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THE ECONOMY

Andrew Gamble

Until the exit poll was announced at 10pm on the night of the general election it seemed that one of the iron verities of British general elections was about to be overturned. Despite the Conservatives being a long way ahead of Labour in terms of economic competence and the best leadership team for managing the economy, and despite a series of good news stories about the economy, the polls still appeared to show that their message was not being translated into a substantial poll lead. This was not for want of trying. The Conservative campaign orchestrated by Lynton Crosby played to the Conservatives' advantages, making the handling of the economy and the party leader best qualified to be Prime Minister the two key strands of the Conservative attack upon Labour. The party relentlessly focused on these two issues. Only when these two did not appear to be having sufficient traction did the party emphasise a third strand, the threat of a minority Labour administration being propped up by the SNP. But even this strand aimed to reinforce the key messages on the economy and on leadership - that only the Conservatives could be trusted not to endanger the economic recovery. A favourite Tory slogan was 'Don't give the keys back to the guys that crashed the car', and the image of a weak Labour Government propped up by the SNP whose interests were opposed to those of Middle England was used to target voters in England who were worried about economic stability. In this sense the Conservatives ran a very conventional campaign, one which had served them well in many previous elections, such as 1959, when the party's main message was 'Life's better with the Conservatives; don't let Labour ruin it', complete with the image of an aspirational family busy washing their car on the drive of their suburban home (Butler & Rose 1960, p. 152).

In 2015 the message was essentially the same, although this time the Conservative promise was that Life *will* be better with the Conservatives if the electorate would only stick with them. The 2015 General Election was the second in a row where the majority of voters were worse off than they had been five years previously. George Osborne had used this as a stick to beat Labour in 2010, and in 2015 tried in his budget speech to deny that the same thing had happened under his watch, but figures from the Institute of Fiscal Studies (IFS) and the Resolution Foundation suggest otherwise. (IFS 2015b; Resolution Foundation 2014). The continued stagnation of living standards in the 2010 Parliament may explain why the Conservatives found it difficult to translate their perceived lead on economic competence into votes. In the previous five years they had worked hard to win the argument on the economy and re-establish themselves as the party of economic competence and Labour as the party of economic incompetence. In George Osborne the Conservatives possessed a highly political Chancellor, who was also the key political strategist for the Conservatives within the Coalition Government. He was determined from the outset that the Conservatives should win the political argument about the economy and re-gain their reputation as the safe choice for voters worried about the security of their houses, their jobs and their savings. After the disaster of Black Wednesday in 1992 when the pound was forced out of the Exchange Rate Mechanism, and the Conservatives were forced to impose steep tax rises to stabilise the economy, the Labour party under Tony Blair and Gordon Brown had overtaken the Conservatives as the party the electorate most trusted with the economy, and this reputation for economic competence was further consolidated by the first ten years of Labour Government after 1997 when the economy grew steadily and the public finances were managed prudently, in line with the growth in the economy, until the small structural deficit which emerged after 2005.

The 2008 financial crash changed everything, and forms the essential backdrop for understanding the 2015 General Election. Prior to the crash in 2008 the Conservatives had accepted Labour's spending plans, including the small structural deficit. Party disagreement on the economy focused firstly on financial regulation, with the Conservatives urging that it should be further relaxed, so that the City of London could remain competitive with financial centres elsewhere, and secondly on the distribution of the proceeds of growth. The Conservatives favoured devoting more of the 'growth dividend' to tax cuts than to higher public spending. The UK economy had grown continuously since Black Wednesday, the longest period of uninterrupted growth in the British economy in the previous two hundred years, and even if many were sceptical of Gordon Brown's boast that boom and bust had been permanently overcome, there were very few in the political class who sensed the cataclysm about to unfold. Some fiscal tightening was expected in 2007 and some slow-down in growth, but the general view was that there would be a soft landing for the economy, and that growth would quickly rebound.

