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Social Learning and Macroeconomic Policy in Britain

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ABSTRACT

This paper examines the social learning models of policy of Hall and May attempting to create a synthesis of the best elements of each. We then apply the revised model to three specific instances of macroeconomic policy in Britain; the introduction of 'Keynesian-plus' policy in the 1960s, the movement from Keynesianism to monetarism, and the experiment with monetarism in the 1980s. In each case study, the degree of policy change is assessed, and possible reasons for that level of change explored. We conclude that a more social constructionist approach is required to understand the link between policy instruments, indicators, and paradigms, and, alongside this, a greater need to understand the implications of the assumptions underlying policy.

Social learning theory explores how policymakers learn, or fail to learn, from both past experiences and policy lessons from both home and abroad. It examines both policy continuity and change, and how the policy process comes to resemble a process of punctuated equilibrium with substantial periods of apparent stability followed by fairly sudden change. This paper attempts to synthesise a framework for policy analysis from Hall (1993) and May's (1992) models of social learning. We then apply our approach to three specific cases where economic policy has been analysed using the social learning framework (Hall, 1993; Oliver, 1996, 1997; Pemberton, 2000). In each paper there is a claim of significant policy change, but with the exception of Hall, the extent of the change is a little unclear. We reassess macroeconomic policy in these periods using a revised model, and clarify and categorise the significance of the policy developments in each period. Finally, we make suggestions for areas of future research.

Social Learning and Policymaking

The analogy of policymaking as social learning has recurred with regularity (Argyris, 1992; Argyris and Schon, 1996; Deutsch, 1963; Klein,

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1997; Peterson, 1997; see also Bandura, 1997; Bandura, 1977a, for the original psychological approach), but until relatively recently was still only developed in the sketchiest terms. Hall (1990; 1993) and May's (1992) contributions place social learning within a detailed theoretical framework. Hall's model has been the most widely utilised of two (see Deeg, 1995, Greenaway, 1998; Jacobs and Barnett, 2000; Radaelli, 1995; Skogstad, 1998, for example), so we examine it first, and show how May's approach can answer some of the criticisms noted by other commentators (especially, Blyth, 1997).

Hall defines social learning in the policy context as 'a deliberate attempt to adjust the goals or techniques of policy in response to past experience or new information. Learning is indicated when policy changes as the result of such a process' (Hall, 1993, 278). Three central features are demonstrated in the 'prevailing model of social learning as utilised by contemporary theorists of the state' (Hall, 1993, 277).

First, Hall claims that policymaker's goals are influenced by policy legacies, and that the influence of the past is more significant for policy than the prevailing social and economic conditions. The major locations of these legacies are in the civil service bureaucracy of the state. Second, Hall suggests that the promoters of policy learning are likely to be experts in the policy. Experts include both elected officials (Rose, 1991; 1993) and civil servants (Hall, 1990; 1993). Finally, Hall states the social learning model is concerned with the capacity of states to operate without pluralistic considerations. Sacks, in his discussion of the 'asymmetrical society', suggests that accounts of social learning 'reveal the substantial autonomy of the state from societal pressures in its formulation of policy goals' (Sacks, 1980, 356). In Hall's model, the settings of policy instruments, as well as the introduction of new instruments (as long as they retain the same policy goals), remain insulated from societal pressure and tend to be the reserve of expert officials because of the technical knowledge required. Equally, where a considerable Parliamentary majority is in place, and no issue exists which might cost the state significant political capital, we might expect it to be relatively autonomous. Where a government has only a small majority, however, or where it appears to be under attack over a specific issue, then societal pressure might appear more significant, especially around the time of a general election. The timing of the economic paradigm shift from Keynesianism to monetarianism occurred at such a time. Societal pressure over perceived economic policy failure is one of the driving forces for economic paradigm shifts to occur.

While we have the beginnings of a model of social learning, there is still a need to add considerable detail. To do this, we can consider policy making as a process which usually involves three central variables; over-

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arching goals, the techniques or policy instruments used to attain the policy goals, and the settings of these instruments (Hall, 1993). When the settings of policy instruments are changed, a frequent occurrence, we call this *first order change*. First order change is likely to be incremental, routinised, satisficing behaviour. It will rely upon government officials, who hold power because of their expert knowledge, their control of forecasts, and their ability to advise politicians (especially the Chancellor of the Exchequer and Prime Minister). As a result, first order change tends to be insulated from pluralistic pressures. Examples are alterations to the interest rate (when it was under government control), a change of fiscal stance, and an incremental change in the sum allocated to a department in the annual budget.

