Shouldn't We Listen to Those Who Predicted the Crash?

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with a response by Peter Sloman

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Introduction

Liberalism has never been more relevant, but also in bigger danger of extinction. It is this essay's argument that a defined liberal vision on economics is both well overdue and also never been more necessary: the opening up of economic debate post-2008 has given liberals an opportunity to unearth the liberal tradition in economics and assert its relevance, both for economics as a field, and for a voting public starving for a new progressive vision. It's only by wholeheartedly embracing this vision that British liberalism can hope to survive in the long run. The good news? It was the people who carried on this buried liberal tradition who correctly identified the looming crash and have the most compelling analysis of its aftermath. The Liberal Democrats' economic message lost its way in a Goldilocks approach of being a little less hot than the Tories and a little cooler than Labour; there has never been a more propitious time politically to solve the Liberal Democrats' "economics problem". And the answers are there if only the party is brave enough to look.

Paradigm shift

Do you remember when 'serious people' said that 9/11 changed everything? Instead of 2001, 2008 might well be the year that historians consider a more likely date for a watershed moment. The Financial Crash and the Great Recession laid waste to a way of seeing the world that had outrun its usefulness. Economics as an intellectual field had a small group of extremely powerful gatekeepers, many of whom took the same graduate seminar in macroeconomics at MIT.[1] The definition of good scholarship had been set very narrowly and produced norms of intellectual inquiry that one would have to be mad or bad to ignore if one wanted an academic career (it is noticeable how private sector economists are a lot more plural in approach). The housing bubble, Financial Crash and the biggest global downturn since the 1930s, has thrown the field of economics into sharp disrepute: even the Queen asked economists at the Bank of England why no one saw this coming. Economists, politicians, and the public have started to ask- what is living and dead in the economics we learned at school and university? Is there a more fruitful way to look at the world?

Thomas Kuhn, the philosopher of science, calls this a "paradigm shift", as one scientific research programme gives way to another, and an old framework is quickly and decisively cast aside. Imre Lakatos said that the old research programme has to be "degenerative" (i.e. uses more and more auxiliary hypotheses to explain inconvenient facts) and the new one "progressive" (i.e. a new bed of theory explains the same amount with fewer assumptions, or simply explains more). But science doesn't take place in a vacuum: Foucault's insight that science rests on political authority and is often used to control rather than liberate, can be seen, for example, in those peddling the creed of climate change denial or anti-vaccers. Those who benefit from the status quo, even if not fit for purpose, do not tend to give up positions of prominence so easily. Science is politically contested and better theory needs to be fought for. Institutions, from academic journals to university departments, are populated by those who have made a living from the old way of doing things. People fond of clinging to received wisdom and the organs of sensible moderation, from newspaper leader columns to former politicians, find the cognitive work of revising assumptions less preferable than shutting down new debate and clinging onto the wreckage of the old way of doing things. But bad theory can't be propped up indefinitely. There is something in the air; a wind blows that is starting to shake political

[1] Steve Keen, 'The Inbred Bernanke-Summers Debate on Secular Stagnation', *Forbes*, 4 April 2015.

foundations. 2008 was a dagger at the heart of economics as it was previously studied. Whoever grasps the next political economic paradigm will surely reap the political rewards. The mushy political consensus of austerity and managed decline is not satisfying, intellectually or politically. This need to find an alternative is the greatest threat to liberalism, and the opportunity of a generation, if we would only grasp it.

Economics as a means, not an end

One of the most pernicious myths in British liberalism is that there are such things as "social liberals" and "economic liberals". Anyone who identifies as an "economic liberal" and not a "social liberal" is, in fact, not a liberal at all. Liberalism has always been a political project whose aim was to provide the greatest possible array of capabilities and opportunities to everyone. That is the framework that liberals use to evaluate policy, including economics. Economics is not some policy area detached from the liberal way of seeing the world, it is integral to it. Economics is a servant to political ends, not its master. And an economic vision is what voters tend to judge parties on. If the Liberal Democrats can't agree on what a liberal take on economics is, then it deserves to die.