Once the crash had happened, however, the political situation changed irrevocably. Financial meltdown was avoided, if only narrowly, by prompt action coordinated by the US and UK governments and central banks, but it could not prevent the deepest recession in the western economies since 1945, (UK output dropped 6 per cent in 2009), leaving governments with big challenges of dealing with yawning fiscal deficits and finding a path to economy recovery. Before the 2010 General Election sharp differences of emphasis emerged between the main Westminster parties. Neither party disputed the Treasury's orthodox diagnosis that a major fiscal stabilisation and austerity package would be necessary at some point, but there was a serious disagreement over the timing. Gordon Brown insisted that the choice was between Labour investment and Tory cuts, and argued that no cuts in frontline spending were either necessary or desirable until the economic recovery was firmly established. The Liberal Democrats broadly took this line as well, warning against too rapid fiscal stabilisation and a plunge into austerity. The Conservatives on the other hand changed their position, and now became fiscal hawks, arguing that reducing the deficit was the only way to lay the foundations for economic recovery. Fiscal stabilisation could not wait for the recovery to begin. No-one seriously challenged the policy orthodoxy that stabilisation would be needed at some stage, and before the election there was some convergence of view between the Conservatives and some members of the Government, notably Labour's then Business Secretary Peter Mandelson and Chancellor Alastair Darling, who accepted that the Government had to set out plans to bring down the deficit over the lifetime of the next Parliament. They still wanted to do so in a way which would not jeopardise the capacity of the economy to recover. Gordon Brown was reluctant at first to concede this, and when in September 2009 he finally did admit the need for some cuts, he insisted that they would not affect front-line services.

After the 2010 general election the Conservatives were the largest single party and seized the opportunity to form a Coalition Government with the Liberal Democrats which gave them a stable majority. Although some were sceptical that the coalition could last a full Parliament, even with the new fixed term Parliament Act, the Coalition proved resilient. Dealing with the aftermath of the financial crash and securing the economic recovery became the shared rationale for forming and sustaining the Coalition, although from the outset economic policy was shaped mainly by the Conservatives.

1.The framing of the crisis

The Coalition set out its plans for the economy in the emergency June budget of 2010 and the Autumn Statement later that year. These were highly political documents, designed to frame the financial crisis and the required policy response in a particular way, marking a distinct shift from the

previous Government, even if the underlying diagnosis was similar. The key problem was identified as the deficit, which was preventing recovery and leading to an inexorable rise in debt and interest payments. Gordon Brown's dividing lines between the parties of investment and cuts were replaced with dividing lines between sound finance and bankruptcy. Osborne had already marked out this territory before the election, but now he significantly hardened his fiscal stance. Seizing on the sovereign debt crises which were beginning to engulf several states in the Eurozone, he declared that the situation he had inherited was much worse than he had expected, there was now a pressing financial emergency, and urgent action needed to be taken to bring the public finances under control, otherwise Britain would suffer the fate of other highly indebted countries like Greece, lose its credit rating in international financial markets and control over its economy. Osborne therefore proposed to go beyond Alastair Darling's last budget and pre-budget report which had set out a path of fiscal adjustment to cut the deficit by half by 2014/2015 and put debt on a declining trajectory. Osborne set out a new target, to eliminate the deficit entirely by 2014/2015, and to do so primarily by cuts in spending (85 per cent) and increases in taxes (15 per cent). The main tax increase was VAT, which the Conservatives had ruled out before the election, but now justified on the ground of the financial emergency. The Conservatives had inherited Labour's plans for spending cuts, which Departments had prepared before the election, and these it implemented but at an accelerated pace.

Osborne's great achievement in 2010 was to frame the main policy problem in the aftermath of the financial crash as a problem of the deficit and the debt (Craig 2015). In the early months of the Coalition Government he constructed a narrative around Labour overspending, which was blamed for the economic situation which the Coalition had inherited. Labour had not fixed the roof while the sun was shining, and as a result Osborne claimed that the economic situation was far more serious than for most other countries. Government ministers for the next five years and particularly during the 2015 election talked about Labour's Great Recession, Labour's financial crisis, and Labour's economic mess. They pounced on the note which Liam Byrne, the Chief Secretary to the Treasury had left behind for David Laws, his successor, which laconically pronounced; 'I'm afraid there is no money'. Although obviously intended as a joke, it was used by Coalition Ministers as confirmation of their narrative that Labour had overspent and had been profligate with the public finances. David Cameron brandished an enlarged reproduction of the note in the 2015 election campaign. It became as famous as Norman Lamont's laconic remark 'Je ne regrette rien' in 1993, and echoed the note which Reginald Maudling the Chancellor of the Exchequer left for his successor, James Callaghan, in 1964: 'Good luck old cock. Sorry to leave it in such a mess'.