Second order changes alter the basic techniques used to attain policy as a result of experience. The hierarchy of goals underpinning policy remain the same, but dissatisfaction with past experience leads to policy instruments being altered. In the development of new policy instruments we see a more strategic form of action on the part of officials who possess the technical knowledge that such a change in policy requires. As with first order change, the state is acting relatively autonomously from society. Hall gives three examples of second order change; the introduction of CCC (competition and credit control) in the early 1970s, the introduction of the 'cash limits' system of controlling public expenditure in the late 1970s, and the abandonment of strict targets of monetary growth control by the Thatcher government. We will argue that this order of change is more significant than either Hall (1993) or Oliver (1996; 1997) claims.

Third order change, or policy paradigm shift, occurs when policymakers adopt a new hierarchy of goals. Policymakers are seen as working routinely within a framework of ideas and standards that both specify the goals of policy, and help determine the nature of the economic and social problems that they choose to address. Where experiment and perceived policy failure has resulted in discrepancies or inconsistencies appearing which cannot be explained within the existing paradigm, its coherence is undermined. Policy failure in turn leads to a movement away from established advisors. In search of success, policymakers turn to experts outside the state in locations such as think tanks or academia.

When a new goal hierarchy is adopted, the framework of ideas which becomes dominant will not necessarily be the most technically coherent. Instead, it will be the one whose supporters are best politically able to impose it against opposition. Politicians have the most influence over the final choice of goals, but they must mobilise popular support within the media and public to carry the electorate with them. Exogenous

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shocks may also create the opportunity for political manoeuvring. The oil price and currency shocks of the early 1970s helped create hostile economic conditions which made it possible for advocates of monetarism to question the ability of Keynesians to run the economy.

The institutionalisation of a new paradigm will require advisory committees to be packed with 'new men' who will support it, the promotion of sympathetic officials to key posts to secure change, and operating rules and procedures to be adjusted. A shift in paradigm will mean that a new set of experts gain the ear of policymakers, and lead to what Hall calls 'significant shifts in the locus of authority over policy' (Hall, 1993, 280). The clearest example of this is a change in government after a general election (Young, 1991). As Hall states:

> Organised interests, political parties and policy experts do not simply "exert power"; they acquire power in part by trying to influence the political discourse of their day. To the degree that they are able to do so, they may have a major impact on policy without necessarily acquiring the formal trappings of influence. The resultant flow of ideas is an important dimension of the process in which policy is made. (Hall, 1993, 290)

The movement from one paradigm to another is likely to be preceded by a period of policy experimentation and policy failure. Paradigms will be threatened by the appearance of anomalies that cannot be readily explained in terms of existing theory. As these accumulate, there may be attempts to modify the existing paradigm to account for new, incompatible events, but modifications will eventually lead to the intellectual coherence and clarity of the existing paradigm being undermined. If this happens, it will eventually challenge the legitimacy of the paradigm and defenders of the dominant paradigm adding new policy instruments. Challenges to the existing paradigm will only be successful when advocates secure positions of authority necessary to change institutional arrangements.

Policy Instruments, Policy Indicators and Other Issues with the Model

Perhaps the most explicit criticisms of Hall's model came in an article by Mark Blyth (1997). First, Blyth claims that the social learning approach has no explicit model of agency. This is true up to a point, but the role of agency and structure are an ongoing problem in social theory (see for example, Clegg, 1989; Ritzer, 1995). This paper's approach owes much to Jessop's (1990) strategic relational view, which suggests the relationship between agency and structure as being essentially dialectical. The underlying motive for agency is the need to form coalitions through which groups can then make their demands felt in

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the policy process, either within or outside the prevailing policy paradigm. In May's (1992) model, a key component is that of 'political learning' in which advocacy coalitions are formed in attempts to better influence the policy process. An additional motivation may come as policymakers attempt to improve their understanding of cause and effect in the policy paradigm within which they operate.

The second of Blyth's criticisms is that the notion of the policy paradigm is under-theorised, and Hall (1993) at times it is not clear whether or not the term is being used as a metaphor. A possible answer appears in May (1992, 337), who defines 'social policy learning' as being a:

> new or reaffirmed social construction of a policy by the policy elites of a given policy domain. The foci are the policy problem itself, the scope of policy, or policy goals. . . . The process of social construction is the central component of this definition of social learning. The objects of social construction are beliefs about cause and effect . . . preferences concerning desired policy outcomes, perceptions of policy targets, and beliefs about the policy ideas that undergird policies.

