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Economics and Policy in Britain 1939–1980

29.1 INTRODUCTION

In this chapter a number of issues arising in post-war discussions of economic policy will be considered. The first two concern general changes in attitudes to macroeconomic policy: the "Keynesian revolution" of the 1940s, and the demise of Keynesianisms in the 1970s. In addition, the issues of exchange rate policy, the European Community and policies to raise the growth rate are very briefly considered. It is important to stress that neither is this selection of topics exhaustive, nor does it necessarily include the most important topics. The topics chosen are, however, enough to support some general observations on the relationship of economic theory and policy.

29.2 THE ADOPTION OF KEYNESIAN POLICIES

Perhaps the most important aspect of the adoption of Keynesian ideas on managing the economy is that this was a slow and gradual process, involving pressure of circumstances and political pressures as well as simply the influence of new ideas. Keynes' *General Theory* produced no instant conversion of official opinion. The process whereby Keynesian ideas came to be adopted falls into four phases: from the *General Theory* to the outbreak of war; the problems of war finance; wartime discussions of employment policy; and the policy of the first post-war government.

The Treasury and recovery

There was, in the late 1930s, a clear difference in approach between Keynes and the economists in the Treasury advising ministers. Particularly important was Sir Richard Hopkins, responsible for providing the government with advice on financial policy and government expenditure from 1927 to 1945. One historian has written of him, "if he thought an idea all right the official world would accept it".[1] There was considerable continuity between his ideas in the late 1930s, and the ideas he held in 1929 when Lloyd George's schemes were being discussed.[2] Two aspects of these merit attention. Firstly, he sought "good" schemes: schemes which would yield a return covering their costs. Without such a criterion, politicians would, he believed, be unable to resist the pressure to increase spending.[3] Such "good" schemes were hard to find. Secondly, he saw the fundamental policy problem as that of raising industrial efficiency, especially in the export industries, where unemployment was concentrated. Keynesian expansionary policies would raise prices, thus making the situation worse for the export industries.[4] It is important to note that, even if these arguments are thought inadequate to justify a rejection of Keynesian policies, they are not entirely without merit. To a certain extent, the differences between Keynes and Hopkins stemmed from different weights attached to political and administrative issues, as well as from different views on how the economy worked. Having said this, however, there was an important theoretical difference, in that Keynes argued that when there was substantial unemployment it was investment that determined the level of savings, whereas the Treasury persisted in believing the opposite. There was thus a difference over what Meade considered the kernel of the Keynesian revolution.[5]

Despite these differences with Keynes, the Treasury nonetheless put forward proposals for counter-cyclical public works. In particular, government officials, and later the cabinet, accepted, in 1937, the idea of postponing certain items of capital expenditure.[6] This was designed (a) to reduce the extent of the boom then developing; and (b) to ensure that when unemployment started to rise, suitable investment projects were at hand.[7] Despite the adoption of such a policy, however, it would be wrong to conclude that the Treasury was converted to Keynesian ideas.[8] Firstly, the scheme was not expounded within a Keynesian framework of national income, aggregate demand, savings and investment.[9] Secondly, it could be seen as standing in the tradition stemming from the Minority Report of the Royal Commission on the Poor Laws (1909).[10] Thus even if there was a movement towards "Keynesian" policies, it would be wrong to see this as a conversion to the Keynesian way of thinking about the economy.

War finance

It is the wartime discussions of policy which are most important in understanding the nature of the "Keynesian revolution" in economic policy. During the war Keynesian ideas were pertinent first of all to the question of how wartime expenditure was to be financed. Keynes' views on this were first published in two articles in *The Times* in 1939, later expanded as *How to Pay for the War* (1940). In this book Keynes applied the techniques of the *General Theory* to the problem of excessive demand. Instead of seeing inflation in terms of monetary expansion, Keynes saw it in terms of the inflationary gap: the difference between desired savings and investment. Given a situation of full employment, inflation would occur if the government wished to borrow more than the public would be willing to save *in the absence of any price rises*. The policy problem was thus seen as how to raise savings to a level sufficient to finance wartime expenditure without inflation. Rather than tax wage-earners to reduce demand, Keynes advocated a scheme of "deferred pay", a system of compulsory saving. Shortly afterwards, Keynes supplemented these arguments with his privately circulated "Budget of National Resources", which contained estimates of the inflationary gap.[11]

At the same time, Keynes was trying to make administrators see the budget not simply as a statement of public finance, but as an instrument for controlling inflationary pressures.[12] In this he was successful, the 1941 budget being "Keynesian, in principle if not in detail".[13] This budget did not, however, mark a fundamental change of outlook, so much as being an attempt to use Keynesian ideas to solve a new, temporary problem. Traditional budgetary criteria were thus not thought discredited, so much as inappropriate for the exceptional circumstances of wartime.