The message which Osborne and other Ministers emphasised again and again was that Labour had been fiscally irresponsible and now refused to admit their mistakes. They were deficit deniers. The tough measures which the Coalition Government announced were necessary to restore financial stability and investors' confidence and pave the way for economic recovery. This narrative became as important to the Conservatives as the 'Winter of Discontent' narrative had been in the 1980s (Hay 1996), or the 'Hungry Thirties' had been to Labour in the 1940s. One of the reasons the framing of the 2008 crisis as a crisis of the deficit rather than a crisis of banking was so successful was because the Liberal Democrats endorsed this interpretation of events. Nick Clegg justified the abandonment by his party of the economic policy they had advocated before the election by the national emergency which had suddenly arisen after it, and obliged the Liberal Democrats to act in the national interest to save the country. The commitment of two of the three main Westminster parties to this message helped reinforce it and drowned out Labour's response. If the Conservatives had been able to form a majority Government on their own they would no doubt have sought to implement the same austerity agenda, only this time the Liberal Democrats would have been among

their fiercest critics. By being part of the Coalition and supporting the narrative which George Osborne developed the Liberal Democrats enhanced its persuasiveness and its air of inevitability. This was to be a very valuable weapon for the Conservatives in the 2015 election.

The judgement Osborne made was political rather than economic. There was no financial emergency in May 2010, since the Government was still able to fund the national debt with low interest long-dated bonds. The position of the British economy was very different from that of some of the states in the Eurozone, because the British Government had fiscal and monetary autonomy. Since the financial crash it had let the pound devalue by 25 per cent, and had provided a major fiscal stimulus, while the Bank of England had used quantitative easing to boost banks' balance sheets and support asset prices, and had reduced interest rates close to zero, a level not seen before in the three hundred year history of the Bank. They remained at that level for the whole Parliament. At no point was Britain's creditworthiness seriously questioned. Britain lost its triple A status in 2013, as several other leading economies were also to do, but this although embarrassing had no impact. Whoever had been the Government after the election in May 2010 would have been obliged to present a clear fiscal plan for the Parliament, but there was no dramatic change in Britain's economic or financial situation which required the shock and awe tactics which George Osborne applied. That was a political judgement, but one which paid handsome dividends by 2015.

The policy had its desired effect. It set the terms of the debate on the economy for the entire Parliament, and provided the Conservatives with a narrative which proved very persuasive, and to which Labour never found a reply. In the final TV election debate on April 30th Miliband's denials that Labour had overspent when it was in Government were received with derision by a section of the Question Time audience (Question Time 2015). This reflected the strong lead the Conservatives had established over Labour in terms of economic competence, which by the time of the election in May 2015 was running at 20 per cent. Every Labour Minister was continually asked how they justified the overspending of the Brown Government. They were placed so much on the defensive on this issue that having spent most of the Parliament denying that they had overspent, they then used their manifesto to pledge that they would be fiscally responsible if they formed the next Government. They also just before the election signed up to the cap proposed by the Conservatives and the Liberal Democrats for total spending on welfare apart from health in the next Parliament. At no stage was Labour able to mount a credible anti-austerity programme as an alternative to the Conservatives. This was in sharp contrast to the success of the SNP in developing such a programme, which proved very popular in Scotland, and was one of the factors in the collapse of the Labour vote north of the border.

