses in exploiting new, advanced technologies by means of "targeted intervention" (BERR 2009). To strengthen the economy's capacity for innovation, growth and job creation, a Strategic Investment Fund (SIF) was established, supporting a range of investments across the UK economy.

However, progress stalled when the new Conservative-Liberal Democrat Coalition came to office in 2010; and the SIF was discontinued. As government attention shifted to the 'market's' expected reaction to the high levels of public debt, accumulated as a consequence of the emergency stimulus and bank bailouts that had accompanied the 2008 financial crisis and resulting 'Great Recession', the policy debate was increasingly dominated by austerity. In a speech at the Cass Business School, the new Secretary for Business, Innovation and Skills, Vince Cable, told the audience that "[w]hat we *shouldn't* be doing is trying to micromanage the economy at the level of individual companies or so-called national champions: trying to supersede the judgement of markets" (Cable 2010 (emphasis added)).

But the government soon started moving closer to a role for the State in providing greater support for industry. In 2011, it set out its vision for the economy's recovery in *The Plan For Growth*, which included horizontal industrial policy measures and the identification of key sectors where barriers to growth were to be addressed (BIS and HM Treasury 2011). In his 2011 Budget Statement, George Osborne, Chancellor of the Exchequer, talked about the need for a "march of the makers" (Osborne 2011); and in a speech at Policy Exchange, Cable called for a "New Industrial Policy" aimed at supporting innovation and technological leadership, developing skills (centred on apprenticeships), re-building supply chains and implementing supply-side reforms as a means of building and maintaining business confidence (Cable 2011).

In September 2012, with the London 2012 Olympic Games still alive in the public imagination, Cable set out his expanded vision for a long-term UK industrial strategy – making direct reference to the strategy that had contributed to Britain's Olympic success:

> Over the last few weeks the papers have been full of pictures of athletes. The Olympics provided a unique opportunity to celebrate the things the UK does well... Our athletes achieved what they did because of their years of commitment and planning. I was initially a sceptic; I could see the costs but not the benefits. But the games proved to be a success. Years of planning and investment in pursuit of a clear and ambitious vision were realised... I think there is a read-across to the way we approach our economic future. We need to take the same approach: a clear, ambitious vision; the courage to take decisions that bear fruit over a long period; openness to new opportunities as they develop; focus on the things we do best; and an enduring commitment far beyond a five year parliament or spending review period. (Cable 2012)

But although policy-makers and politicians seemed to be looking for parallels between the approach that had delivered the international competitiveness of UK elite sport – and what the implications might be for evolving an industrial strategy to address the challenges confronting the UK economy – attention proved fleeting; and austerity continued to dominate the policy agenda.

The 2016 referendum result in favour of the UK leaving the European Union – with its implications for the economy in general, and British manufacturing, in particular – brought another renewal of interest in industrial strategy. Theresa May made it a key priority after replacing David Cameron as Prime Minister; and in July that same year, she created the Department for Business, Energy and Industrial Strategy (BEIS), to replace the former Department of Business, Innovation and Skills (BIS). In early 2017, BEIS published a Green Paper, *Building Our Industrial Strategy*, which was followed by a 2018 White Paper, *Building a Britain Fit for the Future.*

But attention rapidly turned to the mechanics of "Brexit" – with very little *actually* being achieved in the area of industrial strategy – and May's government soon fell into disarray. Thus - more than a decade after the most serious financial and economic crisis since the 1929 Stock Market Crash and Great Depression, and as the UK continues to experience very similar conditions to those of the turbulent interwar years - from a policy perspective, very little seems to have been learned.

7. Conclusions

We conclude by returning to the question of the path that Britain's industrial development might have taken, had Keynes's ideas about industrial organisation and policy been taken as seriously as his ideas about macroeconomics.

The current debate about industrial strategy in the UK has largely revolved around the question of *whether* the State should be involved as an economic actor, rather than *how*. By contrast, having carefully examined the "many and various" problems confronting British industry during the 1920s, the LII Committee had rejected the alternatives of *both* laissez-faire and industrial nationalisation. Instead, they argued for a "many-sided" industrial policy, involving both industrial and financial reforms and prioritising national economic development over international trade and finance. They proposed dealing with the high levels of unemployment plaguing Britain's traditional export industries by removing its causes, establishing a large-scale programme of public investment and constructing a new industrial order by which effective cooperation – between the State and industry, between and within industries, and between employers and the employed – would deliver not only industrial peace, but also productive efficiency and distributional justice. It would be a system of "industrial self-government", in which the State would help create an environment conducive to long-term industrial prosperity, which the Committee saw as ultimately delivering a more "abundant life" for individual men and women – and British society as a whole.