Wartime discussions of employment policy

The limited acceptance of Keynesian ideas is shown by Treasury attitudes towards employment policy when prospects for peacetime were discussed. Wartime discussions began with Meade's proposing, in 1941,[14] a series of measures: (a) policies ranging from open market operations and public works to extensions of the social services in order to maintain and control the level of demand; (b) the removal of restrictive practices in industry, in order to make industry more flexible; (c) attempts to co-ordinate monetary, budgetary and investment policies in different countries; and (d) a wage policy to prevent inflation from accelerating as unemployment was reduced.[15] These proposals contrasted with those of Hopkins. Critical of public works and tax reductions as a means of stimulating demand, and sceptical as to the political feasibility of balancing the budget over the cycle, he proposed variations in the annual rate at which debt was redeemed as a way of smoothing the cycle. Lower taxation and low interest rates could thus be used to alleviate depression, but without unbalancing the budget.[16] There was thus a clear contrast between Keynesian and Treasury attitudes.

A separate impetus was provided by Beveridge's work. Beveridge was appointed, in 1941, to investigate the system of social security. His *Report on Social Insurance and Allied Services* (1942) advocated the setting up of a comprehensive scheme of social insurance, in which various benefits, in particular a health service, child allowances and unemployment benefits, were to be provided in return for flat rate contributions. The report was an immediate success with the public, attracting enormous publicity and widespread support.[17]

In itself Beveridge's report was not concerned with unemployment policy. Employment policy was, however, crucial to it, for the scheme would be financially viable only if unemployment were kept sufficiently low. His calculations about the costs of the insurance scheme were based on the assumption of an average rate of unemployment of 8.5%, an assumption which appeared unrealistic to Treasury officials who based their expectations on pre-war experience.

After his Report on social security Beveridge himself turned to employment policy, the result being *Full Employment in a Free Society* (1944).[18] In this book Beveridge proposed a target of 3% as "a conservative, rather than an unduly hopeful, aim to set for the average rate of the future under conditions of full employment".[19] The main mechanism through which this was to be achieved was the Keynesian one of budgetary policy. The "new type" of budget Beveridge proposed was new in two respects: (a) it would be concerned with the income and expenditure of the community as a whole; and (b) taking the labour force as a datum, it would plan national expenditure in the light of this datum, rather than in view of financial considerations.[20] Beveridge was thus embracing the Keynesian approach to demand management as a tool of employment policy, an approach he saw as complementary to his earlier approach of encouraging the mobility of labour.[21]

The scope of Beveridge's 1942 report stimulated the Keynesians in the Economic Section into thinking more clearly about the post-war world.[22] Meade, for example, proposed a plan to vary National Insurance contributions as a contra-cyclical measure. The Treasury, in contrast, was concerned about the cost of Beveridge's scheme, believing, on the basis of pre-war experience, that his assumption of 8.5% unemployment was unrealistic.[23] It was out of these discussions, during 1943, in which the views of Meade, supported by Keynes, were largely opposed by Treasury officials, that the White Paper on Employment Policy emerged in 1944.[24]

Though seen as indicating the government's commitment to full employment as an objective of economic policy, the White Paper was in certain respects a compromise.[25] On the one hand it accepted the maintenance of a high and stable level of employment as one of the government's primary aims, arguing that the control of aggregate demand, through variations in investment and public works spending together with variations in the level of National Insurance contributions, could be used to achieve this. On the other hand, an important place was given to the problem of the distribution of industry, and structural unemployment. Furthermore, the principle that the budget be balanced over a long period was re-asserted.

What this survey of wartime discussions shows is that there was no sudden conversion of the government to Keynesian policies. Keynesian policies were adopted piecemeal, in response to specific events and political pressures. What Hopkins, as the chief Treasury official, attempted to do was to integrate Keynesian ideas with the ideas of traditional public finance. "Political and practical considerations of public administration, rather than economic theory, were uppermost in his mind."[26] Additionally, even though he came to accept Keynesian ideas on demand management, industrial efficiency and exports were still seen by Hopkins as the key to prosperity. The picture of anything like a simple conversion from pre-Keynesian to Keynesian ideas is misleading.