The resemblance of May to Hall's concept of policy paradigms is quite striking. 'Social policy learning' as defined above, is the equivalent of Hall's third order change; 'political learning', which is 'about strategies for advocating policy ideas or drawing attention to policy problems' (May, 1992, 339); and 'instrumental learning' is concerned with 'new understandings about the viability of policy interventions or implementation designs' (May, 1992, 335), and is broadly similar to first and second order change. May's work adds an extra dimension, with its focus on advocacy coalitions (Sabatier, 1988; 1994; see also Hann, 1995). He also stresses the social constructionist nature of policymaking in a way which Hall implies, but never fully implements. As well as policy goals, we must consider the values underpinning the decisions about which policy goals to pursue.

May's model also allows us to refine our model, by raising the possibility of social policy learning occurring without a policy paradigm shift, that is, the social construction of a policy changing without its replacement. This occurs when there is an absence of simultaneous political learning. Under these circumstances the coalition proposing the alternative social construction of the problem is unable to implement its ideas because of a lack of resources in the political arena, or political capital (see Bourdieu, 1998).

Table 1 shows how we can use insights from May's approach to the Hall model of social learning to create a new synthesis. Neither Hall (1993) nor Oliver (1996, 1997) are explicit in defining the term 'policy instrument'. We will define the term as a lever of policy used to achieve

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TABLE 1: *Hall (1993) and May (1992) models of social learning*

Type of change	Hall (1993)	Synthesis including May (1992)
Setting of policy instruments or indicators	First order change	Instrumental learning (first order)
Policy instruments or indicators	Second order change	Instrumental learning (second order) and political learning
Policy paradigm (the hierarchy of goals and values underpinning policy)	Third order learning	Social policy learning and political learning

pre-determined goals (Castles and Mitchell, 1992). This, however, creates a problem with existing accounts of social learning in economic policy, such as the example of second order change given by Hall:

> the Thatcher government gave up its attempt to implement a system of monetary base control (MBC) and gradually moved away from a monetary policy oriented primarily to rigid targets for the rate of growth of M3. The government enshrined targets for M3 in the Medium Term Financial Strategy (MTFS) announced with the March 1980 budget and, shortly thereafter, directed its officials to devise a system for monetary base control, but by 1985 the government had all but abandoned strict targets for M3 and any plans for MBC. (Hall, 1993, 282)

Technically, Hall's description involves a change in policy *indicators* and not policy *instruments*. This is because 'the intention was that interest rates (the instrument) were to be varied to influence credit and money (the intermediate targets) in order to exert leverage over the inflation rate (the ultimate target)' (Congdon, 1992, p.215; see also p.212). The levers of control over the economy remained largely the same; there were no new monetary controls imposed. The means of achieving policy remain the same but the means of assessing their success is different. This difference is significant because the growth of monetary aggregates was not under the direct control of the government, as their consistent failure to hit targets seems to indicate. The introduction of new policy indicators seems to demonstrate that a change is taking place in the policymakers' view of the world, and may represent either a first or second order change. We have not adopted new policy instruments, but instead found alternative measures that either demonstrate our existing policies are working when the old indicators seem to be implying otherwise (Coakley and Harris, 1992, 42), or which help policymakers get better feedback on the success or otherwise of their polices. A change in policy indicators may also be a sign of paradigm fragmentation. Policy indicators are a social constructionist phenomenon (Callon, 1998), and their change may be a sign that the policymakers' view of the world is also changing. Where it occurs alongside political learning,

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this is a symptom of possible future paradigm change, or at least present paradigm dissatisfaction.

For monetarists, monetary targets were intermediate policy goals (policy indicators); for much of the Keynesian period of policy, a balance of payments equilibrium, economic growth, and stable prices held the same status. The balance of payments was primarily a constraint upon policy (Thirwall and Gibson, 1992), indicating the need to defend sterling (another indicator) – 'Budget strategy in the period 1947–73 is dominated by the balance of payments, and this constrained all other options' (Gamble and Walkland, 1984, 90). Economic growth seems to represent a similar case, with Britain's performance in this area only seeming to become significant when it was realised that other nations were doing better (Gamble, 1994, 119) or when a general election was due. Low unemployment appears to be a more significant goal than economic growth (Kenway, 1994, 8) except for a short period during the 1960s when a specific economic growth target was announced. Stable prices are seldom mentioned as being an important part of the Keynesian paradigm (Hood, 1994, 57; Jackson, 1992, 13; Kavanagh and Morris, 1989, 4–6; Riddell, 1991, 17).