Keynes considered macroeconomic and industrial policy as complementary and mutually reinforcing, with both being essential for the achievement and maintenance of full employment, stable prices, national prosperity and social progress. He considered long-term public investment – as opposed to counter-cyclical fiscal and monetary policy – to be the cornerstone of the new economic and industrial system; and he emphasised the importance of protecting it from interference from both political and industrial special interests as well as excessive bureaucracy.

Keynes accepted the trend towards industrial concentration and saw a role for the State in supporting and encouraging the development of large firms, helping them set goals and evaluate performance, and regulating them in the public interest. He believed that over time, large joint-stock companies, properly self-governed and regulated, would evolve to serve a public purpose, rather than the private financial interests of their shareholders. He also advocated regulation of finance and strict capital controls, so that finance, too, would serve its social purpose of directing new investment into profitable productive channels.

Keynes was also concerned about industrial finance. As a member of the LII Committee, he had supported creation of a Board of National Investment, a proposal he returned to repeatedly. With the Macmillan Committee, he supported recommendations for a closer relationship between industry and the City of London for the provision of finance for large-scale industry, and establishment of a separate financial institution to provide finance for small- and medium-sized businesses, which were being neglected by existing financial institutions. He also warned against reliance on the stock market for industrial finance. In a famous passage in *The General Theory*, Keynes had written:

> Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlwind of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done. (Keynes 1997 [1936], p. 159)

Although Keynes played a central role in government throughout the interwar years and Second World War, his ideas about industrial strategy were never tested out. And following the Second World War, Keynes's dynamic theory of economics and industrial development – and empirically-grounded methodological approach – were quickly abandoned with formalisation of *The General Theory* in the static equilibrium framework of the "Neoclassical-Keynesian Synthesis" – itself based on supposition derived from abstract reasoning, rather than reality – which Joan Robinson (1973) branded "bastard Keynesianism".

The early postwar decades were identified as the "Keynesian Revolution"; but Keynes's ideas about monetary and fiscal policy were severely distorted, and his untimely death in 1946 meant that he would be unable to defend them. During this same period, industrial policy was informed by neoclassical microeconomic theories of individual firms competing in different market structures. Belief in the efficiency benefits of large-scale production encouraged rationalisation of the industrial structure though nationalisation as well as promotion of concentration via mergers and acquisitions. But the large firms constructed by these means were usually larger than the most efficient scale of production and composed of inefficient, often ailing businesses, due to the political influence of well-connected special interest groups.

Concerns about the separation of shareholder ownership from managerial control over the day-to-day operations of large joint-stock companies with widely dispersed shareholder ownership led to the prioritisation of shareholder interests in corporate governance. As a result, instead of evolving to serve the public purpose, as Keynes had envisioned, these companies drifted in quite the opposite direction. And as memories of the interwar years and 1929 Stock Market Crash faded – and finance wriggled free of domestic regulation – growing confidence in financial markets encouraged investors to once again look for ways of generating financial returns from speculative, rather than productive, activities.

From the 1960s onward, the stock market was theorised to be an efficient market for corporate control – and the means by which shareholders, dissatisfied with the value of their shares of stock, could "discipline" senior management teams by selling them or launching hostile takeovers. This put increasing pressure on senior managers to deliver continuous appreciation in short-term share prices, distracting them from managing in the interests of their organisations' long-term productive viability, let alone public purpose. In the process, large swathes of British industry were deindustrialised, as hostile take-overs came to be viewed as a legitimate mechanism for restructuring industry.

During the 'stagflationary' crises of the 1970s, not only were 'Keynesian' theory and policy blamed; they were unable to offer solutions to the intensifying economic and industrial strife. This ushered in a return to laissez-faire, which continued apace until the arrival of the 2008 financial crisis. Although there has since been talk about the need for industrial strategy, very little progress has been made.

Keynes's ideas about industrial policy were thus never given the chance; and Britain's postwar industrial development was piecemeal and driven by short-term political, industrial and financial interests. The result is a set of very similar economic, social and political challenges to those experienced during the interwar years. It is conceivable that Britain's postwar industrial development might have been radically different – and much more likely to have delivered the vision set out in *Britain's Industrial Future* – had Keynes's ideas about industrial strategy been as influential as his ideas about macroeconomic policy, however distorted and watered-down.

Thus, with much of the developed world again plagued by under- and unemployment, counter-productive austerity and the parallel rise of radical social and political movements, perhaps the time has come to revisit some of these ideas more generally – in the light of today's industrial reality – to help inform policy for the 21st century.

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