Liberalism has always existed on the Left of the political spectrum: from combatting corporate welfare in the Corn Laws to Beveridge's blueprint for a welfare state.[2] In some places the state should do less — like removing subsidies for the well-off[3] — and in many more cases the state should do considerably more- properly funding engines of capabilities like schools, universities, hospitals and regulating in order to disperse power to the widest array of people. "Liberty without equality is of noble sound but squalid meaning", as Hobhouse once wrote. In a country with scandalously high adult illiteracy, with wealth concentrated in few hands, and where social mobility is amongst the very lowest in the OECD, it is clear that Britain needs to be radically overhauled in order to be anywhere close to being liberal. But mainstream economics- and a an ideological diversion that claims to be "liberal" but is actually an impoverished version of libertarianism which wrongly sees private power concentration as "natural" and markets as emerging ex nihilo without state power enforcing its rules- seems to set limits to what can be achieved. We must either fit inside a dying paradigm or found a new one. 2008 serves as a great political opportunity to be both better liberals, and to be at the forefront of seeing the world more clearly. In order to do so, we need a quick history lesson in how economics has come to crisis.

Critical junctures

Political scientists often refer to events called "critical junctures": events that set in motion path dependencies that set limits to individual agency to change the rules that shape results. Think of ratification of constitutions, the selection of a voting system, or the instantiation of an independent central bank. Easy to do, much harder to reverse. Two landmark events seem to have defined post-war economics in a way that have shaped everything that has come afterwards, and one man serves a central role in both: Paul Samuelson.

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[2] Simon Radford, 'The Not So Strange Death of Liberal England', *Left Foot Forward*, 26 May 2014.

[3] Dean Baker, *The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer*, (Washington D.C.: Ebook, 2006).

Samuelson was a Keynesian but he was also the economist who first grasped the potential of the behavioral revolution in the social sciences.[4] John Maynard Keynes, author of the greatest work of economics ever-written in his *General Theory*,[5] had re-founded the discipline of economics without using much in the way of mathematical equations or complex models. Keynes came from the tradition of 'political economy': an economics that was designed to solve certain political and moral questions. As Adam Smith had *The Theory of Moral Sentiments*[6] as well as his *Wealth of Nations*,[7] Marx had *Das Kapital*[8] as well as *The Communist Manifesto*[9] and the 'Brumaire',[10] so too Keynes had a political vision which economics was meant to solve. Free market capitalism and the prevailing doctrine of laissez-faire had led to depressions and the rise of the far-right and the far-left (much like today). Keynes set out to save capitalism from itself. Rather than abolish the state and capitalism, Keynes would set out a method to bend both to the ends of liberty and equality. In his *Essays in Persuasion*, Keynes declared himself the defender of bourgeois values over proletarian revolution, but a radical against the cruelty and stupidity of conservatism.[11] Just as New Liberalism set out a liberalism that spoke to working class desires for empowerment and opportunity in the philosophical realm without resorting to revolutionary socialism and the overthrow of democracy, Keynes set out an economic doctrine that tried to serve the same purpose in the economic sphere. Liberalism would be dedicated to breaking up monopolies, managing demand, and acknowledging that the state had a role in bending economic and political currents towards empowering individuals in terms of boosting capabilities and providing opportunities.

Then Samuelson tried to write down the rules set out by Keynes- a literary economist understood by anyone who tried, and enjoyed by the vast majority who did so- in mathematical form for the benefit of students in what was to become the most influential undergrad textbook in economics history. Keynesianism became set down in models, abstracted away from reality with static equilibria with exact results discoverable by manipulating a few key variables. Political clashes between workers and bosses became

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[4] Joshua R. Berkenpas, '"The Behavioural Revolution?" History and Myth in American Political Science' (Kalamazoo, Michigan: Western Michigan University, March 2012).

[5] John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1936).

[6] Adam Smith, *The Theory of Moral Sentiments* (Edinburgh: Kincaid and Bell, 1759).

[7] Adam Smith, *An Inquiry into the Nature and Casues of the Wealth of Nations* (London: Strahan and Cadell, 1776).

[8] Karl Marx, *Das Kapital, Kritik der politischen Ökonomie*, 3 vols. (Hamburg: Verlag von Otto Meissner, 1867-73).

[9] Karl Marx and Friedrich Engels, *Manifest der kommunistischen Partei* (London: Communistischer Arbeiterbildungsverein [Workers' Educational Association], 1848).

[10] Karl Marx, 'Der 18te Brumaire des Louis Napoleon', *Die Revolution*, 1, March 1852.

[11] John Maynard Keynes, *Essays in Persuasion* (London: Macmillan, 1931).