We must also remember that 'policy instruments are seldom ideologically neutral' (Majone, 1989, 116). Policy instruments are bound up with the values of their related policy paradigms; Majone states that:

> The choice of policy instruments is not a technical problem that can be safely left to experts. It raises institutional, social, and moral issues that must be clarified. . . . The naïve faith of some analysts in the fail-safe properties of certain instruments allegedly capable of lifting the entire regulatory process out of the morass of public debate and compromise can only be explained by the constraining hold on their minds of a model of policymaking in which decisions are, in James Buchanan's words, "handed down from on high by omniscient beings who cannot err". (Majone, 1989, 143)

We would therefore claim that most forms of second order change are not a part of normal policymaking, as in Hall's model, but are of greater significance. Where a new policy instrument is adopted, we might be seeing a new policy tool that has ideological as well as technical properties, and should not underestimate its importance. Instrumental learning through the introduction of new policy instruments or indicators can demonstrate stresses and difficulties within the existing paradigm.

Economic Policy Change – Empirical Cases

We will now consider three cases where writers concerned with the role of social learning in economic policy claim to have found significant policy change, and assess each in turn. First we look at Hall's movement

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from Keynesianism to monetarism, where an economic paradigm shift is claimed. Second, Pemberton (2000), claims that the move to 'Keynesian-plus' economic policies in the 1960s was part of a policy process that involved not only the state and its experts, but also the media, academics and 'think-tanks', and so was more like a paradigm shift than second order instrumental learning. Finally, Oliver (1996; 1997) suggests that the British governments' gradual abandonment of its initial monetarism policies in the 1980s represents a significant movement toward social policy learning without quite reaching it.

From Keynesianism to Monetarism

Hall's example of social policy learning occurs after Margaret Thatcher won the 1979 election. The beginning of the paradigm shift is located in the early 1970s, where rising rates of inflation and stagnating levels of growth and employment began to threaten the dominance of the prevailing Keynesianism paradigm because it could neither 'fully anticipate nor explain them'. (Hall, 1993, 285) Keynesian analyses were further undermined by the impact of the oil shocks and the size of public sector borrowing requirements required. Incomes policies introduced between 1972–3 and 1975–77 attempted to remedy the 'crisis' within the Keynesian paradigm, but instead further undermined its coherence and reduced the authority of the government. In short, social and economic factors cause anomalies with policy until 'the conditions which it requires no longer exist' (Hood, 1994, 68; see also May, 1992, on policy failure). But, policymakers may well realise that existing policy is not working, but be afraid of the political implications of appearing to learn from the error. This is because they can then be accused of making a policy 'U-turn' and abandonment of values (May, 1992) and because 'governments in Britain, like many people, only act reasonably when all other courses of action have been exhausted' (Gamble and Walkland, 1984, 154).

In the 1970s, Hall argues, the Keynesian and monetarist paradigms represented very different frameworks for viewing the economy. Keynesians viewed the private economy as being fundamentally unstable, with fluctuations in output and inflation being due to economic cycles or excessive wage and price pressure, and the unemployed as being the responsibility of the state. Monetarists on the other hand, take the opposite position; the private economy is fundamentally stable (and so does not require the intervention of discretionary fiscal policy), fluctuations in output and inflation are caused by excessive changes in the rate of growth of the money supply, and the unemployed are not seen as the responsibility of the state, instead having a 'natural' rate which

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is the result of interplay between demand and supply in the labour market. Hall (1990; 1992; 1993) claims that the Keynesian and monetarism positions were different enough in the 1970s to be regarded as alternative and incompatible views of the economy, and therefore constituted separate paradigms. Each had its own discourse and idea about cause, effect, and the correct policy solution. Thatcher's election victory in 1979 therefore marked a shift in economic policy paradigm as both the policy goals and instruments of monetarism were firmly embraced at that point. Labour's use of monetary targets before this date is seen as an attempt to 'prop up' the old Keynesian paradigm, with no new hierarchy of policy goals being introduced (Riddell, 17), but new policy instruments being used as an attempt to deal with negative policy feedback. We can see this shift in Gamble's (1994, 194) description of the change in government in 1979:

> The main contribution made by the Thatcher government was to consolidate the new policy regime by the fierceness of its ideological commitment to it. Monetarism was justified not on the pragmatic but on doctrinal grounds. . . . The control of inflation was proclaimed at the outset as the central objective of the government's economic policy

Equally, Smith (1987, 70) seems to place the major shift in policy around the same date; 'Healey and Callaghan . . . were very reluctant monetarists indeed by 1979'. The values underlying policy after 1979 not only rejected the hierarchy of goals underpinning policy, but also the values of collectivism and consensus that underpinned it. The opportunity for political learning appeared as a new advocacy coalition was formed in the 1970s. The development of monetarist ideas in think tanks and policy groups improved the perception of their feasibility (Cockett, 1995), and they moved to the centre of the policy agenda with a new Prime Minister prepared to try them against the wishes of her 'wetter' colleagues (Gilmour, 1994).