Most macroeconomists now agree that the austerity programme pursued by the Coalition Government in its first two years was both too severe and unnecessary, and set back the economic recovery which was underway in the first half of 2010. The Office of Budget Responsibility confirmed that the austerity programme reduced GDP, while the Oxford economist Simon Wren-Lewis has calculated that the Coalition Government's austerity programme cost the average household £4000 over the lifetime of the Parliament (Wren-Lewis 2015) and severely damaged those public services which were not ring-fenced. Labour at times tried to point this out but the narrative on debt and deficits was much more powerful. Osborne insisted throughout the Parliament when urged to budge from his initial plan that there was no Plan B, and the Government would not be deflected from its path. Ministers claimed repeatedly during the 2015 election that the Government's tough stance had been vindicated, because the deficit had been halved and the recovery was under way with rapidly falling unemployment. What this account ignored was that Osborne's 2010 plan had been to eliminate the deficit in a single Parliament, and to have debt falling as a proportion of national

income by 2015, with interest payments coming down. In 2012 faced with the prospect of a double dip recession in the UK and with no recovery in sight, Osborne did adopt a Plan B, easing up on austerity, and postponing many of the cuts in public spending to the next Parliament. This meant that the targets in the original plan were missed, and that Osborne ended up implementing a plan which was less draconian than the one proposed by Alastair Darling. By 2015 the deficit was still 5 per cent of GDP, much higher than in most other EU countries, and national debt was still rising, as were interest payments. Osborne's reputation plummeted in 2012, which was also the year of his 'omnishambles budget', but by the time of the election he was riding high again. A series of measures to boost house prices and consumption at last helped establish a recovery, and this confirmed the view of most voters that the Conservatives had won the economic argument. The Government was able to claim that missing its targets was not a defeat but a triumph, because they had after all made substantial progress towards their goal, and this was evidence that they should be entrusted with a second term of office to finish the job.

The Labour Opposition meanwhile never succeeded in eroding the view which had formed amongst most voters by 2015 that the Coalition Government was fiscally responsible while Labour had been fiscally irresponsible and had led the country to the edge of bankruptcy. Labour struggled to put across a coherent or credible economic message. This was partly because the new Labour leadership elected in 2010, especially after Ed Balls became Shadow Chancellor in 2011, chose to continue Gordon Brown's approach to the deficit rather than Alastair Darling's. They attacked the Coalition Government's plans as too draconian, arguing that they would plunge the country into an unacceptable and unnecessary level of austerity, and threaten the recovery. This may have been true intellectually, but politically Labour failed to convince the electorate that its policies were more likely to succeed than the Government's, and most voters accepted the Conservative narrative that Labour had caused the economic recession and the need for austerity by spending too much and regulating the banks too little. The economy had blown up on its watch, and as in previous great economic crises, the incumbents at the time took the main blame. Liberal Democrats in the Coalition like Vince Cable who knew some economics were uncomfortable at times with the narrative, but most of the Liberal Democrats were enthusiastic converts to the Conservative argument. Labour ultimately was not in a good place. It was seen by the electorate as always dragging its feet on the measures needed to stabilise the economy., and this made many of its other economic arguments for example on predator and productive companies unpersuasive.

This perception shaped the debate on the economy in the 2015 election. The actual difference between the Conservatives and Labour in their diagnosis of the problem and what needed to be done was rather small (Craig 2015). Both still embraced the orthodox explanation of the crisis offered by the Treasury, and like the Conservatives, had Labour remained in Government in 2010 it too would have undertaken its own austerity programme and fiscal consolidation. But although they had similar diagnoses, and in the end both would have pursued the same aim of bringing the deficit down, the political narratives were very different, and the distribution of the spending cuts and tax increases would have been different. Because the Conservatives became the Government after 2010, they were in a position to develop a narrative which concealed how much they shared with Labour, and instead presented the differences between them as a chasm. This proved very effective politics and by 2015 had delivered the Conservatives commanding leads on economic competence.

In the runup to the election the Conservatives were boosted by indicators showing that the UK was now performing better than almost any other OECD economy, and sought to consolidate their position by making increasingly lavish promises to every section of the electorate in the March

budget and the manifesto. This made it all the more puzzling that this Conservative advantage did not seem to translate into poll leads. In any previous election the position the Conservatives had managed to create by the time of the poll should have been enough to deliver victory. The economic position had stabilised, recovery was under way, and so the argument for not risking a change of government was likely to weigh heavily with many swing voters.