"frictions" in models, like "sticky wages",[12] or psychological insights like "animal spirits"[13] simply got spirited away. Economics went from being a form of engineering to serve political or moral ends into a separate "science' that became a master science over these other disciplines. This reached its apogee in the application of economics tools (including bad 19th century psychology in expected utility theory) to topics as diverse as suicide and voting.

Samuelson didn't formalise Keynes away into what is now called neo-classical economics without a fight. For a start, Keynes' old department and colleagues at Cambridge didn't recognise what was happening to their mentor. Concepts would be cut up and measured to better solve the end of elegant formal models. The richness of Keynes' insights would be rendered dull but tractable under the weight of formalism. This culminated in a public debate on the issue, the so-called "Cambridge Capital Controversy",[14] where Keynes' heirs in the UK, Joan Robinson and Piero Sraffa, confronted the "other" Cambridge of MIT in saying that returns couldn't be traced exactly to the different forces of production ("this much for capital, this much to labour, this much to land" etc). Disputes between the forces of land, capital and labour couldn't be resolved according to their relative productivity, but were inherently political.[15] Economics could not resolve who should get what, politicians and ethicists should make their cases. Liberals would often argue for cooperatives and mutual ownership, along a land value tax, to bring classes together, but "natural" or "equilibrium" prices for labour and land were regarded as dangerous fictions.

The political nature of labour vs. capital, and landlord vs. tenant, anchored post-Keynesian economics on the Left of the political spectrum. While Marxian economics, resting on the labour theory of value and bottom-up theories of economic behaviour, disputed post-Keynesian economics because of an insistence that labour provided all value in the end, Keynesianism eschewed the more obscure by-ways of Marxian analysis without giving up an emancipatory view of the ends of economics. In the words of Joan Robinson in 'Open Letter from a Keynesian to a Marxist', she has "Marx in her bones" and not her "mouth".[16] A literary form of economic analysis, a focus on the instability of capitalism, the political construction of "free" markets, and the necessity for intervention to serve human ends, remained the hallmarks of post-Keynesian economics.

Meanwhile, the MIT highjacking of Keynes and the mathematisation of economics saw the dominance of a debate between those who saw assumptions of neoclassical economics as actual realities[17] (Robert Lucas won a Nobel Prize in economics despite the

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[12] 'Sticky wage theory', *Investopedia* (n.d.).

[13] 'Economics A-Z terms beginning with A: Animal Spirits', *Economist* website (n.d.).

[14] Andrés Lazzarini, 'The Cambridge Capital Controversy in Historical Perspective and Some Unsettled Analytical Issues' (Alicante, Spain: Universidad de Alicante, 2009).

[15] 'Yanis Varoufakis Critiques Tomas Piketty's Capital in the Twenty-First Century', Henry George School of Social Science video, *YouTube*, 24 November 2014.

[16] Mike Beggs, 'Joan Robinson's "Open Letter from a Keynesian to a Marxist"', *Jacobin*, July 2011.

[17] The Efficient Markets Hypothesis might be the most malign here. It assets that the stock market contains price information based on a rational application of all existing information. It can be summed up by an old economics joke: two financial economists walk down the street. One of them says "look, a $20 note on the street!" The other one says "Impossible! Someone would have picked it up already!"

fact that his models saw unemployment as voluntary holiday from work), and "Keynesians" who insisted that asymmetric information, adverse selection, sticky wages etc. allowed for policy interventions. But neoclassical economics shared Samuelson's original assumptions, even if they disputed exactly how those models should be applied. This is the Krugman vs. Mankiw/Osborne/Friedman debate of today, or the so-called "saltwater vs. freshwater" debate.[18] And the economics that has been jolted out of its position of dominance for its inability to predict and explain the 2008 crisis. This failure to see the Great Recession coming is the exogenous shock necessary for the paradigm to shift, but two conditions need be met first: there needs to be a more "progressive" research program that better explained what happened, and, secondly, people need to be told that there is a better way of doing things. Otherwise zombie economics will still win out.