There is overwhelming evidence for Hall's claim that the move from Keynesianism to monetarism under Thatcher represents an economic policy paradigm shift. We now turn to two further cases where writers using a social learning model have claimed that significant policy change occurred.

From Keynesianism to 'Keynesian-plus' Policy

In the early 1960s, the media coalesced around planning as the required policy solution as it became clearer that Britain's economic performance in the post-war period was being outstripped by its rivals (Pemberton, 2000, 785–786). Officials in the civil service followed

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industry and academia in compiling papers and reports on the newly found problem, which were then used to persuade politicians toward a new point of view. Negative policy feedback led to societal debate, which triggered civil servants to begin investigations, which eventually led to persuading politicians (largely passive in the process) that planning might be the answer. Pemberton claims that the resulting policy is 'something more than second order change' (Pemberton, 2000, 788), implying that we are witnessing something beyond instrumental learning.

But if we examine the period we find Keynesianism remarkably intact. The state still accepted responsibility for unemployment, it still believed the private economy to be unstable (and so to require stabilising using discretionary fiscal policy), and it still believed fluctuations in output and inflation to be the result of policy cycles and increases and decreases in prices and wages (so requiring discretionary fiscal policy as well as prices and incomes policies). Gamble and Walkland (1984, 114) note the period as one in which 'angry young men were questioning some fundamentals but in a curious non-political and unideological fashion.' In a scramble to appeal to the electorate, policymakers had no particular sense of what planning might entail: 'It was soon clear that the decision to embark on planning did not rest on a clear understanding of what it implied, how it worked elsewhere and whether it would remove the main obstacles to faster growth' (Cairncross, 1996, 63; see also Cairncross and Cairncross, 1992, 105). The coiner of the term 'Keynesian-plus' is equally clear; 'The change did not disturb the fundamentals of the consensus that had been established after the war. What was agreed was that the rate of growth was too low, and that demand management policies were no longer enough' (Gamble, 1994, 119). 'Keynesian-plus' was thus a means of achieving the same policy goals as Keynesianism through the use of additional policy instruments and indicators. There was, however, no corresponding change in the ideas underlying policy. Therefore it represents second order instrumental learning, and not social policy learning.

Equally, Pemberton's claim that the wider policy network justifies the change being paradigmatic is difficult to sustain. Policy debate was present, but at nowhere near the level of the following decade (Denham and Garnett, 1998, 193). Writers were not calling for a completely different approach to economic policy. For a paradigm shift to occur, there is inevitably a degree of polarisation that was not present in the 'Keynesian-plus' policy change.

What Pemberton is showing, however, is the beginning of the end of the Keynesian paradigm, and that the economic paradigm was first coming under pressure. The rash of new policy instruments developed

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in the 1960s seems to provide further evidence for this view, as policymakers attempted to stabilise the existing paradigm (Cairncross and Cairncross, 1992, 100). Their intensity indicates that something was clearly amiss within the Keynesian paradigm, providing an indication of the further trouble to come, and emphasising the importance of second order instrumental learning. The values underpinning the Keynesian paradigm, however, of paternalism and collective redistribution, seem to remain remarkably intact throughout the 1960s, and with 'little conflict over the objectives themselves' (Gamble and Walkland, 1984, 44).

Monetarism and After

Oliver's account of policy change in the 1980s (Oliver, 1996; 1997) argues that the Conservative's apparent abandonment of the monetarism experiment led to a loss of monetary discipline as the Chancellor focused more on the exchange rate than inflation as his policy indicator, and eventually led to an abandonment of monetarism. By 1993/94, the Financial Statement and Budget Report (1993), instead of making dogmatic statements about price stability, stated that 'The Government's economic objective is to promote sustained growth and higher living standards'. This period of policy is perhaps the most complex of the three reviewed in the paper. It is also significant as it is nearest to the present day.