2.The general election campaign

The general election campaign was fought against this backdrop. The Conservatives tried to make the central issue the deficit, and how only they could be trusted to finish the job, only they had a long-term plan to ensure that the country would once again 'live within its means'. The Conservative economic narrative has often in the past made a simple equation between the finances of households and the finances of the state, and 2015 was no exception. Although Keynes exploded this argument eighty years ago, pointing out that the budgets of states are quite different from the budgets of households, this has never dented the political appeal of the household analogy. The tactic the Conservatives employed to force the election debate on to their favoured terrain of the deficit was to publish in the Autumn Statement their spending plans for the next Parliament. The fiscal consolidation achieved in the 2010 Parliament was a reduction of 9 per cent in public spending (£38 billion). The fiscal consolidation needed in the 2015 Parliament to eliminate the deficit altogether was 14 per cent (£51 billion). The Conservatives pledged to achieve this by 2018, and to create a surplus on the public finances by the end of the Parliament, allowing them to promise significant tax cuts in time for the 2020 election, including raising the inheritance tax threshold and raising the higher rate income tax threshold to £50k.

The detail on how the cuts in public spending were to be achieved were vague, especially since the Conservatives promised to continue ring-fencing pensions and pensioner benefits, the NHS, education and foreign aid, spending more on all of them in real terms. They also promised to bind their hands by bringing in legislation prohibiting any increase in the rates of income tax, VAT and national insurance during the next Parliament. The IFS calculated that these commitments meant very large cuts in unprotected areas of spending, principally welfare, housing, defence, transport, justice, and local government (IFS 2015a). Considerable attention in the election campaign focused on where the Conservatives would make their welfare cuts, They had announced a target of £12 billion for cuts in welfare, but did not indicate where the cuts would fall, apart from a few policies included in the manifesto. These were the plan to freeze all benefits apart from pensions for the first two years of the Parliament, saving £1 billion; the proposal to withdraw housing benefit from young adults (16-21), saving £0.1 billion, and the proposal to reduce the cap on how much any single household could receive in benefits from £26,000 to £23,000. This would save another £0.1 billion. The IFS pointed out that this still left a shortfall of at least £10.5 billion. They listed options for how that shortfall could be met - among them child benefit, tax credits for working families, housing benefit, and disability benefits. All posed severe political difficulties.

The plans of Labour and the Liberal Democrats were also found to lack detail. (IFS 2015a). The difference between Labour and Conservative fiscal plans by the end of the Parliament was £32 billion, because although Labour like the Conservatives was committed to balancing the books and eliminating the deficit, Labour planned to achieve balance in current spending, allowing it to borrow to finance investment. This was an important difference, although it still meant that Labour had to push through major cuts in public spending, while supporting the ring fencing to which the Conservatives were committed, and not announcing any major tax increases. The tax increases to which Labour was committed, such as the mansion tax and raising the top rate of income to 50p in

the £, would not cover the gap. Liberal Democrats received a slightly better rating from the IFS for their fiscal plans, but the IFS noted the same vagueness about where most of their cuts would fall.

All three parties suggested that a major contribution to closing the deficit would be a crackdown on tax avoidance and tax evasion. This would make a considerable difference if it could be achieved, but previous Governments had also made promises which had not been delivered, and the reduction in staffing of the Inland Revenue as part of the austerity drive did not suggest this could easily be changed. What none of the major parties were willing to discuss was whether the fiscal base was large enough to accommodate their assessment of what the state needed to spend. Reluctance to confront the voters with the need to raise taxes in order to restore sound finance has become a marked feature of contemporary British political culture, and is a sign of the 'privatised Keynesianism' which now dominates Government thinking about how to manage the economy and promote economic growth (Crouch 2009). There are no fiscal conservatives left in British politics. Instead all three main parties rely on economic growth turning out to be fast enough to generate the resources they need to avoid the need for drastic cuts in spending or large tax increases. None of the three main parties expected if they were in government after the election to have to deliver the scale of the cuts outlined in the 2014 Autumn Statement. All thought that the growth fairy would save them from a series of painful dilemmas. This was also true of the Conservatives. As in the 2010 Parliament they were likely to make judgements about how much to cut based on the actual situation which confronted them. The complexity of managing the public finances made rigid targets and timescales unhelpful, but the Conservatives saw great electoral advantage in proposing such targets and timescales, because it forced their opponents on to the defensive. The other parties could be forced to endorse the same goal as the Conservatives while appearing squeamish about the means of achieving it.