The final phase

The progress of Keynesian ideas slowed down with the advent of the Labour government in 1945, for although the Labour Party was committed to planning the whole economy, the planning they advocated was very different from that envisaged by Keynes.[27] There was an emphasis on microeconomic planning, finance having no place in the planning machinery. Symbolic of this separation was the fact that the Economic Plan, and national income and expenditure statistics, were calculated on a calendar year basis; whilst the budget was on a financial year basis.[28] Furthermore, Dalton, Chancellor of the Exchequer from 1945, adopted a very orthodox approach to budgetary policy, regarding inflation not as a symptom of excess demand, but as an inevitable consequence of full employment, to be moderated by controls on prices and by increased production.[29] Given these attitudes, together with the need to stimulate production, especially in export industries, even at the expense of inflation, Keynesian techniques were neglected.

For a variety of reasons the final stage in the transition to the acceptance of Keynesian policies came in 1947. The main reason[30] was the emergence of a severe inflation and balance of payments crisis. One of the major problems was the rising cost of food subsidies, caused by an attempt to keep down domestic food prices in the face of rising world prices. Meade advocated letting food prices rise, in order to reduce demand and lessen inflationary pressure, a policy which was, in essentials, followed. In the words of one historian,

> by 1947 the message of the *General Theory* had finally been absorbed by Whitehall. The change had scarcely been revolutionary; the whole process had taken more than ten years, and the final victory merely regained ground which had apparently been won in 1940–1.[31]

He goes on to make the point, important in view of later claims that Keynesians were not concerned about inflation, that "these changes in the role of the peacetime budget had been secured by *Keynesians worried about inflation*", the need to curb inflation being central to their advice to the Chancellor of the Exchequer.[32]

29.3 THE DEMISE OF KEYNESIAN POLICIES

The 1950s and early 1960s were the years when confidence in demand management was at its height. Whereas even Keynesians had, immediately after the war, thought Beveridge's 3% target for unemployment overambitious,[33] unemployment averaged less than 2% from 1950 to 1969. Whether or not they were successful, budgets were designed and justified in terms of their effects on aggregate demand.[34] From the 1960s, and to a much greater extent during the 1970s, however, confidence in this approach to macroeconomic policy weakened, and eventually collapsed.

In the 1960s there were attempts to introduce a greater degree of planning into the economy. This was in part the result of the Labour Party's winning the 1964 general election, but not entirely so, for the Conservative government had established the National Economic Development Council in 1961. These developments represented a move towards microeconomic planning, rather than simply demand management of the Keynesian type. More important, however, was the response of the government to the perceived weakness of the balance of payments in the late 1960s. Though the commitment to full employment was not abandoned, the balance of payments and associated with this, competitiveness and the inflation rate, received more attention. The emphasis had shifted slightly.

Of particular importance was the recession which came with the collapse of the 1972–1973 boom (often called the Barber boom, after the then Chancellor of the Exchequer) and the oil crisis of 1973–1974. By the end of 1974 inflation was approaching 20% p.a. (with wage inflation already over 25%), the current account deficit amounted to 4% of GDP, and the public sector borrowing requirement was at 8% of GDP. Thus although real output was *falling* and unemployment was starting to rise, Keynesian policies were ruled out. Despite worsening unemployment the government had to do something about inflation and the balance of payments.[35]

It was under these circumstances that the transition from "Keynesian" to "monetarist" policies, sometimes associated with the Conservative victory in the 1979 general election, took place. The crucial change occurred not in 1979 but several years earlier under the Labour government:

> All the essentials of what became known in March 1980 as the Medium-Term Financial Strategy were contained in the Letter of Intent sent by Denis Healey to the International Monetary Fund in December 1976. There were pledges gradually to reduce the share of resources taken by the public sector and to curb public-sector borrowing in order to restrain monetary growth.[36]

In the same year, 1976, the Prime Minister argued, in opposition to the Keynesian orthodoxy of the previous 25 years, that Britain could not spend its way out of recession; and the Home Secretary questioned whether public expenditure had not grown too far.[37]

Monetarism was not the only alternative to the Keynesian orthodoxy. Also influential in 1974 was the "New Cambridge" approach. To understand the essential feature of this approach, in its early form at least, it is important to note that it is necessarily true (i.e. true by definition) that the public sector deficit must equal the sum of the private sector surplus and the balance of payments deficit.[38] It was claimed, on the basis of limited and partial empirical evidence, that the private sector surplus was roughly constant. It thus followed immediately that the public sector deficit was directly linked to the balance of payments deficit. If the public sector deficit could be reduced, this would lead to a corresponding reduction in the balance of payments deficit.[39] In other words, fiscal policy should be used to achieve a balance of payments target, not a target level of aggregate demand, as in the Keynesian theory. The counterpart to this was that changes in the exchange rate should be used to control the level of aggregate demand, the mechanism being that a fall in the exchange rate, for example, would raise exports, reduce imports, and hence stimulate demand.