Heirs to Keynesianism

The heirs to the post-Keynesian tradition still exist and two more of their number are worth mentioning as being incredibly influential and important for understanding the 2008 crash. Their names are Hyman Minsky and Wynne Godley. Hyman Minksy was a disciple of Keynes but he had one further, and major, insight: Keynes was correct that monetary and fiscal policy could "prime the pump" and grow the economy out of recession, but lowering interest rates every time bad loans dampened the economy (as those who misunderstood Keynes took to micromanaging) risked creating more and more credit which would eventually have to be paid off. George Cooper, in one of the best books about the financial crisis,[19] uses the analogy of an engine: oscillations can get wilder and wilder until it spins out of control, if market actors think that the Fed will always catch them when they fall.

Ray Dalio, the head of Bridgewater Associates, one of the biggest hedge funds in the world, summed up the Minsky view of the world in a highly entertaining and informative video on "how the economic machine works".[20]

A concise and readable study of the role of private debt in economic crises backs up the Minksy/Dalio theorem: "From our analysis of these crises, our hypothesis is that for major economies, growth in private sector debt to GDP of roughly 18% in five years combined with an overall private debt to GDP ratio of 150% or more means that crisis is likely....In the United Kingdom, the 2008 crisis came after it had reached 24% private credit to GDP growth in five years and 208% total private debt to GDP." Richard Vague notes that this put the UK in a worse position than the US. But while stimulus allowed US consumers to pay down this private debt overhang, the UK's policy of reinflating a housing boom and cutting incomes (while overseeing a further collapse in UK productivity) means that further crisis is more, not less, likely.

The role of private sector credit creation and its potential for destabilising the macro economy, has even led some economists to call for the state to have a monopoly on the creation of money, and a report for the government in Iceland (a state with its own dramatic story during the financial crisis) also put bank credit creation under the spotlight as the main instigator of financial crises in Iceland's history.[21]

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[18] Paul Krugman, 'How Did Economists Get it so Wrong?', *New York Times*, 2 September 2009.

[19] George Cooper, *The Origin of Financial Crises: Central Banks, Credit Bubbles and the Efficient Market Fallacy* (New York: Harriman House, 2009).

[20] Ray Dalio, 'How the Economics Machine Works', Bridgewater video, *YouTube*, 22 September 2013.

[21] [Associated Free Press], 'Iceland Looks to End Boom and Bust with Radical Money Plan', *Daily Telegraph*, 31 March 2015.

This rise and rise in private sector borrowing and its central role in causing a crash in demand is also at the heart of the work of the second main post-Keynesian whose work is worth following: Wynne Godley. His idea of sectoral balances rests on a simple- an undeniable- accounting relationship: liabilities have to equal assets.[22] Of all the major sources of debt in the sectors of the economy — the government, private sector, families, trade balance — someone must hold that debt. The only problem? Only the government can print money to pay that debt off. If the private sector or families borrow too much, eventually they'll hoard money to pay that debt off. This is why austerity makes no sense- if we want households and businesses to start spending money and hiring again, then the debt on their balance sheets need to be transferred to the government. If everyone tries to save at the same time we get stuck in what Keynes called "the paradox of thrift": your spending is my income. If I save, someone else needs to spend or else someone else will need to save by laying someone off, or freezing pay. That means they spend less and so on and so on.

Godley's use of sectoral balances meant that he saw the private sector (especially banks) and households were at their limit: they could not borrow any more and still pay their debts. Demand would have to crash and debt would have to be socialised. It might also be worth mentioning now that Godley's prognostications were not limited to the Great Recession: he also called the ERM crisis and had an eerily prescient crystal ball which perfectly described the recent Greek crisis in an article he wrote…. In 1992![23]

What's perhaps most remarkable is that these post-Keynesians- also known as heterodox economist- were the only ones who, as a group, called the 2008 crash with generally the right causes. Dean Baker,[24] Thomas Palley,[25] Wynne Godley[26], Ann Pettifor[27] and friends were right on the fact that a large recession was coming. The Levy Institute has been a leader in looking at the causes of financial instability in both the macroeconomy and in Wall Street. Richard Koo, the chief economist at Nomura, was the first to use sectoral balances to show that the US resembled strongly Japan's crash and faced a lost decade.[28]

Conclusion

There is no inevitability that we'll learn the right lesson from the Great Recession and its aftermath. "Sensible people" with a penchant for economic muddle do not like anything that smacks of being counterintuitive: despite the fact that households are nothing like government, that hoary old cliché that we must live within our means will echo until it

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[22] Martin Wolf, 'The Balance Sheet Recession in the U.S.', *Financial Times*, 19 July 2012.

