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Policy Paradigms, Social Learning, and the State

The Case of Economic Policymaking in Britain

Peter A. Hall

The study of comparative politics has been heavily influenced over the past decade by theories of the state. Initially developed by neo-Marxists in response to the persistence of capitalism, such theories now take a variety of forms.[1] Their central contention is that the state, broadly understood as the executive, legislative, and judicial apparatus of the nation, has an important impact of its own on the nature of public policy and considerable independence from organized social interests and the electoral coalitions that might otherwise be said to drive policy. In the words of one state theorist, policy should not be seen as "a vector diagram in which a series of pressures are brought to bear on the state, which then moves in the direction it is pushed by the strongest societal forces."[2] In this respect, theories of the state offer a useful, if occasionally overstated, corrective to pluralist emphases on the societal sources of policy.[3]

However, all research programs leave some questions unanswered, and this one poses particularly difficult ones. What motivates the actions of the state, if it is not the factors previously identified by pluralist analysis? How are we to conceive of the policy process if not as a response to societal pressure? In this regard, the negative force of the state theorists' case against more traditional lines of thought has not been matched by their positive attempts to construct an alternative conception of policymaking. To suggest that policymakers respond instead to the "national interest" leaves us wondering how this national interest comes to be defined.[4] Similarly, to argue that policy reflects a "parallelogram of preferences" among public officials themselves or the outcome of a "bureaucratic politics" in which "where you stand depends on where you sit" imports a rather underspecified model of pluralism back into the state itself.[5] Even the argument that "policy legacies" determine the course of subsequent policy raises questions about why some legacies are more influential than others.[6] The recent work that focuses our attention on the state has been of great value, but the state at which we are now looking largely remains a black box.[7]

In the face of this dilemma, theorists of the state have been casting about for an alternative conception of the policy process with which to complete their account of policy. Out of these endeavors, one concept has begun to appear with particular frequency. That is the concept of policymaking as social learning. The notion of politics as learning has origins in work on cybernetics and organization theory, and psychologically oriented versions of it have been applied with some success to the process of foreign policymaking.[8] However, the formulation that has had the most influence on theories of the state is the one presented in Hugh Heclo's distinguished study of social policymaking in Britain and Sweden. In Heclo's words: "Politics finds its sources not only in power but also in uncertainty—men collectively wondering what to do. . . . Governments not only 'power' . . . they also puzzle.

Policy-making is a form of collective puzzlement on society's behalf. . . . Much political interaction has constituted a process of social learning expressed through policy."[9]

There is a profound insight here, and it has been taken up with enthusiasm by theorists of the state. In an influential review essay, Theda Skocpol observes that Heclo's work "suggests how to locate and analyze autonomous state contributions to policy-making, even within constitutional polities nominally directed by legislatures and electoral parties," and Paul Sacks argues that "the 'politics as learning' approach implies that elements within the state, acting, presumably, in pursuit of the national interest, decide what to do without serious opposition from external actors," thereby confirming a central tenet of state theory.[10] The notion of social learning is on the verge of becoming a key element in contemporary theories of the state and of policymaking more generally.

However, there are two major problems with the concept of social learning as hitherto employed by theorists of the state. First, it has been presented in only the sketchiest of terms. Unlike the psychologically oriented versions of learning theory that have been explored more fully in studies of foreign policy and the procedurally oriented versions presented by organization theorists, the concept of social learning presented by Heclo and taken up by theorists of the state emphasizes the role of ideas in policymaking. But those who use the concept have yet to develop an overarching image of the way in which ideas fit into the policy process or a clear conception of how those ideas might change.

Second, it is not at all clear that the process of social learning actually accords as completely as many think with the notion of an autonomous state. Social learning has generally been treated as a dimension of policymaking that confirms the autonomy of the state, but it may well be a process that is intimately affected by societal developments rather than one that takes place largely inside the state itself.

This point speaks to a central division within current analyses of the state. Recent theories of the state can be divided into two types. On one side is a set of analyses that might be described as state-centric in that they emphasize the autonomy of the state from societal pressure. These works suggest that policy is generally made by public officials operating with considerable independence from organizations like interest groups and political parties that transmit societal demands.[11] On the other side is a range of theories that might be called state-structural. They, too, emphasize the impact on policy of the state's structure and its actions, but they are less inclined to insist on the autonomy of the state vis-à-vis societal pressure. Instead, they accord interest groups, political parties, and other actors outside the state an important role in the policy process. Their main point is that the structure and past activities of the state often affect the nature or force of the demands that these actors articulate.[12] If social learning is a process that takes place largely inside the state itself, it will accord well with the arguments of state-centric theorists. However, to the extent that social learning involves much broader participation and conflict within the political system as a whole, it will be more consonant with the state-structuralist approach.

The object of this article is to examine the nature of social learning and the more general process whereby policies change with a view to resolving some of these issues. At the outset, I take up a number of questions about how the learning process proceeds and attempt to specify more fully the roles that ideas play in policymaking. I then test the central propositions of the conventional learning model and my expanded version against a series of cases of different kinds of policy change, with the following questions in mind. How should we understand the relationship between ideas and policymaking? How do the ideas behind policy change course? Is the process of social learning relatively incremental, as organization theory might lead us to expect, or marked by upheaval and the kind of "punctuated equilibrium" that often applies more generally to political change.[13] Are bureaucrats the principal actors in social learning, or do politicians and societal organizations also play a role? Finally, I explore the implications of these cases for state-society relations with particular attention to the relationship between social learning and the autonomy of the state.

The cases that this article examines are all drawn from a specific empirical setting, namely, that of macroeconomic policymaking in Britain between 1970 and 1989. A broad concept such as social learning deserves to be explored in many contexts; no single case can fully resolve these issues. However, the setting of macroeconomic policymaking in Britain is an ideal one against which to test the prevailing conceptions of social learning and their implications for state theory. On the one hand, economic policymaking is a knowledge-intensive process, long associated with concepts of learning. As Heclo observes: "Nowhere is the importance of such learning and alteration of perspective more clearly demonstrated than in the economic doctrines prevalent in any given period."[14] On the other hand, economic policymaking in Britain figures heavily in the most prominent attempts by state theorists to apply the concept of learning.[15] It also provides excellent cases against which to test state-centric arguments that the learning process is dominated by officials and highly placed experts, since the power of official experts should be at its maximum in a highly technical field like macroeconomic policymaking and in nations like Britain that have unusually hierarchical and closed bureaucracies.

The Process of Social Learning

We can begin from what might be termed the prevailing model of social learning as utilized by contemporary theorists of the state. It is heavily based on Heclo's work, but the state theorists take his cautious formulations somewhat farther. The image of learning that they present has three central features.

First, they suggest that one of the principal factors affecting policy at time-1 is policy at time-0. In Sacks' words: "The most important influence in this learning is previous policy itself."[16] Policy responds less directly to social and economic conditions than it does to the consequences of past policy. In Weir and Skocpol's terms, the interests and ideals that policymakers pursue at any moment in time are shaped by "policy legacies" or "meaningful reactions to previous policies."[17]

Second, the key agents pushing forward the learning process are the experts in a given field of policy, either working for the state or advising it from privileged positions at the interface between the bureaucracy and the intellectual enclaves of society. Heclo observes that "[f]orced to choose one group among all the separate political factors as most consistently important . . . the bureaucracies of Britain and Sweden loom predominant in the policies studied."[18] On the whole, this model tends to downgrade the role of politicians in social learning and to attribute particular importance to the officials or experts who specialize in specific fields of policy.

Finally, this view of social learning emphasizes the capacity of states to act autonomously from societal pressure. Heclo rejects the view that outside factors, such as socioeconomic development, elections, political parties, and organized interests, play a primary role in the development of social policy and concludes, albeit cautiously, that "if one were forced to hold the policy process static and choose between an essentially pluralistic or elitist interpretation, then our tentative conclusions . . . would suggest the greater interpretive power of the latter." Sacks and others go even farther to argue that accounts of social learning "reveal the substantial autonomy of the state from societal pressures in its formulation of policy goals."[19]

It should be apparent that this is a relatively schematic model that needs to be fleshed out in several respects. To begin with, the concept of social learning itself should be defined more clearly. Learning is conventionally said to occur when individuals assimilate new information, including that based on past experience, and apply it to their subsequent actions. Therefore, we can define social learning as a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process.[20]

In addition, we should allow for the possibility that the learning process may take different forms, depending on the kinds of changes in policy that are involved. That is to say, the concept of social learning should be disaggregated. In order to do so, we can think of policymaking as a process that usually involves three central variables: the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise settings of these instruments. For instance, if the goal of the policy is to alleviate the financial problems of the elderly, the chosen instrument might be an old age pension, and its setting would be the level at which benefits were set. We want to distinguish the learning process associated with a simple change in the level of benefits from that associated with potentially more radical transformations in the basic instruments of policy or its overarching goals.