Part of the argument was couched in terms of the size of the state which would result once the fiscal consolidation was complete (Giles 2015). Labour accused the Conservatives of having an ideological plan to reduce public spending to a level it had not been at since the 1930s. George Osborne duly adjusted his spending totals in the March budget and claimed that the state at the end of the process of fiscal adjustment would be slightly larger than it was in 1999/2000, before Labour began expanding public spending again. Public spending had fluctuated around 41 cent of GDP since 1945, and no move either above or below that level had been sustained for long. The pressures on government to spend more remained intense, as shown by the blizzard of promises all parties showered on the electorate during the election campaign. For the Conservatives these included the pledges on inheritance tax and the 40p tax threshold, but also carefully targeted offers to almost every part of the electorate – help for first time buyers, thirty hours a week free child care, pensioner bonds, the right to buy at a discount for Housing Association Tenants, a freeze on commuter rail fares, £8 billion annually of new money for the NHS, and taking out of tax all those on the minimum wage. Some of these pledges the Conservatives were no doubt expecting to abandon in the negotiations for a new coalition. Finding themselves in Government with a small majority means that potentially all these promises have to be met.

Labour and the Liberal Democrats had their own long lists of promises to spend more, but they tended to be less specific than the Conservatives. Labour in particular with its reputation for overspending around its neck was reluctant even to match the promise of the Conservatives to spend another £8 billion on the NHS. The number of promises all three parties thought it important to make during the election campaign made much of the campaign rather surreal for voters, most of whom were highly sceptical about the ability of politicians, even for the parties they supported, to deliver their promises. The Conservative offer of renewed fiscal austerity, with light at the end of the

tunnel in time for the next election, combined with immediate benefits now to every significant electoral interest was the one which seems in the end to have captured most voters' attention and interest. But it is unlikely that particular promises changed many votes. What was more important was the relative trust voters had for particular politicians and parties. Whether voters believed the Conservatives could deliver on all their promises mattered less than the perception that they were less likely to make a mess of the economy than their opponents.

Faced with the Conservative onslaught on the deficit Labour did its best to change the conversation to living standards. As already noted George Osborne had expected that the tough austerity measures he took in the first two years would spark a sharp recovery in 2012. He was disappointed. The average length of recessions since 1945 had been eighteen months. What no-one expected was that the recovery this time would be so slow. It took until 2014, six years after the crash, before UK GDP had reached the level it had been at before the crash. No-one expected that interest rates reduced to zero to stop a financial meltdown would still be at zero seven years later. It showed the weakness of demand and the weakness of investment and confidence in the future of western economies.

During the Parliament Labour sought to draw attention to the stagnation of living standards, which can be traced back to the earlier part of the decade, before the crash, but which became much more salient after it. The same trend was observed in the United States and in the rest of Europe. The cost of living issue Labour tried to make its own, through a number of interventions, notably in proposing a freeze on energy prices. Labour began to talk of the 'squeezed middle' and tried to develop a narrative which explained the crash as a banking crash, whose effects had been experienced most sharply by working people and their families. It also launched a major attack on zero hours contracts, contrasting the insecurity and poverty of those at the sharp end of flexible labour markets with the position of the rich whose wealth had been boosted by quantitative easing. Most investors had received a minimum of 5 per cent per annum increase in their portfolios since the crash. Labour proposed a number of measures to restrict the flow of gains to the rich, including withdrawal of the tax concessions for many individuals claiming non-dom status, raising of the top rate of income tax back to 50p in the £, establishment of a new mansion tax on properties worth more than £2 million. Many of these policies were individually quite popular, but they lacked coherence, and the Conservatives responded with a narrative which suggested that these policies were all evidence of an anti-business approach in Ed Miliband's Labour party. Labour had no radical anti-capitalist strategy, but it was easy to suggest that it had no sympathy with business and did not understand it, and this became another reason why Labour struggled to convince many voters that it was economically competent and that the economy would be safe in its hands.