Part of the attraction of the New Cambridge doctrine, an attraction it shared with monetarism, was that it dispensed with the need to rely on detailed forecasts.[40] Once the level of public spending had been decided, and a target set for the balance of payments, the level of taxation needed to produce the required public sector deficit could immediately be calculated. To work out the required level of taxation using a Keynesian theory, on the other hand, required relatively complicated calculations of multipliers, together with predictions of the other components of "autonomous" expenditure. In the 1970s, when unprecedented shocks were making forecasting very difficult, such arguments as the New Cambridge doctrine were very attractive. Although the New Cambridge approach did provide an influential alternative to monetarism for a while, however, this influence was short-lived. From 1974 onwards the New Cambridge equation broke down, for the private sector surplus changed dramatically, inflation having caused a large change in the propensity to save. As the New Cambridge doctrine was discredited, so monetarism was left as the only serious challenger to the Keynesian orthodoxy.

With the Conservative Party's victory in the 1979 general election monetary targets and the PSBR (public sector borrowing requirement) were placed at the very centre of economic policy. Keynesian economic policy, and the belief that expanding demand could raise employment, were rejected. This was made very clear in the 1981 budget when, against Keynesian principles, taxes were raised at the depth of the worst recession since the war. It is probably safe to say that in addition to this change in government policy there was a change in the general public's attitude towards unemployment: towards a greater pessimism as to the possibilities of using expansionary measures to stimulate employment.

In interpreting these events it is important to bear in mind certain aspects of the background against which economic policy-making took place. Firstly, although the 1950s and early 1960s were a period of demand management, and although fluctuations in output and employment were smaller, with average unemployment rates lower than ever before, it was never universally accepted that demand management was the cause of this stability. One of the most well-known assessments was that of Dow (1965) who, referring to fluctuations in exports and in inventories, concluded "so far from countering such basic causes of instability, the influence of policy seems rather to have exaggerated their effects".[41] Thus whilst there may have been a lot of truth in the claim that "Britain and other Western countries have had full employment since the war because governments have been committed to full employment, and knew how to secure it",[42] the truth of such claims was never established beyond question.

Secondly, there is the enormous growth in the numbers of economists, both inside and outside government. The growth of the Government Economic Service was especially marked during the 1960s: from 1964 to 1979 its size grew from about 20 to nearly 400.[43] Given the enormous increase in the availability of statistical information (the Central Statistical Office was founded in 1941), and the increased use of quantitative techniques by economists, this meant that both the extent and the nature of economic advice changes substantially. The links between statistics and economics are, of course, not in one direction alone. For example, it is because economists have, for the past decade or more, been much more interested in the money supply, that statistics on the money supply have proliferated. On the other hand, without some monetary statistics, and note that the CSO's monetary statistics go back only to 1963, thinking about recent economic policy would have to have been very different.

Finally, we need to mention the international setting. The prosperity of the 1950s was accompanied by an enormous increase in trade, especially between developed countries, and associated with this was a growth in international economic co-operation. Particularly important have been the International Monetary Fund, the General Agreement on Tariffs and Trade and the European Community.[44] In addition, there has been greater interdependence, shown by the enormous growth in the fraction of GDP accounted for by exports, not only for the UK but for many other industrial countries.

It is important not to forget that similar changes took place in most other Western economies: at around this time monetary targets were introduced throughout the OECD. Part of the reason for this was the change to floating exchange rates. With fixed exchange rates the monetary authorities had been much more constrained in their monetary policies, independent targets making more sense in the context of floating exchange rates. In addition to this, however, all countries were confronted with the same unfamiliar set of circumstances, requiring a new type of remedy.