Building on these distinctions, we can identify three distinct kinds of changes in policy and illustrate each from cases of macroeconomic policymaking in Britain over the 1970–89 period.

First, the levels (or settings) of the basic instruments of British policy, such as the minimum lending rate or the fiscal stance, were altered at frequent intervals during the 1970–89 period, even when the overall goals and instruments of policy remained the same. Most of the adjustments made in the annual budget took this form: the settings of the government's policy instruments were modified in the light of past experience and projections for the future performance of the economy. We can call the process whereby instrument settings are changed in the light of experience and new knowledge, while the overall goals and instruments of policy remain the same, a process of first order change in policy.

Second, there were several instances in the 1970–89 period when the hierarchy of goals behind British macroeconomic policy remained largely the same but the basic techniques used to attain them were altered, as a result of dissatisfaction with past experience. These episodes included the introduction of a new system of monetary control in 1971, the development of a new system of "cash limits" for public spending control in 1976, and the movement away from strict targets for monetary growth in 1981–83. Changes of this sort, when the instruments of policy as well as their settings are altered in response to past experience even though the overall goals of policy remain the same, might be said to reflect a process of second order change.

Finally, the British experience of 1970–89 was also marked by a radical shift from Keynesian to monetarist modes of macroeconomic regulation, which entailed simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals behind policy. Such wholesale changes in policy occur relatively rarely, but when they do occur as a result of reflection on past experience, we can describe them as instances of third order change.[21]

In order to understand how social learning takes place, we also need a more complete account of the role that ideas play in the policy process. After all, the concept of social learning implies that ideas are central to policymaking, even if it says little more than that about the role they play. To construct a more robust formulation, let us begin from Anderson's fruitful observation that "the deliberation of public policy takes place within a realm of discourse . . . policies are made within some system of ideas and standards which is comprehensible and plausible to the actors involved."[22] More precisely, policymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing. Like a *Gestalt*, this framework is embedded in the very terminology through which policymakers communicate about their work, and it is influential precisely because so much of it is taken for granted and unamenable to scrutiny as a whole. I am going to call this interpretive framework a policy paradigm.

Macroeconomic policymaking in Britain has clearly revolved around this sort of policy paradigm. For most of the postwar period, British policy was based on a highly coherent system of ideas associated with John Maynard Keynes. Once adapted to the organization of the British financial system, Keynesian ideas were institutionalized into the procedures of the British Treasury and formalized as the "neoclassical synthesis" in many standard texts. They specified what the economic world was like, how it was to be observed, which goals were attainable through policy, and what instruments should be used to attain them. They became the prism through which policymakers saw the economy as well as their own role within it.[23]

These policy paradigms are rather like the scientific paradigms that Thomas Kuhn has identified, and we can take advantage of this analogy to develop some hypotheses about how the learning process in public policymaking might proceed.[24] For instance, reference to Kuhn allows us to locate the different kinds of policy change relative to one another. First and second order change can be seen as cases of "normal policymaking," namely of a process that adjusts policy without challenging the overall terms of a given policy paradigm, much like "normal science." Third order change, by contrast, is likely to reflect a very different process, marked by the radical changes in the overarching terms of policy discourse associated with a "paradigm shift." If first and second order changes preserve the broad continuities usually found in patterns of policy, third order change is often a more disjunctive process associated with periodic discontinuities in policy. One striking implication of this analysis would be that first and second order changes in policy do not automatically lead to third order changes. As in the case of scientific change, normal policymaking can proceed for some time without necessarily precipitating a paradigm shift. The latter is engendered quite differently.

The process of first order change is likely to display the features of incrementalism, satisficing, and routinized decision making that we normally associate with the policy process.[25] Second order change and the development of new policy instruments may move one step beyond in the direction of strategic action. But third order change is more problematic: the literature provides far less guidance for modeling this sort of process. Nevertheless, we can draw on the Kuhnian image of scientific progress to develop some hypotheses about how the process of paradigm shift or third order change in policy might proceed.

Such an account should begin from the observation that paradigms are by definition never fully commensurable in scientific or technical terms. Because each paradigm contains its own account of how the world facing policymakers operates and each account is different, it is often impossible for the advocates of different paradigms to agree on a common body of data against which a technical judgment in favor of one paradigm over another might be made.[26] Three important implications follow.

First, the process whereby one policy paradigm comes to replace another is likely to be more sociological than scientific. That is to say, although the changing views of experts may play a role, their views are likely to be controversial, and the choice between paradigms can rarely be made on scientific grounds alone. The movement from one paradigm to another will ultimately entail a set of judgments that is more political in tone, and the outcome will depend, not only on the arguments of competing factions, but on their positional advantages within a broader institutional framework, on the ancillary resources they can command in the relevant conflicts, and on exogenous factors affecting the power of one set of actors to impose its paradigm over others.

Second, issues of authority are likely to be central to the process of paradigm change. Faced with conflicting opinions from the experts, politicians will have to decide whom to regard as authoritative, especially on matters of technical complexity, and the policy community will engage in a contest for authority over the issues at hand. In other words, the movement from one paradigm to another is likely to be preceded by significant shifts in the locus of authority over policy.

Finally, instances of policy experimentation and policy failure are likely to play a key role in the movement from one paradigm to another. Like scientific paradigms, a policy paradigm can be threatened by the appearance of anomalies, namely by developments that are not fully comprehensible, even as puzzles, within the terms of the paradigm. As these accumulate, ad hoc attempts are generally made to stretch the terms of the paradigm to cover them, but this gradually undermines the intellectual coherence and precision of the original paradigm. Efforts to deal with such anomalies may also entail experiments to adjust existing lines of policy, but if the paradigm is genuinely incapable of dealing with anomalous developments, these experiments will result in policy failures that gradually undermine the authority of the existing paradigm and its advocates even further.

Therefore, the movement from one paradigm to another that characterizes third order change is likely to involve the accumulation of anomalies, experimentation with new forms of policy, and policy failures that precipitate a shift in the locus of authority over policy and initiate a wider contest between competing paradigms. This contest may well spill beyond the boundaries of the state itself into the broader political arena. It will end only when the supporters of a new paradigm secure positions of authority over policymaking and are able to rearrange the organization and standard operating procedures of the policy process so as to institutionalize the new paradigm.

How well does this expanded image of social learning fit the course of British macroeconomic policymaking in the 1970–89 period? And what are the implications of this case for contemporary theories of the state? To answer these questions, we need to explore empirical cases representative of each of the three types of policy change. These are drawn from the process of macroeconomic policymaking in Britain since 1970. Because space permits only a brief review of each case, I concentrate on those features most relevant to the model of social learning outlined above.[27]

First-Order Change

As noted above, first order changes in policy took place every year during this period, and often more than once a year, as policymakers adjusted the budget judgment in response to the revealed consequences of past policy and new developments. The broad outlines of the process are well-known. The process was analytical, in the sense that the settings of fiscal and monetary instruments were adjusted to attain a specified set of macroeconomic targets, but also highly routinized, in that the range of options canvassed in any year was generally restricted by the conventions of the reigning paradigm. For much of the period, such adjustments to policy can be predicted with a "satisficing" model of decision making.[28]

This process of first order change corresponds quite closely to the image of social learning current in state theory. Policy at time-1 was deliberately formulated and justified in terms of the outcomes of policy at time-0, as the annual Financial Statement and Budget reports indicate, and there is ample evidence that experts within the civil service played a dominant role in the process. They controlled both the advice going to the chancellor and the forecasts on which that advice was based. The prime minister and chancellor could push policy more in one direction than another, as Edward Heath did by pressing for all-out growth in 1972 and James Callaghan did by insisting on a lower-rate band for taxes in 1978, but they lacked the technical expertise to take the direction of macroeconomic management out of the hands of their officials, and other ministers had virtually no influence over macroeconomic policymaking.[29]

As theorists of the state would predict, the process of first order change also seems to have been relatively insulated from the kind of pluralist pressures we often associate with the broader political system. A variety of groups made representations to the chancellor before each budget, but these were largely discounted at the Treasury. The Confederation of British Industry secured minor concessions in return for a promise to police retail prices in 1971, and the government made some alterations to policy in exchange for the Trades Union Congress' agreement to an incomes policy in 1975–76, but these instances must be balanced against the far more numerous occasions over this period when the demands of outside groups were ignored.[30]

Second-Order Change

At less frequent junctures between 1970 and 1989, British governments also made second order changes to policy. That is to say, they altered the instruments of macroeconomic policy without radically altering the hierarchy of goals behind policy. I will examine three representative cases, one drawn from each of the three administrations in office during this period.