Oliver's account focuses on Nigel Lawson, who first abandons £M3 in favour of M0, moving from being a broad to a narrow monetarist, then entering foreign exchange markets by shadowing the Deutschmark (as a precursor as well as practice for joining the ERM). The exchange rate shadowing was at a rate which meant domestic interest rates had to be kept low, causing inflationary problems, whilst at the same time keeping this policy from the Prime Minister, even though the foreign exchange markets seemed perfectly aware of it (Oliver, 1996, 123). Lawson increasingly relied on experts external to the government, isolating himself from the Prime Minister and her economic advisor, as well as from many leading monetarism commentators. We see a decoupling of his stated position (using the ERM as an anti-inflationary policy, so maintaining inflation as the central economic goal) and what Oliver calls the 'reality of government policy' (Oliver, 1996, 124), which was that the control of inflation had been lost by lax monetary discipline, and that ERM entry was a '*volte face* to appease the growing unease in the Conservative Party over the Thatcher government's anti-European stance' (Oliver, 1996, 124–5). Oliver claims that a movement towards a new paradigm occurred because the main goal

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of monetarist economic policy, price stability, had been abandoned by the Chancellor, and that the main policy indicator (although Oliver calls it an instrument), the rate of growth of the money supply, was no longer in place as the Chancellor focused instead upon the exchange rate.

Our definition of the monetarist policy paradigm leads us to agree with Oliver that a policy paradigm shift did not occur in the 1980s. We would, however, present a different interpretation of some events in his account. Lawson felt he had to hide his policy of Deutschmark shadowing from the Prime Minister, and their relationship appears to have collapsed in the face of Lawson and Thatcher's disagreement over ERM entry (Brittan, 1989). This did not, however, represent a shift in the locus of authority of policy in the same way in the 1970s, as Lawson and Thatcher were not surrounding themselves with revolutionary thought, they were considering different varieties of essentially monetarist policy while increasing their isolation from one another (Jackson, 1992, 20). Lawson appears to have been engaging in both political and instrumental learning in his attempts to legitimise his exchange-rate-based approach to monetarism initiated by the problems the government experienced with sterling at the beginning of the decade (Smith, 1993, 48–49). The 'Lawson boom' itself represents a series of government policy errors, but Oliver's claim that inflation was degraded as a policy goal and that ERM entry occurred to appease his party (Oliver, 1997, 141–2; 1997a, 72–73) is more difficult to sustain. This debate once more highlights the difference between policy instruments and indicators. Oliver is right in that the MTFS (a framework of monetary indicators) had been abandoned, and that the government, in the run up to a general election, had allowed some fiscal expansion to occur although in GDP terms, this was only significant in 1988 (Lawson, 1992, 810). But the Chancellor's move from broad money to narrow money, and then to shadowing the Deutschmark, represents a second order instrumental change in policy. We did not see a move towards monetary base control or a re-regulation of the financial markets, either of which might have represented new policy instruments making the monetarist paradigm work in a different way, perhaps more like 'American monetarism' (Congdon, 1992). The problem was that Lawson was now attempting to both shadow the Deutschmark and combat inflation using the same policy instrument, the interest rate (Reddaway, 1992, xxi).

After winning the general election in 1987, a difficult combination of events occurred. First, Lawson's popularity led to him becoming overconfident in his ability to manage the economy (Smith, 1993, 128, 134). Second, Lawson's determination to keep the price of sterling

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down led to him lowering interest rates when inflationary pressures demanded they be raised hence the accusation the Chancellor was a 'one club golfer' (Heath, 1988). For a period of several months after the election, economic policy sent out very mixed messages immediately after a budget which was expansionary in nature and which had inadvertently created a boom in the housing market (Marsh and Rhodes, 1992a, 184). Third, an over-reaction to the 'Black Monday' stock market crash once again fuelled the economy because of an interest rate cut which was possibly unnecessary (Lawson, 1992). Finally, the liberalisation of the financial markets in the 1980s created a situation where a credit boom of previously unseen proportions occurred (Michie and Wilkinson, 1992, 196–197).

None of these factors, however, necessarily mean the government abandoned its central goal of low inflation; 'as if to underline his own anti-inflation credentials, and his singular lack of political ambition, Lawson appeared to go out of his way to raise rates at politically inopportune times' (Smith, 1993, 153). It would also be hard to argue that, once the inflationary implications of the 'Lawson boom' became clear, policymakers did not act. Equally, Oliver's explanation for Britain's entry into the ERM is a touch cynical, and it seems more likely that the decision was made primarily as a means of controlling inflation (Coakley and Harris, 1992, 43; Smith, 1993, 166) allowing a reduction in interest rates within that constraint (Thompson, 1996). The eventual targeting of inflation rates by (and for) the Bank of England, and passing control over interest rates to the Central Bank with the explicit goal of keeping inflation within certain bands points to a continuation of broadly monetarist policy up to the present day.