[23] Wynne Godley, 'Maastricht And All That', *London Review of Books*, Vol. 14, No. 19, 8 October 1992.

[24] Dean Baker, 'The Run-Up in Home Prices: Is it Real, or Is it Another Bubble?' (Washington D.C.: Center for Economic and Policy Research, August 2002).

[25] Thomas Palley, 'The Weak Recovery and the Coming Deep Recession', *Mother Jones*, 17 March 2006.

[26] Jonathan Schlefer, 'Embracing Wynne Godley, an Economist who Modelled the Crisis', *Levy Economics Institute of Bard College*, 10 September 2013.

[27] Cameron Cooper, '6 Economists Who Predicted the Global Financial Crash', *In the Black*, 7 July 2015.

[28] Richard C. Koo, 'The World in Balance Sheet Recession: Causes, Cure and Politics', *Real-World Economics Review*, 58, December 2011.

possibly drives us to madness. Short-term political power grabs tends to find bad economics that gives people permission to do what they always personally wanted to do anyway, whether it be sit in ministerial limos or play Thatcher and decimate the British state. 8 MPs stands as the Lib Dem legacy of such an approach.

The first thing the Lib Dems need to do is to know what and who to read to understand where we've come from, the relationship between the state and the market that led us to the biggest economic disaster since "Of Mice and Men".

The second thing that Lib Dems need to understand is that the people who got the Great Recession right were the people who represent continuity in the British Liberal tradition. Hayek and Keynes were never compatible and the Liberal Party was always the part of the latter and not the former. People vote based on a coherent economic vision of how to heal the economy: economics can't be a genteel muddle in order not to offend people who joined the Lib Dems under false pretenses that the Lib Dems had ceased to be a liberal party. Some folks will leave who we will team up with on other issues where we have more in common. But there's a world to gain with coherence and unity on the issue of economics.

We need to deal with micro causes and not just macro consequences: banks are still too big to fail, ratings agencies are still staffed by people paid a fraction of those whose models they are rating (and paid by them too to do so…), debt creation is still out of the control of government (and can be encouraged by an independent central bank) and should be under democratic control, swathes of financial services provide no social value and encourage real intellectual talent to chase dollars rather than bolster the human capital of Britain's real economy, capital is still locked up in land speculation rather than investing in enterprises and skills. Populism need not be illiberal.

Finally, we never stop learning and never stop reading and understanding. When Lib Dem facebook groups reverberate with economic analyses from sites which understand the problems — from *Naked Capitalism*[29] to Steve Keen[30] — we'll be part way to being a mature political movement that is fit to overtake Labour as a progressive alternative to our Conservative opponents. If we don't, well some kind of opposition will emerge. We need to stop thinking simply about how to win elections (which is also very jejune, but that's a later blog post) and first about how to get policy right. After that we can work out how to market the right medicine for what ails us. We can't choose glib political stances because it is simpler for folks to understand. Muddle, middle and mediocrity will never be the answer. Be bold or go home. If we can't be liberal, what's the point?

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[29] *Naked Capitalism: Fearless Commentary on Finance, Economics, Politics and Power* website.

[30] Steve Keen contributor archive, *Forbes* magazine.

What kind of Keynesianism? A response by Peter Sloman

I read Simon Radford's piece on liberal economics after the crash with a mixture of agreement and frustration, so I am grateful for the opportunity to respond with some historical reflections. Simon's call for the Liberal Democrats to re-engage with economic theory is persuasive and well-timed: I could not agree more that

> the opening up of economic debate post-2008 has given liberals an opportunity to unearth the liberal tradition in economics and assert its relevance, both for economics as a field, and for a voting public starving for a new progressive vision.

Yet the notion that there is a *single* liberal tradition in economics is as problematic coming from Simon on the post-Keynesian left as it is coming from David Laws in *The Orange Book*. If liberalism is at root a political movement, seeking 'to provide the greatest possible array of capabilities and opportunities to everyone', we should not be surprised that British liberals have drawn on a wide range of theoretical perspectives. Rightly or wrongly, the Liberal Party has consistently sought to hold the 'orthodoxy' of (neo)classical economics and the heterodoxy of figures such as Henry George, J. A. Hobson, and John Maynard Keynes in a kind of creative tension.