The first case is that of Competition and Credit Control (CCC), the name given to a series of alterations made to the system of monetary control beginning in 1971. There is an ample literature on this episode, and it can be reviewed briefly.[31] The British clearing banks had been arguing for some years that the existing system of quantitative controls on lending was hampering their ability to compete with foreign firms entering the British market, but the new scheme was initiated by senior officials at the Bank of England only after they, too, found that the existing system was becoming unworkable and had concluded, after a long series of studies, that the UK demand for money was stable enough to support a system of monetary control based primarily on interest rate changes. Lacking the expertise to examine the scheme fully, the Treasury gave it only a cursory review and then sold it to the government as a way of encouraging competition in the banking system. When bank lending rose faster than expected in 1972–73, however, the prime minister balked at the interest rate increases proposed by the Bank, the money supply (M3) rose by 60 percent in 1972–73, and another system of quantitative controls, known colloquially as the "corset," was ultimately imposed in July 1973. The experiment as a whole was something of a minor disaster.

The next case of second order change had a happier outcome but many of the same features as the first. It involved the introduction of a new system for controlling public expenditure, known as a "cash limits" system, that replaced the traditional method of planning public expenditure in volume terms with a set of limits on departmental expenditure formulated in nominal pounds sterling. Once again, the impetus for change came from growing dissatisfaction with the previous system of expenditure control, which peaked in 1974–75 when spending apparently rose by £4.9 billion more than could be accounted for by published spending plans or announced changes to those plans.[32] Initiated by senior civil servants at the Treasury, the new system was tried out on public sector building programs in 1974–76 and introduced more broadly for the fiscal year 1976–77. It was accompanied by several additional measures designed to strengthen the hand of the Treasury against spending ministers, and it facilitated deep cuts in the projected rate of spending in subsequent years.[33]

A third case of second order change in policy occurred in 1981–85, as the Thatcher government gave up its attempt to implement a system of monetary base control (MBC) and gradually moved away from a monetary policy oriented primarily to rigid targets for the rate of growth of M3. The government enshrined targets for M3 in the Medium Term Financial Strategy (MTFS) announced with the March 1980 budget and, shortly thereafter, directed its officials to devise a system for monetary base control, but by 1985 the government had all but abandoned strict targets for M3 and any plan for MBC. Once again, officials played the key role in persuading ministers that a change in their plans was necessary.[34] Officials at the Bank of England resolutely resisted MBC on the grounds that under such a system they would lose control of short-term interest rates, and, as successive attempts to control the rate of growth of M3 failed, both Bank and Treasury officials persuaded the chancellor to turn to other indicators of monetary stringency and eventually to incorporate exchange rate movements into his calculations. By 1985 a multitude of measures was utilized to assess monetary growth, the central targets were largely notional, the practice of "overfunding" the public sector deficit once employed to control M3 had been terminated, and monetary policy was guided for the most part by ad hoc considerations.[35]

Although only a brief review of these cases has been possible here, what is most striking about all of them is that they accord remarkably well with the image of social learning presented by state-centric theorists. In each case, changes were made to policy instruments primarily in response to dissatisfaction with past policy rather than in response to new economic events alone. Competition and Credit Control was inspired by the growing unworkability of existing controls on credit and their distorting effects on banking competition rather than by the underlying course of monetary growth. The inflationary conditions of 1975–76 made some reduction in public expenditure desirable, but the new system of cash limits was a direct response to the apparent failure of existing methods for planning public expenditure. Likewise, modifications made to the system of monetary control in 1981–85 were motivated primarily by dissatisfaction with the unworkability of a system based on rigid targets for the monetary base.

It is also notable that officials, rather than politicians, played the most central role in each instance of social learning. CCC was initiated by Bank officials on the basis of studies begun before the Heath government took office, and its presentation was simply tailored to fit the prevailing Conservative platform. The system of cash limits was also devised by officials before the Labour government came to office and presented to the chancellor as a solution when appropriate problems arose, much as a "garbage can" theory of decision making would suggest.[36] The resistance of the prime minister delayed the move away from monetary targets in the 1980s, but once again those pushing most strongly for a change were the civil servants who had to operate the policy.

All of these are also cases in which the state acted rather autonomously. The system of cash limits was never really the object of pressure from outside actors; what pressure came from the financial press was itself largely engineered by Whitehall.[37] In the case of CCC, the clearing banks had been seeking relief from quantitative controls for some time, but the Bank moved toward a new system only when its own calculations indicated (albeit incorrectly) that a stable demand for money existed. Similarly, there had been vociferous critics of monetary targets since their inception in 1976, but the Thatcher government moved away from them only when its own policy experts concluded they were unworkable.

In light of these cases, we might well conclude that the prevailing image of social learning is correct in all its essentials. However, the most important transformation in policy over this period was one characterized by third order change, and before reaching any conclusions, we should examine this process as well.

Third Order Change

In addition to the first and second order changes discussed here, much more dramatic changes in British macroeconomic policy also took place during the 1970–89 period. These changes are commonly associated with the movement from a Keynesian mode of policymaking to one based on monetarist economic theory. Although the movement began around 1976, the most intense break in policy came after a Conservative government led by Margaret Thatcher was elected in 1979. Not only were the settings of policy changed but the hierarchy of goals and set of instruments employed to guide policy shifted radically as well. Inflation replaced unemployment as the preeminent concern of policymakers. Macroeconomic efforts to reduce unemployment were rejected in favor of balanced budgets and direct tax reductions. Monetary policy replaced fiscal policy as the principal macroeconomic instrument, and it was reoriented toward fixed targets for the rate of monetary growth. Many regulatory instruments associated with state intervention, such as incomes policies, exchange controls, and quantitative limits on bank lending, were eliminated. This was a clear case of third order change in policy.[38]

What was the character of this process of third order change? How did policy change so radically? Although the election of Margaret Thatcher as prime minister is a key component of the story, it is not the only component. After all, new governments under determined leaders had been elected before. Similarly, although poor levels of economic performance and rising rates of inflation helped to provoke change, to cite them alone does not tell us more about the process of change. We need a conceptual framework for understanding the process whereby British macroeconomic policy changed during the 1970s and 1980s.

For that purpose, it is useful to return to the concept of a "policy paradigm." Keynesianism and monetarism were quintessential examples of such paradigms. Although something of a new synthesis between them has emerged in recent years, during the period examined here, namely the 1970s and early 1980s, these two economic ideologies were distinct paradigms. Not only did the policy prescriptions of monetarists diverge from those of the Keynesians, they were also based on a fundamentally different conception of how the economy itself worked. Whereas Keynesians viewed the private economy as unstable and in need of intermittent fiscal adjustment, monetarists saw the private economy as stable and discretionary policy as an impediment to efficient economic performance. Whereas Keynesian policymakers attributed fluctuations in economic output and inflation to the cycles of the real economy or excessive wage and price pressure, monetarists took the view that fluctuations in output and inflation were caused primarily by excessive changes in the rate of growth of the money supply. And if Keynesian governments had believed that they could reduce the rate of unemployment by altering the fiscal stance ever since the famous 1944 white paper on that subject, monetarists contended that the jobless were not the responsibility of the state because unemployment would converge on "natural rate" fixed by conditions in the labor market rather than by the macroeconomic stance.[39]

When monetarism replaced Keynesianism as the template guiding policy, there was a radical shift in the hierarchy of goals guiding policy, the instruments relied on to effect policy, and the settings of those instruments. Moreover, these changes were accompanied by substantial changes in the discourse employed by policymakers and in the analysis of the economy on which policy was based. In short, the third order change in British policymaking that occurred during this period was accompanied by a wholesale shift in policy paradigms. This provides us with an important clue in understanding the character of this process of change. It should resemble the process of paradigm change drawn from the Kuhnian model and outlined above. Although the relevant events can be described here in only the briefest of terms, they display many of the features a Kuhnian model would lead us to expect.

