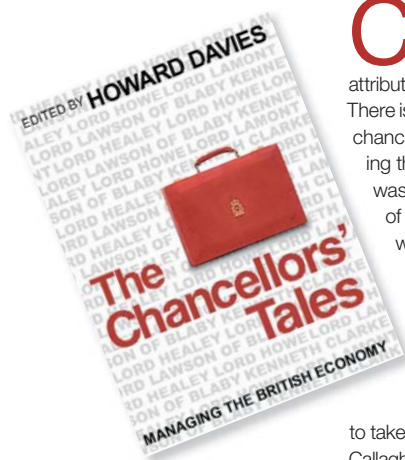


Chancellors' tales

This autumn saw the publication of *The Chancellors' Tales: managing the British economy*. The book emerged from the Chancellors Reflect public lecture series held at the School in 2004. **Howard Davies**, who edited the book, introduces the collection.



Chancellors of the exchequer, like orchestral conductors, seem to live a long time. In the case of conductors, their longevity is usually attributed to the aerobic exercise their work involves. There is no obvious explanation for the durability of chancellors: one might have thought that overseeing the British economy in the late 20th century was a ticket to an early grave. Yet, at the end of 2004, all chancellors back to 1974 were still with us – and all still able to give a powerful account of their period in office.

Five of them accepted an initiative to explain themselves, to an audience of faculty, students and others at the School. Sadly, Jim Callaghan who could have taken the story back to 1964, was unable to take part. He declined graciously, citing ill-health. Callaghan died early in 2005. John Major also asked to be excused, on the grounds that his occupation of 11 Downing Street had been brief. Yet his decision to put sterling into the Exchange Rate Mechanism (ERM) in October 1990 still exerts a decisive influence on British attitudes to the Euro.

Four of the five chancellors who spoke – Denis Healey, Geoffrey Howe, Nigel Lawson and Norman Lamont – have already published memoirs of their time in office. No doubt Kenneth Clarke will do so one day. Those memoirs, particularly Nigel Lawson's impressive tome, which includes considerable detail on the economic policy debates of the time, will remain essential reading for students of the UK economy and politics in the last quarter of the 20th century. But this collection of lectures, delivered with the benefit of a longer perspective, and perhaps without the *apologia pro vita sua* dimension of the political memoir, provides a succinct assessment of the crucial issues each chancellor faced. It shows how the economic legacy of one became a millstone – or a springboard – for the next.

The lectures also give a flavour of just what the Treasury and its people were like at that time. I worked in Great George Street under Healey, Howe and Lawson, observed the Treasury closely from the vantage point of the Confederation of British Industry (CBI) when Norman Lamont was chancellor, and was given a front-row seat in the Ken and Eddie show, when Clarke appointed me as deputy governor of the Bank of England. The Treasury described here, with all its warts and beauty spots on display, is indeed the one I knew.

The styles of the five pieces are very different. In part, they reflect the different personalities of the men, but also the nature of the problems they faced and the approach they took to them.

Denis Healey's reflections are atmospheric, gossipy and personal. Perhaps, 30 years on, the personalities of the time loom larger in the memory than the details of each public expenditure round. But Healey's contribution also accurately reflects the greater need at that time to achieve policy ends by persuasion. An approach to controlling inflation built on prices and incomes policies stood or fell by the chancellor's ability to bring the key trade union leaders along. Trade unions are barely mentioned by the other four, revealing commentary on the declining importance of organised labour during the period.

Geoffrey Howe focuses close attention on what he still sees as the defining moment of his chancellorship: confrontation with the massed ranks of the economics profession after the 1981 Budget, whose rigour caused 90 per cent of the profession in the UK to catch its collective breath. 364 economists wrote to *The Times*, rejecting his policy. Howe clearly thinks, two decades later, that he has had the better of the argument. Others remain to be convinced.

Nigel Lawson centres on the Mais Lecture of 1984 in which he proposed his celebrated redefinition of the respective roles of macro and micro economic policies. In future, he argued, we would see macro policy as the tool to control inflation, while micro policy would be used to promote growth and employment. He argues that this revised formulation has become the new orthodoxy. (Gordon Brown does not wholly agree – but it is noteworthy that his own Mais lecture, in 1999, made extensive reference to Lawson's 1984 version.)

Norman Lamont took office after John Major's fateful decision to put sterling into the ERM. He inevitably gives most prominence to the events of the summer of 1992, leading to our ignominious departure from the Mechanism on 16 September, and on the subsequent rapid reconstruction of a policy framework, some of whose elements, notably the inflation target, survive to this day.

Kenneth Clarke, who inherited Lamont's new framework in 1993, sees his biggest achievement as the reassertion of control over the public finances. He is not kind to his predecessor's record on public spending. But he gives full weight, too, to the further development of the monetary policy framework which he pushed forward and, inevitably, gives his own trenchant views on the Euro in particular, and Britain's European engagement in general.

Together with the transcripts of the Question and Answer sessions, which follow the lectures and in each case raise important additional issues, these lectures provide a fascinating insight into economic policy making in Britain from 1974 to 1997 and beyond. ■



Howard Davies

is director of LSE. *The Chancellors' Tales* was published by Polity in November 2006, and costs £12.99 in paperback. ISBN 0745638856. A series of lectures by UK foreign secretaries is also being edited, to be published as *British Diplomacy: foreign secretaries reflect* by Politicos in January 2007.

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