

DAVIES, ALED. *The City of London and Social Democracy. The Political Economy of Finance in Britain, 1959–1979*. [Oxford Historical Monographs.] Oxford University Press, Oxford [etc.] 2017. xii, 248 pp. £60.00.

The City of London – the “square mile”, Europe’s principal financial centre – is a familiar but elusive phenomenon. The inner workings of its financial institutions have been well analysed by Ranald Michie and its social *milieu* by David Kynaston and, in its late Victorian prime, Youssef Cassis, but these studies are inevitably characterized by some of the introversion intrinsic to the City itself. Much that has been written on the wider British economy in the postwar period takes the City’s shadowy influence as given, without assessing it in the kind of detail needed fully to understand it. The City’s part in shaping economic policy tends to be assumed rather than measured – and frequently taken as sinister or malign – with little attempt to relate the City’s role as a political actor to the evolving technicalities of financial management. In this valuable and important book, Aled Davies seeks to assess the steady deterioration of the relationship between the City and those charged with implementing the widely supported essentials of social democratic politics in the three decades after the end of World War II.

Davies’s entire account really springs from his understanding of a financial dimension to the postwar settlement put in place by Attlee’s Labour government of 1945. The Labour Party, which attained majority office for the first time immediately after the War, contained many – and not only on its left wing – who still felt bruised by the financial sector’s supposed role in the downfall of the minority Labour government in 1931, and there was a real possibility that a government committed to extending public ownership in much of the manufacturing and service economy would seek to nationalize the banks as well. In the event, after the largely tokenistic nationalization of the Bank of England in 1946, Labour settled for a pact with finance by which the banks remained in private hands, their cartelistic, conservative world remaining largely unthreatened, in return for operating the government’s *dirigiste* monetary policy. This further implied acquiescence in the Attlee government’s wider aims of restoring the industry-centred economy and protecting sterling’s international role as a reserve currency. This concordat remained largely unchanged under the Conservative governments of the 1950s, who were themselves committed to a variant of Attlee’s social democratic agenda. In the 1960s, though, this arrangement came under strain. The increasing freedom of movement of capital led to the creation of new markets, not necessarily founded upon sterling, and undermined the cartelistic dominance of the “big five” banks. It also threatened the capacity of the British state to apply autarkic social democratic policies more or less without regard to the judgements of the markets. An industry-centred macroeconomic policy designed to maximize employment and to revive exports failed in the latter respect, leading to the balance of payments problems that would dog the first Wilson governments in the 1960s. The resort to deflation in an unsuccessful attempt to stave off devaluation introduced a degree of tension into the relationship between Labour and the City and convinced many on the left that the government was once again “selling out” to finance. A revived left-wing intellectual concern to understand the ways of the City was one result, which would bear more fruit in the crisis years of the 1970s. Another was the political mobilization of the City itself, which Davies describes skilfully. He brings to light here the way in which the banking sector – and notably the financial journalist William Clarke, backed by the infant neoliberal think-tank the Institute of Economic Affairs – worked to raise public awareness of the concept of invisible exports and the