The process was initiated early in the 1970s by a series of economic developments, of which the most important was rising rates of inflation, soon to be joined by stagnating levels of growth and employment. These developments were disturbing in themselves, but they were particularly threatening to the Keynesian paradigm because it could neither fully anticipate nor explain them. In other words, they were "anomalies" in the Kuhnian sense, which called into question the adequacy of Keynesian analyses of the economy. The most famous, although by no means only, anomaly was the simultaneous increase in inflation and unemployment that seemed to vitiate the Phillips curve on which Keynesian policy had long been based.

Partly because these events were anomalous in terms of the prevailing policy paradigm, they led to a series of mistaken forecasts and policy failures. Only some of these problems can be enumerated here.[40] On serious underestimates of the rate of inflation, the government fueled an inflationary spiral with cost-of-living agreements in 1973. Unable to interpret the impact of the 1974 oil price increases on British business, the Treasury endorsed corporate tax increases in March of that year, only to have to offset them with emergency relief later that fall. Underestimates of the relative price effect on public sector consumption led to serious miscalculations of public spending and the public sector borrowing requirement in 1974–75. A misjudged attempt to nudge sterling down on the foreign exchanges in the spring of 1976 precipitated a run on the pound that ended with recourse to the IMF and severe spending cuts in 1977. These were widely perceived to be significant policy failures, and such failures did much to discredit the prevailing policy paradigm.

The government reacted with a series of policy experiments that were basically ad hoc attempts to recover control of the economy by adjusting traditional Keynesian practices. However, the effect of these adaptations was to stretch the intellectual coherence of the paradigm that was supposed to be guiding policy to the point of breaking. The most prominent effort was a series of incomes policies implemented in 1972–73 and 1975–77 to cope with inflation. But incomes policies ate away at one of the Keynesian paradigm's greatest sources of appeal, its ability to promise effective economic management without intervening directly in the affairs of individual economic actors.[41] Several years of tortuous negotiations with the unions ate away at the authority of both the government and the Keynesian paradigm.

Similar problems with the financial markets further eroded this authority. As a result of unanticipated shifts in the behavior of the markets for government debt that were linked to the effects of CCC and rising levels of debt, the Labour government found itself held hostage with increasing frequency to demands emanating from the markets for spending cuts or interest rate increases. It experimented with monetary targets in 1976–77 but found that they simply enhanced the leverage of the financial markets over the government.[42] The effect was to impair the capacity of public officials to cope with unemployment in a Keynesian manner. Keynesian doctrine gradually lost coherence and credibility in the eyes of politicians, officials, and the public. The prime minister himself told the 1976 Labour Party conference: "We used to think you could just spend your way out of recession and increase employment by cutting taxes and boosting spending. I tell you in all candour that option no longer exists. . . ."[43]

As a result of these developments, the locus of authority over macroeconomic issues began to shift. Hitherto, the Treasury had enjoyed a virtual monopoly of authority over such matters. By 1976, distrustful MPs forced the government to release details of the secret Treasury model to the general public. The prime minister overruled the Treasury in favor of the Bank of England on several key issues in 1977. And even the Chancellor of the Exchequer lost enough faith in his own officials that an unusual number of them left the Treasury shortly after 1976.[44]

One feature of this shift in the locus of authority was an extraordinary intensification in debate about economic issues in the media and financial circles. As the Treasury lost influence, what we might call the outside "marketplace in economic ideas" expanded dramatically in the 1975–79 period. New research institutes devoted to economic affairs were created; financial institutions expanded their economic research departments; and the already high volume of economic commentary in the press grew larger and even more sophisticated. Macroeconomic management became the subject of an intense public debate.[45]

Economic commentators and public figures alike began to search for alternatives to the Keynesian paradigm. The monetarist paradigm soon became the principal challenger to Keynesian doctrine, in large part because it was the most coherent and highly developed alternative, having achieved substantial support among American economists. Its major rival, propounded by the Cambridge Economic Policy Group, was still closely associated with Keynesianism and suffered a critical loss of credibility when some of its core predictions linking the budget deficit to the balance of payments failed in 1975–76. However, monetarism still had very little support from British economists, who remained overwhelmingly Keynesian. This was not a case in which the bulk of expert opinion shifted, drawing policymakers along in its wake.

Instead, political, as opposed to purely economic, criteria became the key factor behind the success of the monetarist paradigm. By 1975 the debate about policy paradigms spilled over into the political arena and became the object of electoral competition. Seeking a weapon with which to attack the vulnerable leadership of their own party and then the Labour government, Margaret Thatcher and a few others took up a competing economic paradigm based on monetarist doctrine. They were genuinely seeking new solutions to Britain's economic problems, but they embraced the monetarist solution in large measure because it also had substantial political appeal.[46]

Monetarism had political appeal, first, because it provided a coherent challenge to the policies of the Labour government. However, monetarism had a special appeal to Conservatives, and especially those on the right wing of the party, because it provided a new rationale for many measures which they had long supported. The monetarist critique of fiscal activism contained a new set of arguments for the long-standing Conservative position that public spending and the role of the state in the economy should be reduced. The monetarist idea that the "natural rate" of unemployment could be decreased only by reducing the power of the trade unions also fit well with the Conservatives' growing antipathy toward the unions.[47]

Conservative politicians saw that monetarism could be presented in terms that had broader public appeal as well. By the end of the 1970s, a decade of tortuous negotiations over incomes policies had rendered both the trade unions and neocorporatist arrangements increasingly unpopular. The government seemed impotent in the face of continuing economic problems and powerful unions. Monetarism offered a simple but appealing prescription for all of these dilemmas. Its advocates argued that the government could discipline the unions and eliminate inflation, the most serious economic problem of the

1970s, simply by adhering to a strict target for the rate of growth of the money supply. In the face of such a target, the unions would have to reduce their wage demands in order to avoid unemployment. In short, monetarism was presented as a doctrine that could restore the authority of the government as well as resolve Britain's economic problems.[48]

Once the monetarist paradigm was taken up by the Conservatives, its fate came to depend heavily on their electoral fortunes, which were conditioned by a wide range of factors. The policy failures associated with the stretching of the Keynesian paradigm, culminating in the collapse of incomes policy during the winter of 1979, probably contributed more to the Conservative's electoral victory that May than did the positive appeal of monetarism.[49] When policy paradigms become the object of open political contestation, the outcome depends on the ability of each side to mobilize a sufficient electoral coalition in the political arena.[50]

Once in office, Thatcher played a key role in institutionalizing the new policy paradigm. She packed the influential economic committees of the cabinet with its supporters, appointed an outside monetarist to be chief economic advisor at the Treasury, and in conjunction with a few advisors, virtually dictated the outlines of macroeconomic policy for several years. The locus of authority over policymaking in this period again shifted dramatically towards the prime minister. Over time, an aggressive policy of promoting civil servants who were highly pliable or sympathetic to monetarist views implanted the new paradigm even more firmly. By 1982, the operating routines at the Treasury and the Bank of England as well as the terms of policy discourse had shifted decisively toward monetarism.[51]

How well does this case of third order change in policy fit the image of social learning used by contemporary analysts of the state? It should be apparent that this case deviates from the model in some important respects. First, it was not civil servants or policy experts engaged by the government, but politicians and the media, who played the preeminent role in this process of policy change. The vast majority of government economists were virtually as Keynesian in 1979 as they had been in 1970. The monetarist assault was led by influential journalists, such as William Rees-Mogg and Samuel Brittan, and key politicians like Margaret Thatcher and Sir Keith Joseph, who persuaded others of the advantages of their cause and virtually forced the Whitehall machine to alter its mode of macroeconomic policymaking.