The values underpinning policy during the monetarist revolution, based around individualism and faith in the private market to deliver choice and efficiency, remained very much in place through the period (Marsh and Rhodes, 1992a; Ranalagh, 1992; Riddell, 1991, 209; Gamble, 1993). This is demonstrated by the continuing policy of utility privatisation, and the introduction of a quasi-market in the National Health Service. With the benefit of hindsight, the 'Lawson boom' appears to be an aberration, rather than the beginning of a new economic policy paradigm. We do not see a new advocacy coalition appearing to threaten the existing policy paradigm. Equally, it was not until the mid-1990s that new-Keynesianism began to achieve enough momentum to once again begin to seriously raise questions about the monetarist policy paradigm (Giddens, 1994; 1998; Hutton, 1995; Marquand, 1988). If there is no alternative viable policy paradigm, then advocates of the present paradigm have time and space to attempt to engage in second order instrumental learning, seeking new policy instruments and/or indicators, in the

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face of severe recession and apparent policy failure. This period was one in which there was an absence of both social policy and political learning, leading to the retention of a bastardised form of monetarism. Evidence of instrumental learning of both the first and second order throughout the period is especially clear during Lawson's experiments with new policy indicators. It is also significant that no major external economic shock occurred during this period. In the 1970s it took oil price shocks to shift the economic paradigm, despite the evidence that had accumulated against Keynesianism prior to that date.

Implications

Social learning emphasises the role of ideas in politics, influencing public continuity and change expressed through instruments, settings, and goals. The point at which instrumental learning leads to a paradigm shift in policy is an important one. It would seem to depend upon the nature of the instrumental learning, and on the ability of those advocating change to command the political arena by forming advocacy coalitions that can present the case for change convincingly through the media. When those working within the existing policy paradigm can introduce an effective new policy instrument that is consistent with the prevailing paradigm, then there is no reason why a paradigm shift should occur.

Economic planning 1960s-style, in many ways, is a perfect match for the expert-led, paternalistic Keynesianism, and so did not undermine the paradigm. 'Keynesian-plus' policy represents an attempt to deal with a specific problem that the Keynesian paradigm was struggling with, the relatively poor economic performance of the UK. In the 1960s policymakers went through an extensive period of instrumental learning in order to attempt to deal with the 'new' problem of Britain's comparative lack of economic growth, but political learning did not take place on the same level as it was to a decade later. As a result, there appears to have been very little social policy learning, with the preservation of Keynesian goals and values. As questions over UK economic performance did not go away, especially following the publication of Bacon and Eltis, (1976), for example, the prevailing paradigm was unable to deal with its accumulating anomalies. Pemberton, in showing us how Keynesianism was dealing with these anomalies as far back as the 1960s, allows us to re-date the beginning of the end of the paradigm ten years earlier than in Hall's original article, but is hard to agree with his view that the 'Keynesian-plus' stage of policy constitutes something more than instrumental learning.

In the 1970s, anomalies with the Keynesian paradigm grew as

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existing policy frameworks and instruments seemed unable to cope with the turbulence of the policy environment, and advocates of the alternative monetarist paradigm grew in strength. The political learning demonstrated by interest groups influencing debate in the media was considerable, with editors of broad-sheet newspapers writing columns in favour of the new approach, and media-friendly figures available for television appearances. Governments engaged in further instrumental learning in an attempt to preserve the consensus-based Keynesian paradigm, but a series of new policy instruments in the form of incomes and prices policies, and an experiment with monetary indicators, was not enough to deal with the economic problems policymakers faced in the 1970s. At the same time, key figures in the Conservative party were engaging in social policy learning, with a string of 'conversions' to the new monetarist path, and political learning, as the right of the party began to plan their ascendancy to power under their new leader. The sources of paradigmatic economic policy change were both exogenous and endogenous. A series of exogenous economic 'shocks' demonstrated the weakness of the Keynesian model in dealing with an unstable economic environment. At the same time expectations frustrated that the Keynesian model could achieve a range of economic goals simultaneously, has led to disappointment for its advocates.