I discussed this tension at length in my recent book on *The Liberal Party and the Economy*, but it is worth reflecting briefly on what it has meant for the party's relationship with Keynesianism. Although the Liberal Democrats are justifiably proud of their links with Keynes – who was involved in the Liberal Industrial Inquiry during the 1920s and sat on the Liberal benches when he became a peer in 1942 – the party's dominant tendency has been to domesticate his insights and play down his challenge to orthodox thinking. In the run-up to the 1929 election, for instance, David Lloyd George set Keynes' plan for loan-financed public works in the context of the party's existing discourse of 'national development', which allowed him to stress the supply-side benefits of investing in roads and other infrastructure. Likewise, after 1945 most Liberals followed Paul Samuelson (and British Keynesians such as John Hicks, James Meade, and Roy Harrod) in interpreting Keynes' teachings in terms of demand management through fiscal and monetary fine-tuning. Even in the 1970s and 1980s, when the Liberals (and the early SDP) resisted the rise of the monetarist New Right, the party's Keynesianism was essentially conservative rather than radical – designed to keep the post-war settlement on the road with the help of prices and incomes policies. Set against this backdrop, the Liberal Democrats' pragmatic decision to support a tough deficit-reduction strategy in 2010 does not look all that surprising.

Why has the party of Keynes and Beveridge been so cautious in the economic sphere? I think the explanation lies in three main factors. Firstly, it is important not to understate the extent to which classical economic doctrines became embedded in the party's thinking during the nineteenth century. For all that liberalism was never reducible to market economics, Victorian and Edwardian Liberals tended to regard free trade and balanced budgets as basic canons of good government and to accept economists' claims to 'scientific' expertise. (Indeed, Keynes himself said he was a Liberal partly because protectionism and socialism had 'obvious scientific deficiencies'.) Market economics also fitted neatly with the party's suspicion of arbitrary state power and its internationalist instincts. Though many Liberals valued free trade for ethical and political reasons, every restatement of the free trade case implicitly reaffirmed the value of specialisation and trade and highlighted the possibility that government intervention could harm the welfare of the people. The ‘bastard Keynesianism’ of Samuelson and Hicks fitted more easily with this free-market inheritance than the radical Keynesianism of Joan Robinson and Piero Sraffa.

Secondly, the political context in which the Liberals and Liberal Democrats have found themselves since the 1920s has also militated against economic radicalism. In a majoritarian system, it is intrinsically difficult for the third party to set the political weather; instead it tends to gravitate into the spaces left by others. This is particularly true for a centrist party whose electoral strategy relies partly on winning over ‘soft Tory’ voters in rural and suburban England. As a result, although the Liberals have often made a virtue of floating new ideas – from EEC membership to industrial democracy to Scottish and Welsh devolution – the party leadership has tended to stick close to the conventional wisdom on macroeconomic issues. Only at times of unusual political ferment, such as the Second World War and the ‘great reappraisal’ of the early 1960s, have Liberal activists succeeded in challenging this caution and propelling the party in a more radical direction.

Thirdly, there is the issue of personnel. With a handful of exceptions, those radical economists who came after Keynes have tended to gravitate towards Labour or stay out of party politics altogether, and only a few left-leaning Liberals and Liberal Democrats have taken much interest in economic theory. From Megan Lloyd George to David Steel and Charles Kennedy, social liberals have tended to focus their energies on foreign policy, civil liberties, and constitutional reform whilst paying ritual obeisance to Keynes and Beveridge. As a result, the Liberal Democrats have come to rely heavily on a small group of economically literate MPs – such as Vince Cable, Chris Huhne, and David Laws – whose instincts may or may not be in line with those of the wider party.

The good news is this is already changing. Social liberals have begun to re-engage with economics in the years since the financial crash – a shift reflected in the Social Liberal Forum’s Plan C – and the scale of the Liberal Democrats’ election defeat is likely to open up space for new ideas and policies. Under Tim Farron’s leadership, Simon and those who think like him can at least be sure of a hearing. Yet re-enacting the debate over the coalition’s ‘austerity’ policies is unlikely to reap political dividends in 2020. Rather, the Liberal Democrats need to combine a credible critique of George Osborne’s economic stewardship with realistic plans for promoting sustainable growth and solving the housing crisis. Labour’s left turn under Jeremy Corbyn presents an unexpected opportunity for Tim Farron and his colleagues. They will need to draw on the talents of the whole party in order to rise to the challenge.

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