Moreover, this process of policy change did not take place primarily within the confines of the state itself. On the contrary, it began with a shift in the locus of authority away from the Treasury toward a growing marketplace of economic ideas outside the state. The ensuing struggle to replace one policy paradigm with another was a societywide affair, mediated by the press, deeply imbricated with electoral competition, and fought in the public arena.

Conclusion

This analysis has important implications for contemporary theories of the state. By disaggregating the process whereby policy changes into three subtypes according to the magnitude of the changes involved and by invoking the concept of policy paradigms, we can discern more variation in social learning than hitherto recognized. The processes of first and second order change in policy correspond quite well to the image of social learning presented by Heclo and many theorists of the state. Changes in policy at time-1 were clearly a response to policy at time-0 and its consequences. Experts in the public employ were primarily responsible for policy innovation, and the learning process as a whole took place primarily inside the state itself.

However, the process of third order change which moved Britain from Keynesian to monetarist modes of policymaking was quite different. Policy at time-1 was certainly a response to the consequences of policy at time-0, but politicians rather than experts played a dominant role, and the process spilled well beyond the boundaries of the state to involve the media, outside interests, and contending political parties. Policy changed, not as a result of autonomous action by the state, but in response to an evolving societal debate that soon became bound up with electoral competition.

These findings call into question the tendency of state-centric theories to associate social learning with the autonomy of the state. Only some kinds of social learning seem to take place inside the state itself. The process of learning associated with important third order changes in policy can be a much broader affair subject to powerful influences from society and the political arena. Moreover, this appears to be true even in a technically complex field like macroeconomic policymaking, where the state should be most autonomous from societal pressure.

This analysis sheds light on state-society relations more generally. To begin with, it suggests that the stark dichotomy between state and society often drawn by state-centric theory should be revised in order to allot a significant role to the political system, defined as the complex of political parties and interest intermediaries that stand at the intersection between the state and society in democratic polities. The monetarist paradigm ultimately triumphed over its Keynesian rival by means of partisan electoral competition. Those who seek to "bring the state back in" to political analysis should not simultaneously read the political system out of their analyses.[52]

However, this case indicates that we need an even more expansive concept of state-society relations than such traditional conceptions of the political system provide. Political parties and organized interests groups are not the only "transmission belts" between the state and society. There were three other mechanisms through which significant pressure from society was placed on the British government to shift modes of economic policymaking.

The most obvious of these mechanisms was the media. Although we habitually acknowledge its presence, we rarely incorporate an adequate appreciation of the importance of the media into our analyses. In this case, the British press did not simply transmit the range of views to be found among economists about the direction of economic policy; it magnified the prominence given to monetarist doctrine and catapulted monetarist thinking onto the public agenda.[53] The press is both a mirror of public opinion and a magnifying glass for the issues that it takes up.

Little noticed but especially important in the 1975–79 period was the pressure that the financial markets, notably for government debt and foreign exchange, placed on the government. Many of the ad hoc adjustments towards monetarism made by the 1974–79 Labour government were forced on it by the behavior of the financial markets, and the popularity of monetarist doctrine in these markets influenced both the Bank of England and the government. We are accustomed to the view that governments face an electoral constraint, but we should not forget that they also confront significant market constraints in the sphere of finance as well.[54]

Finally, the 1970s saw a vast expansion in the outside marketplace for economic ideas. The media and City brokerage houses were important participants in this marketplace, but they were not the only ones. Fueled by the release of the Treasury's econometric model, new research institutes sprang up, and a host of pamphlets about economic policy began to circulate. In short, where once there was virtually no external commentary on macroeconomic policy, something similar to a "policy network" or "issue network" sprang up to provide outsiders with influence over a formerly closed policy process.[55]

In some respects, these observations pull us back toward traditional models of policymaking as a struggle for power in which competing interests press their views on the government. The contest for electoral power that brought Thatcher to office was certainly central to the triumph of monetarism. Here, as in many instances, it would be an error to see politics exclusively in terms of collective puzzle-solving. To borrow Heclo's unusual verbs, many of the actors involved in changing policy not only "puzzle"; they also "power."

Does this mean that it would be inappropriate to describe the process of third order policy change described here as a case of social learning? I think not. The critical actors in this process inside both the state and society were not simply seeking to advance their own interests. They were also seeking solutions to Britain's economic problems. The 1970s were dominated by collective puzzlement and uncertainty about the economy, and the effort to regain control over it was an intensely intellectual quest marked by highly sophisticated debate in the media, the political parties, and the City, as well as among policymakers. The play of ideas was as important to the outcome as was the contest for power. For these reasons, it seems highly appropriate to describe this process as one of social learning.

The important point here is that "powering" and "puzzling" often go together. Both are dimensions of the process whereby policy changes, especially in democratic polities, whose institutions tend to combine the two endeavors. Politicians compete for office precisely by propounding new solutions to collective problems which appeal to the electorate. Officials advance their own fortunes within the bureaucracy partly by devising new approaches to old dilemmas. The institutional arrangements designed to marry the public interest to private interests in a democracy rarely work perfectly, but they do operate so as to militate against a rigid distinction between power-based and ideas-based models of politics. The competition for power can itself be a vehicle of social learning.[56]

The principal contribution of a social learning perspective is to draw our attention to the role of ideas in politics. It reminds us that state-society relations can not adequately be described entirely in terms of the "pressures" that each exerts on the other, whether through parties, organized interests, administrative organs, or policy networks. The state is also linked to society by a flow of ideas between the two spheres. Politicians, officials, the spokesmen for social interests, and policy experts all operate within the terms of political discourse that are current in the nation at a given time, and the terms of political discourse generally have a specific configuration that lends representative legitimacy to some social interests more than others, delineates the accepted boundaries of state action, associates contemporary political developments with particular interpretations of national history, and defines the context in which many issues will be understood.[57]

In various respects, then, the terms of political discourse privilege some lines of policy over others, and the struggle both for advantage within the prevailing terms of discourse and for leverage with which to alter the terms of political discourse is a perennial feature of politics. Organized interests, political parties, and policy experts do not simply "exert power"; they acquire power in part by trying to influence the political discourse of their day. To the degree they are able to do so, they may have a major impact on policy without necessarily acquiring the formal trappings of influence.[58] The resultant flow of ideas is an important dimension of the process in which policy is made.

However, this dimension of policymaking has proven especially difficult to model.[59] Like subatomic particles, ideas do not leave much of a trail when they shift. What this article contributes to the analysis of such matters is a specific argument about the way in which ideas condition policymaking and how they change, organized around the concept of "policy paradigms." Policy paradigms can be seen as one feature of the overall terms of political discourse. They suggest that the policymaking process can be structured by a particular set of ideas, just as it can be structured by a set of institutions. The two often reinforce each other since the routines of policymaking are usually designed to reflect a particular set of ideas about what can and should be done in a sphere of policy.[60] But the ideas embodied in a policy paradigm have a status somewhat independent of institutions that can be used, as in the case of monetarism, to bolster or induce changes in institutional routines.

To illustrate this point, we need go no further than to compare the 1970–74 government under Edward Heath and the 1979–83 government of Margaret Thatcher. Both were Conservative governments, elected on promises to lower inflation, cut taxes, and reduce the role of the state in the economy. When rates of unemployment began to rise and recession loomed, however, the Heath government made a famous U-turn back toward reflation and interventionist policies, while the Thatcher government held fast to its deflationary course. What explains the difference? In part, of course, Thatcher learned from Heath's experience, suggesting once again that policy is strongly influenced by past experience. However, the platform on which Heath was elected was a jerrybuilt structure with no underpinning in an alternative economic theory, while Thatcher's was based on a much more fully elaborated monetarist paradigm. Thus, when recession loomed and both governments faced intense pressure from producer groups for reflation, Heath had nothing to fall back on, other than a Keynesian paradigm that dictated reflation. Thatcher, by contrast, was able to appeal to the monetarist paradigm for authoritative arguments with which to resist mounting pressure for reflation.[61]

With the concept of policy paradigms, then, we can better understand variations in the autonomy of the state. Many analysts have argued that the capacity of a state to resist societal pressure depends on its institutional structure.[62] However, this observation generates a puzzle: how is it that a state with an unchanging structure often seems to be more autonomous from societal pressure at some times than at others or in some fields of policy than others? The answer suggested here is that the autonomy of the state in a given field of policy may also depend on whether there is a coherent policy paradigm present there. Policymakers are likely to be in a stronger position to resist pressure from societal interests when they are armed with a coherent policy paradigm. If it does not dictate the optimal course for policy, at least it provides a set of criteria for resisting some societal demands while accepting others. Precisely for this reason, the presence of a coherent policy paradigm greatly enhanced the autonomy of the Thatcherite state in the economic sphere. Conversely, when such a paradigm is absent or disintegrating, policymakers may be much more vulnerable to outside pressure, as the 1974–79 Labour government was once the Keynesian paradigm began to collapse. In this context, it becomes important to understand how and why policy paradigms change.