In the 1980s policymakers demonstrate considerable instrument learning. Lawson's continual experimentation shows either a remarkable willingness to learn, or a very short span of attention. It seems most likely that Lawson's initial success in achieving economic growth eventually led to him becoming over-confident in his abilities, and increased experimentation as a means of both displaying that ability, and attempting to reassert control over inflation. Inflation remained the central policy goal, and the primary instrument of policy throughout this period was the interest rate. We did not see the Chancellor engaging in a more American flavour of monetarism engaging in monetary base control. A significant policy lesson, that attempting to control both the exchange rate and the inflation rate with the same policy instrument, was doubtful, seems not to have been learned, with persistently high exchange rates in the 1990s the downside of the significant progress made on inflation. The underpinning values and goals of economic policy remained remarkably constant in the 1980s. If we were moving towards a new economic policy paradigm by the late 1980s, Oliver is rather less clear about what it comprised – neither monetarism nor Keynesianism, but something else which perhaps became even less clear after its Chancellor, Lawson, left office. The lack of a viable alternative meant that the existing paradigm was preserved, even in the face of apparent policy failure. This argument is summarised in Table 2.

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TABLE 2: *Economic policy paradigms of Keynesian, Keynesian-plus, monetarist, and 'post-monetarist' policies*

	Keynesian	Keynesian-plus	Monetarist	Post-monetarist
Beliefs about cause and effect	Unemployment as a cause of social instability Expert-knowledge as means of controlling the economy	Unemployment as a cause of social instability Expert-knowledge as a means of growing the economy	Inflation cause of economic ills Control of money supply growth leads to reduced inflation	Inflation cause of economic ills Exchange rate means of achieving price stability
Desired policy outcomes (goals)	Stable low unemployment Balance of payment equilibrium 'Acceptable' inflation	Stable low unemployment Economic growth Balance of payments equlibrium 'Acceptable' inflation	Low inflation	Low inflation Stable exchange rate
Main policy instruments and indicators	Fiscal demand management Unemployment level Trade figures	Fiscal demand management Unemployment level Trade figures	Interest rate PSBR Monetary aggregate growth	Interest rate PSBR Exchange rate stability with DM
Undergirding ideas	Keynesian social democracy	Keynesian social democracy Technocracy	Quantity theory of money Monetarism	Monetarism

Table 2 shows that there is a clear break between Keynesian-plus and monetarist policy, but not between Keynesian and Keynesian-plus periods, nor between monetarist and 'post monetarist' (broadly after the abandonment of the MTFS) periods. A change in belief about cause and effect, the desired policy goals, and the means of achieving them is apparent at the end of the 1970s signalling a policy paradigm shift that is not found in the other two cases. The table makes more explicit the extent of learning that occurred in each period. The introduction of Keynesian-plus policy marks an attempt to form a limited advocacy coalition for change, political learning on a limited scale. At the same time it is an attempt at instrumental learning to achieve the growth targets created by the government.

During the 1970s an extensive period of political learning occurred with monetarist think tanks and policy groups publicising their case effectively in the face of the government's failures to curb inflation or achieve growth. Instrumental learning through government's use of incomes policies can be seen, and a short IMF-imposed flirt with monetarism. Once the Conservative government was elected in 1979 the monetarist experiment really began, with instrumental learning taking place on a radical scale with budgets that flew in the face of conventional economic wisdom, and monetary growth targets utilised as the main indicators of policy success or failure. The government's failure to meet these targets meant that Lawson sought alternative measures that might prove a little less politically embarrassing, and his shadowing of the DM as a means of achieving price stability is an example of instrumental learning, with the abandonment of the MTFS. But this is not a movement away from the prevailing monetarist paradigm sufficient to mark the introduction of a new policy paradigm.

For an economic policy paradigm change to change values we must also have a clear ideological shift. There was no paradigm shift in the 1960s or 1980s, because the core values, and even many goals of policy, remained intact. In 1979, however, an ideological shift took place, favouring a more market-centred approach. This is indicated in the district change in the discourse coming from the new government (Kavanagh and Morris, 1989; Phillips, 1996, 1998); and its challenge to the existing expertise in the civil service (Thatcher, 1993; Young, 1991).

May's model of policy learning provides us with an explanation of how we can move beyond instrumental learning without implementing a new policy paradigm. Both Pemberton and Oliver suggest that this occurs, but do not develop their accounts. Our model adds more detail to Hall's original version, and allows us to assess claims of significant economic change more analytically. The social constructionist nature of economic policy is clearly a fruitful area for future research, espe-

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cially where it explores the link between ideology, discourse and policy further to perhaps help provide an exploration of how these interact with policy values and beliefs and so explore the assumptions underlying policy.

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