

Proposal for a Research Agenda for the Master Programme 'Theory and History of Modernity'

The ideology of prosperity: the rise and fall of New Liberalism, 1945-79

In this research project I examine the Golden Age of Capitalism, the decades after World War II that combined widely shared prosperity with increasing individual liberties. I examine this period through the lens of the underpinning ideology: New Liberalism.

The term New Liberalism was first coined by John Maynard Keynes in his 1925 essay 'Am I a Liberal?'. The neologism was part of Keynes's own intellectual struggles. He tried to reconcile his liberal political outlook with the results of his economic analysis which increasingly forced him to distance himself from traditional tenets of economic liberalism. However, these attempts to save liberalism from its own contradictions was not peculiar to Keynes. They were part of the of the great battle between the ideologies of modernity that shaped the 20th century.

Liberalism had been the original ideology of modernity. Born around the time of the French Revolution its focus was on the fullest development of human capacities and happiness through a maximum of individual freedom guaranteed by individual rights. Among the most important of these rights was that to private property which ensured the functioning of the market system which was expected to result in increasing and widely shared prosperity.

However, the historical development during the long 19th century made it clear that the reality of liberal states and economies could not deliver on the promises of liberalism. Capitalism produced stunning economic inequality and the political and social rights of many individuals remained severely curtailed. Working class populations, women, religious minorities and other groups in European societies remained excluded.

As Mazower argues the competing ideologies of socialism and fascism sprung-up against the backdrop of liberalism's failure to provide an answer to the challenge that the brutality and egoism of capitalism provided to life in community. These ideologies offered forms of community that were based on class- or national-identities. Importantly, both were, if to very different degrees and with very different objectives, ready to interfere with the liberal capitalist order.

Liberalism's failure became fully clear in the Great Depression from 1928 onwards when the emptiness of the liberal twin-promise of individual self-realization and economic efficiency. As a result, liberals looked for a new ideological foundation. Out of this crisis of liberalism developed mainly two traditions that shaped Western Europe in the second half of the 20th century: Keynes's New Liberalism and Hayek's Neo Liberalism.

Hayek's was a return to the foundations of the political liberalism without much regard for economic efficiency. Keynes, in contrast, believed that liberalism, like its ideological competitors socialism and fascism, had to accept that some degree of economic planning was necessary at this point in economic

development. The question that lay before Keynes and other liberal reformers of the time was whether a partial retreat from economic liberalism also inevitably lead to an end of social and political individualism as socialists and fascists argued.

In the view of New Liberalism, a less liberal and more managed capitalism was not only compatible with individual freedom but could contribute to substantially increase the capability of individuals to be architects of their own fortune. The decades after World War II seemed to confirm this view and the Golden Age in many respects unfolded as a New Liberal utopia that united increasing shared prosperity with increasing individual freedom.

In a first part the research project examines the intellectual development of New Liberalism in the pre-war period and during the war. Here I build on the research work for my monograph 'Austerity: The Great Failure'.¹ Most importantly the enquiry focusses on two questions: (1) How did New Liberal economic theory and policy proscriptions develop and spread in western Europe. This includes the reconstruction of intellectual and political networks that reach far beyond the British context and beyond the figure of Keynes who was important for the new ideology but ultimately less central than is often assumed. (2) The question of how New Liberalism, at a theoretical level, tried to reconcile a reduction of economic liberty with an increase in political and social liberty.

A second part of the project seeks to ascertain through what channels and to what extent New Liberalism formed the basis of post-war policy making in France, the United Kingdom, Germany and Switzerland. Other factors shaping the development will be examined and contrasted with the influence of New Liberalism. This includes continuities of economic corporatism that were close to fascist traditions and the pressure of socialism movements in Western countries and through the competition with Socialist countries.

The third and most important part of the project examines the failure of the New Liberal utopia. The enquiry will focus on (1) economic, (2) social and cultural, and (3) political factors. (1) The economic crisis that started in the early 1970s was perhaps the most important factor that led to the decline of New Liberalism. Here I can build on my research paper 'Working hard for the money: work and leisure in the 1970s'.² Much of the persuasive power of the ideology relied on its ability to deliver prosperity and this ability came to be questioned as economic growth slowed and inflation grew in the 70s. My thesis is that inflation was driven by a combination of increasing energy prices as a result of the oil price shock and an investor's strike that was the consequence of lowered profit expectations. In a economic and political context with prolonged periods of full employment and strong unions employers saw their profits dwindle and withheld investments. This caused slowing labour productivity and output which together with continued strong demand from consumers lead to inflation. The nature of this economic crisis which was not characterised by a single shock but by a creeping increase of inflation also shaped individual economic responses. Rather than reacting collectively through political channels employees and families believed

¹ F. Schui, Austerity: the great failure, (New Haven, London: Yale University Press, 2014).

² -F. Schui, Working hard for the money: work and leisure in the 1970s, first presented at the conference 'An Era of Value Change: The Seventies in Europe', German Historical Institute London, 14-16 March 2019. Online hier: <https://www.alexandria.unisg.ch/publications/257206>

they could 'outrun' the loss of purchasing power by increasing labour hours either individually or as a household: women started increasingly to enter the labour market in this period. This focus on individual responses was an important factor in bringing about a more self-centred individualistic outlook on social and economic problems in general and undermined the macro-economic outlook of New Liberalism as a dominant perspective.

(2) Social and cultural factors also contributed toward an increasingly individualistic outlook that undermined the coalition of political movements that supported New Liberalism. The Golden Age was an era of unparalleled successes for the trade union movement, the women's movement and other civil rights and progressive movements. However, in many cases their very successes undermined their political basis. As a result of rapidly increasing wages working class lifestyles began to resemble those of the middle-classes and the working class as cultural milieu and united political force began to erode. Similar processes can be observed associated with the successes of women's and other movements.

(3) The political framework shifted in important ways domestically and internationally. Domestically, the political opposition against New Liberalism that had been weak in the aftermath of World War II regrouped intellectually and found new and effective channels of communication. Neo-Conservative and neo-liberal intellectuals began to develop new arguments and newly founded think tanks functioned as incubators and distributors of their ideas. Crucial parts of these efforts were a meticulous analysis and critique the economics of New Liberalism by monetarist economists and a political critique by neo-liberal thinkers. This critique was given urgency by discourses conjuring up notions of impending crisis that were often associated with the early representatives of neo-conservative traditions. Often associated with vision of decline as a result of immigration, cultural degeneration the spectrum of these gloomy scenarios also included apocalyptic predictions about the environment which contributed to questioning New Liberalism's focus on economic growth. Internationally, the political framework shifted as the cracks in the economies and societies of the socialist countries became increasingly visible. The political pressure on Western countries to guarantee shared prosperity continuously diminished steadily long before the final demise of socialism in 1989.

The project analysis these factors as criss-crossing and interdependent developments rather than as self-contained determinants. Equally the enquiry focusses on transnational transfers, influences and interdependences because the historical shift in question clearly transcended national boundaries. In a concluding chapter the analysis will be used to reflect on the question which of the factors that led to the end of New Liberalism developed inexorably from its internal contradictions and which were the result of contingent political and economic shocks. Ultimately this leads the enquiry to the question of what potential, if any, there may be for a new New Liberalism. By offering a historical take on this question about the future of our societies the project seeks to contribute not only to scholarly debates but also to discussions of the broader public. The project offers numerous opportunities to connect and cluster projects at all levels including student projects.