Building on Kuhn's formulation of such idea systems, I have generated a number of hypotheses about the process whereby policies change and tested them against cases of British economic policymaking during the 1970s. Several features of the process were striking. Policy displayed a specific kind of trajectory. The presence of a policy paradigm generated long periods of continuity punctuated occasionally by the disjunctive experience of paradigm shift.[63] The processes whereby different kinds of changes in policy occurred were quite distinctive. First and second order change took place within a relatively closed policy network and did not cumulate into third order change. The latter displayed particular features. New economic developments of the sort that occur all the time were not sufficient to generate paradigm change. That process was initiated by a specific kind of event, namely by events that proved anomalous within the terms of the prevailing paradigm. They gave rise to policy failures that discredited the old paradigm and led to a wide-ranging search for alternatives and to a process of experimentation with modifications to policy. Central to this process was a shift in the locus of authority over policy. Shifts in the locus of authority seem to be a critical component of the process whereby paradigms shift. Finally, the process leading to changes of this magnitude could not be confined inside the state itself; it was ultimately effected by means of electoral competition and a broader societal debate.

These observations should help us to understand how policy changes over time in other nations and fields of policy as well. Needless to say, not all fields of policy will possess policy paradigms as elaborate or forceful as the ones associated with macroeconomic policymaking. Such paradigms are most likely to be found in fields where policymaking involves some highly technical issues and a body of specialized knowledge pertaining to them. As the scope of the modern state has expanded, however, governments have found themselves involved in more and more spheres of policymaking of this type. The policy spheres of arms control, environmental regulation, and energy policy, among others, usually have such a character.

Similarly, policy paradigms are likely to have greatest impact in institutional settings where policy is superintended by experts or by administrators with long tenures in office. In such a context, policy paradigms are likely to become intertwined with firmly established operating procedures and departmental routines. The British civil service provides the acme of such settings, and we can expect to see some cross-national variation in the degree to which policy paradigms are embedded in institutional routines.

Only in some cases, then, will it be appropriate to speak of a fully elaborated policy paradigm. In others, the web of ideas affecting the direction of policy will be looser and subject to more frequent variations. Even here, however, we should not discount altogether the impact that an overarching set of ideas can have on policy. The most cynical bureaucrats and politicians must still rationalize their actions in terms that will draw popular support, provide a semblance of consistency, and motivate those who have to carry out the relevant policies. Moreover, their actions are invariably based on a particular understanding of that sphere of the world which policy addresses. The terms of discourse in which that sphere and the policies appropriate to it are discussed constrain and enable often in highly specific ways. Even where the *Leitmotiv* of policy is simply an overarching metaphor, such as the "war on drugs" or the "problem of welfare mothers," the metaphor and its attendant elaborations can structure many aspects of what is to be done. Policymaking in virtually all fields takes place within the context of a particular set of ideas that recognize some social interests as more legitimate than others and privilege some lines of policy over others.[64]

Without denying the impact of material interests on the policy process, we need to know much more than we now do about the role that ideas play in policymaking and in the process whereby policies change. I have suggested a number of hypotheses here with specific applications. The most important step we can take, however, is to note that it is not necessary to deny that politics involves a struggle for power and advantage in order to recognize that the movement of ideas plays a role, with some impact of its own, in the process of policymaking. This analysis cautions us against positing too rigid a distinction between "politics as social learning" and "politics as a struggle for power." It suggests that "powering" and "puzzling" are often intertwined in the formation of public policies. To see this most clearly, we need more studies of the evolution of policy over time, a subject that has often been neglected relative to static, one-shot comparisons of policy across nations.[65]

Similarly, while recognizing the usefulness of "bringing the state back in," this analysis cautions us against positing too rigid a distinction between the state and society and against an insistence on the autonomy of the state. To move forward, we need more nuanced analyses of the multiple ways in which state and society can be linked. Only then will the conditions under which governments act with more rather than less autonomy become clear. The investigation of such issues can be enriched by a more refined appreciation of the role of ideas in politics and by studies of the dynamics whereby policies change over time.

NOTES

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1. For reviews see Stephen Krasner, "Approaches to the State," *Comparative Politics*, 16 (January 1984), 223–46; Martin Carnoy, *The State and Political Theory* (Princeton: Princeton University Press, 1984); and Peter Evans et al., eds., *Bringing the State Back In* (New York: Cambridge University Press, 1985).

2. Stephen Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1978), p. 26.

3. For dissenting views, see Gabriel Almond, "The Return to the State," *American Political Science Review*, 82 (1988), 853–74, and the several responses that follow his article.

4. Cf. Krasner, *Defending the National Interest*.

5. Eric Nordlinger, *On the Autonomy of the Democratic State* (Cambridge, Mass.: Harvard University Press, 1981), p. 15; Graham Allison, *The Essence of Decision* (Boston: Little Brown, 1971), pp. 162–81.

6. Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain and the United States," in Evans et al., eds., pp. 107–168.

7. Cf. Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization*, 32 (Autumn 1978), 881–912.

8. See Karl Deutsch, *The Nerves of Government* (New York: Free Press, 1963); Chris Argyris and Donald Schon, *Organizational Learning* (Reading: Addison-Wesley, 1978); Richard Rose, "Lesson Drawing across Time and Space," Working Paper of the Centre for the Study of Public Policy, University of Strathclyde, February 1989; and for representative works in the area of foreign policy Lloyd Etheredge, "Governmental Learning: An Overview," in S.

Long, *Handbook of Political Behavior*, vol. 2 (New York: Plenum Press, 1981), pp. 73–161; Lloyd Etheredge, *Can Governments Learn?* (New York: Pergamon, 1985); Joseph Nye, "Nuclear Learning and U.S.-Soviet Security Regimes," *International Organization*, 41 (1987), 371–402; John Steinbrunner, *The Cybernetic Theory of Decision* (Princeton: Princeton University Press, 1974); Ernst B. Haas, *When Knowledge Is Power* (Berkeley: University of California Press, 1992); and Emanuel Adler and Beverly Crawford, eds., *Progress in Postwar International Relations* (New York: Columbia University Press, 1991).

9. Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University Press, 1974), pp. 305–6.

10. Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Evans et al., eds., p. 12; Paul Sacks, "State Structure and the Asymmetrical Society," *Comparative Politics*, 12 (April 1980), 358.

11. Representative works include Krasner, *Defending the National Interest*; Nordlinger; and Sacks.

12. For representative works in this vein, see Peter Katzenstein, "Domestic Structures and Strategies of Foreign Economic Policy," in Peter Katzenstein, ed., *Between Power and Plenty* (Madison: University of Wisconsin Press, 1978), ch. 9; Theda Skocpol and John Ikenberry, "The Political Formation of the American Welfare State in Historical and Comparative Perspective," *Comparative Social Research*, 6 (1983); Weir and Skocpol.

13. David Braybrooke and Charles Lindblom, *A Strategy of Decision* (Glencoe: Free Press, 1963), and Stephen Krasner, "Approaches to the State."

14. Heclo, p. 312.

15. Economic policymaking in Britain is one of the cases examined by Weir and Skocpol as well as Sacks, and, of course, Britain provided one of the cases in which Heclo developed his concept of social learning.