Also relevant is the fact that, although the 1974 crisis was sudden, the situation had been changing for some time. As mentioned above, since 1964 greater weight had been attached to controlling inflation, in attempts to improve the balance of payments. Although inflation worsened dramatically in 1974, it had been gradually increasing since the mid 1960s. As the inflation rate rose, so too did the weight attached to it in economic policy-making.

Having said this, however, a shift in economic policy did take place in 1979. In the words of one commentator,

> Denis Healey's monetarism was ... improvised and never had deep roots within the Labour movement. It was the response of a clever and flexible man to the breakdown of the post-war consensus on economic management and to external pressures. In contrast, the Conservative approach has been based on belief. Whereas under Mr Healey monetary policy had been juggled alongside incomes policy and measures to hold down unemployment in an uncertain mix, the early Conservative approach was more straightforward. There was a version of how the economy did (or should) work, and it was applied.[45]

This change, however, must be set against a changing background of attitudes towards the economy, both popular and academic opinion having changed substantially since the mid 1960s. Without wishing to describe the bulk of academic opinion as monetarist, the changes in economic theory, and the experience of the 1970s, have made it impossible to return to the theoretical positions of the 1960s. Whilst the shift in popular opinion towards the greater pessimism as to the ability of government to do anything about unemployment may be due in part to economic arguments, together with the simplicity of monetary explanations of inflation, it is hard to believe that it is not also due, in large measure, to the experiences of the past decade.

29.4 DEVALUATION, THE EUROPEAN COMMUNITY AND GROWTH

In view of the enormous growth in the use of quantitative techniques, and the vast increase in the availability of data, one question which arises is the extent to which these changes have reduced the extent of disagreement amongst economists. Two episodes in post-war policy-making suggest that progress has been less than might have been hoped. The first is the issue of devaluation, in particular between 1964 and 1967. The Labour Party came into power in 1964 faced with what appeared at the time to be an enormous balance of payments problem.[46] As the main problem seemed to be with the current account, devaluation suggested itself as a remedy. Economists, however, divided on the issue.[47]

At first sight this might seem an issue which econometricians ought to be able to settle: were the elasticities of demand supply, for imports and exports, such that devaluation would improve the balance of payments? In practice, however, more complicated issues were involved. The elasticity of supply of exports, to take one example, would depend on the extent to which spare capacity existed in the economy, on what was happening to domestic demand, and on the behaviour of costs, in particular wage costs. In addition there is the problem that because trade flows are large relative to GDP, changes in exports or imports imply changes in income. Calculating the effects of devaluation on the balance of payments is thus not simply a matter of estimating the elasticities of Marshallian, short run partial equilibrium supply and demand curves. The issues involved are much more complicated. In addition, other issues, reminiscent of those discussed in inter-war discussions of the gold standard,[48] were involved. Some people questioned the morality of devaluation; others the effects of devaluation on British earnings in the field of international banking and finance. Devaluation would, it was argued, upset the UK's role in the world financial system.

The European Community was another issue on which the application of quantitative techniques failed to have a major impact in reducing disagreement amongst economists. Econometric studies were, of course, made, but they could not settle the issue. In part this was because, as in the Tariff Reform controversy seventy years earlier, different types of factor had to be balanced against each other. There was the question of food prices and the standard of living: would entry into the European Community, with its different agricultural support system, be beneficial or harmful in both the short and the long run? Of greater importance, however, was the question of how the closer linking of British and European markets would affect industry: would increased markets provide opportunities that British industrialists would take up, or would increased European competition in the British domestic market make things worse? Customs union theory[49] could do little more than provide a framework, a terminology, within which to discuss some of these issues. It was of little direct help, not least because it had little to say on the longer term issues of the determinants of productivity growth.

This problem, of a low rate of growth of productivity, underlay all discussions of macroeconomic policy, certainly from the 1950s onwards. Prior to that post-war reconstruction had provided a different perspective. The problem of Britain's relative decline, though long-standing, was emphasized by the growth of France and Germany during the 1950s and 1960s, for this was the period when their incomes overtook Britain's. During the period a variety of remedies were tried. In the 1960s planning was tried, first by the Conservatives, but later by the Labour government with its National Plan. Planning, however, failed to do anything about raising productivity growth, for it was not known how to raise this. The Labour government also introduced the "Selective Employment Tax", a tax on employment designed to shift labour into manufacturing. The idea was that as the growth rate of productivity was higher in manufacturing than in services this would raise the growth rate, and also that as the possibilities for increasing returns to scale were greater in manufacturing, a rise in employment in manufacturing would raise productivity faster there.