City's central role in generating them. At a time when concern over the balance of payments was a recurrent motif of journalistic analysis of Britain's woes, this portrayal of the City as a kind of patriotic wealth-creator, counteracting industrial decline, did much to burnish its public image and deflect calls for tighter regulation. The success of this propaganda exercise was, though, somewhat offset by the excesses of the secondary banking crisis of the early 1970s, when Edward Heath's Conservative government, implementing proposals initially formulated by Labour with a view to breaking up the banking cartel, initiated a credit explosion which fuelled a bout of antisocial property speculation in London and other British cities. A newly liberated banking sector engaged in uninhibited credit expansion which clearly contributed to Britain's destabilizing inflationary problems in the crisis decade of the 1970s. The left-wing critique of footloose, irresponsible, finance capital, which had germinated during the crises of the 1960s matured in the far more difficult years of the 1970s. The idea of bank nationalization gained more purchase on the left than at any time since the 1930s, the radical Energy Secretary Tony Benn seeing it in 1976 as "a long-term solution to unemployment and to low growth in this country" (quoted on pp.115–116). Davies is anxious to stress that the left's revived interest in the control and direction of the financial sector was more than an atavistic, reflexive attack on familiar enemies. It represented an effort to recalibrate the relationship between government and capital in order to enable government to continue to pursue the social democratic objectives prominent in the post-war years. It had a firm intellectual foundation in the work of such figures as the radical economist John Hughes, who comes into his own in the conditions of the 1970s as a critical analyst of the relationship between lending institutions and the "real" economy. This new critique of capital contributed significantly to the left's renewed intellectual confidence in these years, but it is also clear that the Labour Party suffered significant political damage from its blue-sky thinking about finance. Wilsonian economists who had guided the party's thought in the previous decade expressed misgivings about the radical policy turn, the Treasury voiced its inevitable doubts and the Party leadership worried that ordinary voters might fear having their savings confiscated. Conflict over the threat posed to Labour by an apparently over-mighty financial sector deepened the gulf between its high command and its rank-and-file, which would so damage the Party in the second half of the decade. At the same time, as Davies demonstrates, the Conservatives gained fresh unity and intellectual confidence. For all the prevalent talk of "fractions of capital", industry and finance found common cause in criticism of the Labour governments of the 1970s, expressed both in the commonsensical attack upon levels of personal and corporate taxation as a drag on growth and in the more elevated propagation of monetarist theory. As Davies shows, monetarist doctrines gained ground in public discourse from the late 1960s, well before the death of social democracy was being widely foretold. They were clearly boosted, though, by the soaring inflation rates of the mid-seventies, and Davies shows the way in which the Wilson and Callaghan governments were effectively forced by political imperatives and by the increasing scepticism of the currency markets to commit to monetary targets, despite their lack of real faith in monetarism as a tool of economic management. The inexorable emergence of something akin to "Thatcherism" in the field of finance is chronicled tellingly here; equally tellingly, Margaret Thatcher herself gains only two entries in the index.

Many of us had little previous awareness of a financial component to the Attlee governments' postwar settlement, well known as the rest of their work now is. In this impressive study, well written and more forcefully expressed than the doctoral thesis on which it was based, Aled Davies both identifies it and accounts for its decline. In the process, he sheds

much light on key elements in the evolution of British economic policy in the postwar decades. This is an original and illuminating book about high finance in Britain in the years before it became proud, but it is more than just a book about finance. Above all, Davies's book demonstrates the centrality of the banks to any wider consideration of political economy in postwar Britain: all who are interested in that critical question should read it.

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Countryside and Communism in Eastern Europe. Perceptions, Attitudes, Propaganda. Ed. by Sorin Radu and Cosmin Budeancă. [Mainzer Beiträge zur Geschichte Osteuropas, Bd. 8.] LIT Verlag. Vienna [etc.] 2016. 798 pp. £ 69.90.

The history of state socialism has been a contested field of study and often subject to ideological rather than academic debates. Further, the study of communism in the countryside alongside the tragic history of collectivization triggered the interest of the academic and wider public mainly in areas and topics linked with the history of Soviet Russia and the most horrible consequence of state violence against the villages, that of the great famine. With few exceptions, Eastern Europe – and especially the comparative study of the former satellite countries – remained a considerably less “sexy” topic than the collectivization and subsequent transformation of Soviet village life, which went hand in hand with forced industrialization and whose story inspired so many scholars to develop various interpretations of the character and evaluation of the historical era we conveniently refer to as Stalinism.

Unlike the history of Soviet collectivization, which has been written from various perspectives – totalitarian, revisionist, and post-totalitarian – the individual Eastern European narratives mainly fit within a singular paradigm – that of the totalitarian interpretation of the Stalinist-type dictatorship, which had been “exported” to the satellite states with the outbreak of the Cold War. National history-writing in Eastern Europe experienced a new renaissance after the collapse of communist rule in the region, and in the individual narratives the Soviet Union was depicted as the ultimate evil, which deterred the independent national histories from taking the right path and, in the postwar era, prevented the establishment of democratic governance and of a well-functioning, welfare capitalist society in the region. Collectivization was interpreted merely as a brutal attack on traditional agricultural life and moral values, which were understood as the “essence of national identity”. It was therefore connected with brutality, aggression, the abuse of power by the state (at the least), the loss of legitimacy on the part of communist leaders (assuming they had any), and the violent and forced transformation of village life, which merely paved the way for building the hated Stalinist-type society. Indeed, in the new intellectual climate, which demanded new discourses of legitimacy, there were few “native” attempts to go beyond totalitarianism and follow the lead of Western scholars. They were familiar with the debates