16. Sacks, p. 356.

17. Weir and Skocpol, p. 119; cf. Heclo, p. 315.

18. Heclo, p. 308 *et passim*; Weir and Skocpol, pp. 138 *et passim*.

19. Heclo, p. 318; Sacks, p. 356. Although I have emphasized the points on which Heclo and theorists of the state seem to agree, there are some issues on which their views diverge. For instance, is policy learning driven primarily by past failures or successes? Heclo (p. 303) notes that policy "has most frequently evolved as a corrective less to social conditions as such and more to the perceived failings of past policy," while Weir and Skocpol (p. 120) put more emphasis on the way in which policy builds on its past successes. Similarly, is the nature of policy learning seriously affected by the institutional structure of the state or not? Weir and Skocpol (p. 126) argue that it is, while Heclo (p. 308) tends to stress the role of individuals in the learning process. On this see also Hugh Heclo, "Policy Dynamics," in Richard Rose, ed., *The Dynamics of Public Policy* (Beverly Hills: Sage, 1976), p. 76.

20. Note that this does not necessarily mean that policy becomes better or more efficient as a result of learning. Just as a child can learn bad habits, governments, too, may learn the "wrong" lessons from a given experience. Although learning usually improves the capacity of a state to attain its policy goals, it need not always do so, and a government's overall goals may also be open to question on other grounds. The main point is that learning reflects a deliberate attempt to adjust policy in the light of past experience and policy-relevant knowledge.

21. It should be apparent that this classification reflects a lexical ordering: first order learning represents a change in the simplest of policy variables; second order learning changes both instruments and their settings; and third order learning entails a change in all three sets of variables. We can also imagine a process of "fourth order learning" similar to the one that Argyris and Schon (pp. 18–26) call "deutero-learning," in which policymakers learn how to learn. However, a full discussion of that topic is beyond the scope of this study.

22. Charles Anderson, "The Logic of Public Problems: Evaluation in Comparative Policy Research," in Douglas Ashford, ed., *Comparing Public Policies* (Beverly Hills: Sage, 1978), p. 23. I have benefited from several discussions with Rosemary Taylor on this subject. For related formulations, see Donald Schon, "Generative Metaphor: A Perspective on Problem-Solving in Social Policy," in Andrew Ortony, ed., *Metaphor and Thought* (Cambridge: Cambridge University Press, 1977), pp. 254–83; Jack L. Walker, "The Diffusion of Knowledge, Policy Communities and Agenda Setting: The Relationship of Knowledge and Power," in John E. Tropman et al., eds., *New Strategic Perspectives on Social Policy* (New York: Pergamon, 1981); Peter Marris, *Community Planning and Conceptions of Change* (London: Routledge and Kegan Paul, 1982); Douglas Ashford, *The Emergence of the Welfare States* (Oxford: Basil Blackwell, 1986); Martin Rein, "Frame Reflective Policy Discourse," Leyden Institute for Law and Public Policy Working Paper 3, 1986; Jane Jenson, "Paradigms and Political Discourse: Protective Legislation in France and the United States before 1914," *Canadian Journal of Political Science*, 22 (June 1989), 235–58; and Frank Dobbin, "The Social Construction of the Great Depression," *Theory and Society* (forthcoming).

23. See Samuel Brittan, *Steering the Economy* (Harmondsworth: Penguin, 1970); Paul Mosely, *The Making of*

Economic Policy (Brighton: Wheatsheaf, 1984); and F. T. Blackaby, ed., *British Economic Policy 1960–74* (Cambridge: Cambridge University Press, 1979), for works that illustrate this point.

24. Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970). Of course, Kuhn's arguments have generated considerable controversy among philosophers of science, but they remain highly suggestive and potentially even more applicable beyond the natural sciences. Cf. Imre Lakatos and Alan Musgrave, eds., *Criticism and the Growth of Knowledge* (Cambridge: Cambridge University Press, 1970), and Joseph Rouse, *Knowledge and Power* (Ithaca: Cornell University Press, 1987).

25. Cf. Charles Lindblom, *The Policy-Making Process* (Englewood Cliffs: Prentice Hall, 1968); Aaron Wildavsky, *The New Politics of the Budgetary Process* (Boston: Little Brown, 1968); Richard Rose and Terrence Karran, *Taxation by Inertia* (London: Allen and Unwin, 1987).

26. In this respect, many policy paradigms resemble those found in natural science. For an argument that elaborates and establishes this point more fully with regard to the Keynesian and monetarist paradigms in economics, see Peter A. Hall, *The Political Dimensions of Economic Management* (Ann Arbor: University Microfilms, 1982), ch. 2.

27. Ibid. for a more extended discussion of these cases.

28. See Paul Mosley, ch. 4 *et passim*; and Hugo Young and Ann Sloman, *But Chancellor: An Inquiry into the Treasury* (London: British Broadcasting Corporation, 1984), pp. 65–83.

29. William Keegan and Rupert Pennant-Rae, *Who Runs the Economy?* (London: Temple Smith, 1979); Hall; Peter Browning, *The Treasury and Economic Policy 1964–1985* (London: Longman, 1986), p. 331 *et passim*.

30. See Young and Sloman, pp. 75–77; Hall, pp. 657–74.

31. For detailed accounts of this episode, see K. K. F. Zawadski, *Competition and Credit Control* (Oxford: Blackwell, 1981); Michael Moran, *The Politics of Banking* (London: Macmillan, 1986), ch. 3; David Gowland, *Monetary Policy and Credit Control* (London: Croom Helm, 1978); and Hall, ch. 3.

32. See Expenditure Committee, House of Commons, *The Financing of Public Expenditure*, First Report 1975–76, HC–69 (London: HMSO, 1976).

33. Leo Pliatzky, *Getting and Spending* (Oxford: Blackwell, 1982); Hugh Heclo and Aaron Wildavsky, *The Private Government of Public Money*, 2nd ed. (London: Macmillan, 1981), introduction.

34. See William Keegan, *Mrs. Thatcher's Economy Experiment* (Harmondsworth: Penguin, 1984), ch. 5.

35. See Browning; and David Smith, *The Rise and Fall of Monetarism* (Harmondsworth: Penguin, 1987), ch. 8.

36. Cf. M. Cohen, J. March, and J. Olsen, "A Garbage Can Model of Organizational Choice," *Administrative Science Quarterly*, 17 (1972), 1–25.

37. Pliatzky, p. 139.

38. See James Alt, "Old Wine in New Bottles: Thatcher's Conservative Economic Policies," in Barry Cooper, Alan Kornberg, and William Mishler, eds., *The Resurgence of Conservatism in the Anglo-American Democracies* (Durham: Duke University Press, 1987), pp. 217–57; and Wilhelm Buiter and Marcus Miller, "The Thatcher Experiment: The First Two Years," *Brookings Papers on Economic Activity*, 2 (1980), 315–79.

39. For more extended discussions of the differences between the Keynesian and monetarist paradigms, see Alex Chrystal, *Controversies in Macroeconomics* (London: Philip Allen, 1979); Keith Cuthbertson, *Macroeconomic Policy* (London: Macmillan, 1979); Hall, ch. 1; and Sir Keith Joseph, *Reversing the Trend* (London: Barry Rose, 1975).

40. For more detailed accounts, see Hall, chs. 2–4; Jock Bruce-Gardyne, *Whatever Happened to the Quiet Revolution?* (London: Charles Knight, 1974); Keegan and Pennant-Rae; Martin Holmes, *Political Pressure and Economic Policy 1970–74* (London: Butterworth, 1982).

41. See Robert Skidelsky, "The Decline of Keynesian Politics," in Colin Crouch, ed., *State and Economy in Contemporary Capitalism* (London: Croom Helm, 1979), pp. 55–86; and Anthony Crosland, *The Future of Socialism* (London: Strauss-Farrar, 1956).

42. For a more detailed discussion, see Peter A. Hall, "The Movement from Keynesianism to Monetarism: Institutional Analysis and British Economic Policy in the 1970s," in Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (New York: Cambridge University Press, 1992), pp. 90–113.