The "Barber boom" of 1972–1973 was an attempt to raise productivity by creating a climate of expansion, freed from the balance of payments constraints which had brought previous expansions to a halt, through the declared willingness of the government to let the exchange rate float downwards. The idea was that by creating a climate of expansion firms would be induced to increase their investment, and the growth rate of productivity would rise, thus enabling the expansion to continue.[50] This attempt to raise the growth rate, which relied for its success on expansion being uninterrupted, came to grief, however, with the commodity price rises of 1973 and the 1973–1974 oil crisis. In the late 1970s emphasis was increasingly put on the size of the public sector as a cause of low productivity. The thesis of Bacon and Eltis (1976), that productivity growth was impaired by having an excessively high proportion of the labour force employed in producing "unmarketed" output, received much attention. Since 1979 members of the Conservative government have stressed the importance of keeping down the size of the public sector, and of the need to maintain incentives.

There has thus been no shortage of ideas on the causes and remedies of low productivity growth. It has, however, been an area in which economic theory has provided little assistance, not least because it raises so many issues that are difficult to quantify: attitudes of entrepreneurs and workers, the effects of restrictive practices, the nature of the education system and so on. Most of the literature on growth theory, showing how an economy can converge towards a balanced growth path with an exogenously given rate of technical progress, has been of no assistance whatsoever. Perhaps more than in most areas of economics, theories about productivity growth have been based on empirical generalizations which turn out to be little more than transitory trends.

29.5 CONCLUSIONS

The episodes discussed in this chapter suggest that there is a great deal of continuity in economic policy-making. This continuity has two aspects. One is that the attitudes underlying economic policy-making take time to change, and that, at least in the episodes considered here, it requires more than simply the appearance of a new economic theory to cause such changes. This is illustrated by both the slow progress of Keynesian ideas in the 1940s, and the gradual loss of confidence in such ideas in the 1970s.[51] In both cases force of circumstances, as governments tried to tackle new and unfamiliar problems, was an important factor, if not the major one, behind the change in attitudes. Changes in economic theories were, of course, important in both episodes, but it seems equally fair to say that it was changes in circumstances which were the direct cause of the adoption of new policies.

The other aspect of this continuity is the recurrence of certain ideas at different times. Exchange rate discussions in the post-war period raised issues discussed in the context of the inter-war gold standard. Discussions of trade and growth in the context of whether to join, or to stay in the European Community in the 1970s raised issues previously discussed during the Tariff Reform campaign in the 1900s. In part, at least, this was because, for all the changing circumstances, the underlying problem of the British economy remained the same: low productivity growth.

Whilst it would require a much more thorough investigation to be able to say anything more definite, it is far from clear that the enormous improvements in the techniques available to, and used by, economists have done much to lessen disagreement amongst economists on policy issues. There would seem to be three reasons why this has been so. (1) Prediction in economics is, because of the nature of its subject matter, extremely hazardous. Economics has produced few, if any, empirical laws comparable with those available in natural sciences, on which predictions can be based.[52] (2) Economic theory is least adequate when dealing with some of the most vital issues, in particular the question of how to stimulate productivity growth. (3) Given the great difficulty in testing economic theories, economists have frequently been excessively confident in the claims they have made on the basis of their economic theories.[53]

It is for reasons such as these that Hutchison, after surveying the extravagant claims made by economists, argues that it is particularly important to be aware of the *limitations* of economic knowledge. He claims that whereas "The naively utopian, scientistic expectations of the early twentieth century regarding the blessings which would flow from the progress of the natural sciences have long since faded away ...", such naive expectations still exist regarding the benefits to be obtained from progress in economic knowledge.[54] Even if there were to be a great leap forward in economic knowledge (and he sees no reason to expect this) such naive expectations might, he argues, prove illusory. For this reason he concludes that

> to promote clarification of the extent and limitations of economic knowledge and ignorance may well do much more to reduce dissatisfaction with current economic policies and their results, than so many or most of the contributions to confused and undisciplined wrangles and debates on particular policy problems.[55]

One reason for studying methodology and the history of economic thought is to become aware of some of the limitations of economic analysis. In the words of Viner,

> Men who have been trained to think only within the limits of one subject, or only from the point of view of one subject, will never make good teachers at the college level even in that subject. They may know exceedingly well the possibilities of that subject, but they will never be conscious of its limitations, or if conscious of them will never have an adequate motive or a good basis for judging as to their consequences or extent.[56]