3. Issues which did not feature in the election

As in most elections the economic subjects which the politicians spent most of their time arguing about were often different from the issues and problems which preoccupied decision-makers and will shape citizens' lives in the future. One of the most glaring omissions from the election campaign was any real concern with where growth was going to come from in the future, and whether the British economy needed a fundamental restructuring to make it possible. Rebalancing of the economy had been a topic of some debate since the crash. Both parties advocated that growth should be investment and export led and that the City of London's role in the UK political economy should shrink in favour of other sectors, particularly manufacturing and certain kinds of services where Britain had a clear advantage. Such a policy also involved tackling the increasingly dysfunctional UK housing market, countering the widening chasm between house prices in different parts of the country, and finding a permanent solution to the inadequate supply of new

houses. The banks would be reformed so as to contribute more effectively to the development of new industrial and service sectors.

The discrediting of many of the orthodoxies that governed economic policy making immediately after the crash made many feel that this offered an opportunity to effect a long-term reform of the British political economy. But policy soon reverted to the norm. The Government lacked levers and capacity for the full-scale industrial policy envisaged. When the recovery failed to arrive spontaneously in 2012 the Government reverted to the pre-model growth model which had been so successful then, a version of privatised Keynesianism, reliant upon loading more and more debt upon citizens, from University fees to private pensions. Rising house prices and rising immigration were also vital ingredients, both of which helped the UK economy to begin growing again after 2012. The voters who had previously been told that everyone, including the state, should live within their means were now being urged to get their credit cards out again. But although many were uneasy about the return of the previous growth model, no-one had any very clear alternative. George Osborne made great rhetorical play of the Northern Powerhouse, giving selected northern cities greater powers over planning, investment and infrastructure. But there was no new money behind this initiative, and some doubts as to whether without other measures it would make much impact on regional inequality in the UK. The SNP developed a strong anti-austerity programme, but because all the three Unionist parties ruled out any role for the SNP in the Westminster Government its proposals were never given detailed scrutiny.

Another major issue which barely surfaced in the election campaign was productivity. Despite the economic recovery UK productivity remains flat, and has been lower than most other OECD economies for the last decade. If productivity does not increase, wages are unlikely to rise, and without wage growth, the prospects for consumption led growth will be weak. There was however very little debate between the parties about the causes of low productivity or what might be done about it. The growth in employment was predominantly in low wage, low skill, insecure jobs, many of them part-time. The decline of social mobility and a restriction in the supply of well-paid secure jobs was a signal of major problems ahead for the British economy, but it did not become an election issue. Similarly the balance of payments received no attention. By 2015 the deficit on the balance of payments had reached 5 per cent of GDP, a level which few observers thought sustainable for very long, and which posed some severe risks for the UK economy if investor confidence were at some stage to weaken, and the funds needed to finance it were no longer forthcoming.

Some issues which the main parties did not want to discuss were raised by some of the other parties in the election. UKIP made immigration its core issue, but it was a subject which the two main parties chose largely to avoid. The immigration figures published shortly after the election showed annual net immigration running at a record level, over 300,000, far more than the tens of thousands which the Coalition Government had pledged to achieve. The importance of immigration for so many of the most dynamic sectors of the British economy was recognised in policy circles but few politicians were prepared to offer a defence. Whenever the issue was raised it was usually dealt with by promising more restrictions.

The Green party was the one party which focused a great deal on climate change, another elephant in the room which other parties chose to ignore. The long-term implications of climate change and the plans of the different parties for dealing with it were barely raised or discussed. In assessing economic competence, the parties' plans for deficit reduction were much more salient. Similarly while UKIP wanted to talk about the EU and how Britain could have a better economic future if it voted to leave, the EU was another topic the other parties did not want to talk much

about. They colluded in keeping the issue off the agenda before the election, which would determine whether or not a referendum on the issue would have to be held. As for other significant issues of foreign economic policy, such as the negotiations over the Transatlantic Trade and Investment Partnership, which has profound implications for many aspects of life in Britain, there was much debate among many Green and Labour party activists, but very little in the national media, and the main parties did not engage. In this as in so much else as far as the economy was concerned the 2015 general election followed a well-worn path.

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