43. Cited in Keegan and Pennant-Rae, p. 101; cf. Joel Barnett, *Inside the Treasury* (London: Andre Deutsch, 1982); and David Coates, *Labour in Power?* (London: Longman, 1980), ch. 1. The policy experiments initiated in this period have led some analysts to suggest that monetarist policy really began under the 1974–79 Labour government. But the conception of policy paradigms presented here allows us to distinguish the situation in 1976–79 from that after 1979. The Labour government's moves toward informal monetary targets and greater emphasis on the PSBR were simply ad hoc adjustments to the Keynesian paradigm. The underlying terms of policy discourse had not yet changed. Labour

policymakers still believed in their responsibility for unemployment, the usefulness of incomes policies, and fiscal activism. They were at best "unbelieving monetarists"; the true believers came to power only in 1979 when Thatcher was elected to office.

44. See especially Keegan and Pennant-Rae.

45. See Hall, *The Political Dimensions of Economic Management*, ch. 6; and Wayne Parsons, *The Power of the Financial Press* (New Brunswick: Rutgers University Press, 1990).

46. This has often been true of new economic ideas more generally. For an analysis of the acceptance of Keynesian ideas that emphasizes the importance of both their "economic viability" and "political viability," see Peter A. Hall, "Conclusion: The Politics of Keynesian Ideas," in Peter A. Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989), pp. 360–91.

47. For perceptive discussions, see Robert Behrens, *The Conservative Party from Heath to Thatcher* (London: Saxon House, 1980), ch. 5; Hugo Young, *One of Us* (London: Macmillan, 1989); and Peter Jenkins, *Mrs. Thatcher's Revolution* (Cambridge, Mass.: Harvard University Press, 1988).

48. See especially Joseph, *Reversing the Trend*; and Andrew Gamble, "The Free Economy and the Strong State," in Ralph Milliband and John Saville, eds., *The Socialist Register 1979* (London: Merlin, 1979), pp. 1–25.

49. See Ivor Crewe, "Why the Conservatives Won," In H. R. Penniman, ed., *Britain at the Polls, 1979* (Washington, D.C.: American Enterprise Institute, 1981), pp. 263–306.

50. For the classic elaboration of this argument, see Peter Gourevitch, *Politics in Hard Times* (Ithaca: Cornell University Press, 1986).

51. See Keegan, *Mrs. Thatcher's Economic Experiment*; James Alt, "Crude Politics: Oil and the Political Economy of Unemployment in Britain and Norway, 1970–85;" *British Journal of Political Science*, 17 (April 1977), 149–99; and Jock Bruce-Gardyne, *Mrs. Thatcher's First Administration* (London: Macmillan, 1984).

52. This point is also made in Peter A. Hall, *Governing the Economy* (New York: Oxford University Press, 1986), pp. 271ff. The most sophisticated theorists of the state have already begun to explore the relationship between the institutional structure of the state and the party system. For interesting examples of such analyses, see Ann S. Orloff and Theda Skocpol, "Why Not Equal Protection? Explaining the Politics of Public Social Spending in Britain, 1900–1911, and the United States, 1880s–1920s," *American Sociological Review*, 49 (1984), 726–50; and Martin Shefter, "Party and Patronage: Germany, England, and Italy," *Politics and Society*, 7 (1977), 404–51.

53. For elaboration, see Hall, *The Political Dimensions of Economic Management*, ch. 6, and Parsons, ch. 6.

54. This point is most often appreciated by those who study the long-term development of the state; cf. Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975). On British developments in the 1970s, see Hall, *The Political Dimensions of Economic Management*, chs. 5–7; and David Gowland, *Controlling the Money Supply* (London: Croom Helm, 1982).

55. For representative works on this topic, see R. A. W. Rhodes, "Power Dependence, Policy Communities and Inter-Governmental Networks," *Public Administration Bulletin*, 49 (1985), 4–31; Hugh Heclo, "Issue Networks and the Executive Establishment," in Anthony King, ed., *The New American Political System* (Washington, D.C.: American Enterprise Institute, 1978), pp. 87–124; Katzenstein, *Between Power and Plenty*; Jeffrey Berry, "Subgovernments, Issue Networks, and Political Conflict," in Richard Harris and Sidney Milkis, eds., *Remaking American Politics* (Boulder: Westview, 1989), pp. 239–60; and the issue no. 1 of *Governance*, 2 (1989).

56. This point is one of the themes of Samuel H. Beer's work; see his essay, "In Search of a New Public Philosophy," in King, ed., *The New American Political System*, pp. 217–257, and *Modern British Politics* (New York: Norton, 1982).

57. Cf. Jenson; Walker; Hall, "Conclusion," pp. 383–6; E. E. Schattschneider, *The Semi-Sovereign People* (New York: Holt, Rinehart and Winston, 1961), p. 68 *et passim*; William Connolly, *The Terms of Political Discourse* (Princeton: Princeton University Press, 1983); Frank R. Baumgartner, *Conflict and Rhetoric in French Policymaking* (Pittsburgh: University of Pittsburgh Press, 1989); and Rosemary C. R. Taylor, "The Politics of Prevention," *Social Policy*, 13 (Summer 1982), 32–41.

58. The arguments that political parties put forward on the hustings, for instance, may push forward political debate in such a way as to advance particular lines of policy even when those parties lose the election. Ironically, this is one respect in which the implications of the social learning approach that Heclo has done so much to promote call into question his tests for the influence of elections and interest groups on social policy. See Heclo, *Modern Social Politics*, pp. 288–301.

59. For significant attempts that acknowledge the difficulties, see John W. Kingdon, *Agendas, Alternatives and*

Public Policies (Boston: Little, Brown, 1984), and the review of the "community power debate" in Steven Lukes, *Power: A Radical View* (London: Macmillan, 1974).

60. One of the best illustrations of this can be found in the way in which both the economic model of the Treasury and the procedures for formulating annual budgets long reflected Keynesian assumptions. See Brittan, *Steering the Economy*; Paul Ormerod, *Economic Modelling* (London: Heinemann, 1979); and Heclo and Wildavsky, *The Private Government of Public Money*.

61. Bruce-Gardyne, *Whatever Happened to the Quiet Revolution* and *Mrs. Thatcher's First Administration*. Conversely, when the monetarist paradigm itself began to lose coherence and credibility, Thatcher had much more difficulty resisting pressure for deviations in policy from both inside and outside the state. In particular, having resisted reflation in 1980–81, she acceded to it in 1986–87 when wealth effects unanticipated by the paradigm obscured the level of demand in the economy.

62. For perceptive analyses, see Eric Nordlinger, "Taking the State Seriously," in Samuel P. Huntington and Myron Weiner, eds., *Understanding Political Development* (Boston: Little Brown, 1987), pp. 353–90; Katzenstein, ed., *Between Power and Plenty*; and Evans et al., eds., *Bringing the State Back In*. For an alternative argument to the effect that the state is more autonomous during periods of depression, war, and reconstruction, see Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Review*, 33 (May–June 1977), 6–28.

63. In this respect, the presence of policy paradigms may help to explain the process of "punctuated equilibrium" that Krasner identifies; see Krasner, "Approaches to the State."

64. For representative examples, see Jenson; Marris; Kathryn Sikkink, *Ideas and Institutions: Developmentalism in Brazil and Argentina* (Ithaca: Cornell University Press, 1991); Judith Goldstein, "The Impact of Ideas on Trade Policy," *International Organization*, 42 (Winter 1989), 31–72; Michael Shafer, *Deadly Paradigms* (Princeton: Princeton University Press, 1988); Gilbert Rozman, *The Chinese Debate about Soviet Socialism* (Princeton: Princeton University Press, 1987); Nina Halpern, "Social Scientists as Policy Advisors in Post-Mao China," *Australian Journal of Chinese Affairs*, 19/20 (1988), 215–40; Yuen Foon Khong, *Analogies of War* (Princeton: Princeton University Press, 1992); and Deborah Stone, *Policy Paradox and Political Reason* (Boston: Scott, Foresman, 1988).

65. The evolution of policy over time has not been studied as fully as it might. For two of the few works addressed to this problem, see Rose, ed., *The Dynamics of Public Policy*; and Brian W. Hogwood and B. Guy Peters, *Policy Dynamics* (Brighton: Wheatsheaf, 1983), as well as some of the literature on the development of the welfare state such as Peter Flora and Arnold Heidenheimer, eds., *The Development of Welfare States in Europe and America* (New Brunswick: Transaction, 1981).