

PRIME MINISTERS
and WHITEHALL
1960–74

With an introduction by Peter Hennessy

Jon Davis

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Foreword

What do new prime ministers inherit? A large pot of public expenditure; the bulk of the legislative time in Parliament; and the Whitehall machine. To be true artists in the use of power, they have to use all three assets with intelligence, coherence and care. Yet, in recent times, very few new incumbents in No 10 have given the Whitehall leg of the governing tripod more than fleeting attention.

Jon Davis's study, however, embraces three premiers (Macmillan, Wilson and Heath) who had, in their differing ways, a real feel for the Whitehall machine. Ted Heath saw it as a first-order problem of government. And taken as a whole, the period 1960–74 is bursting with lessons for today's premiers or aspirant prime ministers in terms of both 'dos' and 'don'ts'.

Tony Blair has said more than once that he wished he had read history rather than law at Oxford. Gordon Brown did read history – masses of it – at Edinburgh. Dr Davis's *Prime Ministers and Whitehall* is history with a high and enduring utility, practical scholarship at its best. He has mined the archives for every grain of ore and milked his interviewees for every last drop of insight.

Would-be prime ministers, read on ...

Peter Hennessy, FBA
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Introduction

The study of prime ministers and the reform of British central government in any era is fascinating. The interaction between the temporary, often inexperienced but largely elected ministers – especially those in the top job, and the always highly educated and usually experienced yet theoretically subservient senior civil servants who comprise the permanent side of government – would provide great interest on its own. The analysis of personalities is intrinsically attractive. But if you add in rivalry between and inside the ‘governing tribes’,¹ and the rise of a class of ‘special advisers’ somewhere in between, you have the makings of an absorbing analysis. Set this against a backdrop of a powerfully felt relative economic decline which lasted several decades, years which also saw an absolute reduction in the UK’s global clout alongside a fast-changing social scene, and the story becomes compelling for anyone interested in the workings of British governance. During the years 1960–74, all these elements mingled and engendered numerous myths and legends – as well as real lessons – which are remembered in British government to this day.

Several treatments of the period 1960–74 have appeared before. There is the cumulative, daily ‘first rough draft of history’ in the press.² Then there are countless articles and books which concentrate on one or more of the specific elements. Finally, we have the books which attempt to gather all the issues and synthesize them. Perhaps the best-known of these is Peter Hennessy’s *Whitehall*.³ Another which dealt with the themes in a much more concise way was Kevin Theakston’s *The Civil Service Since 1945*.⁴ Gavin Drewry and Tony Butcher’s text book, *The Civil Service Today* (published in 1988 and updated in 1991), offered a highly valuable introduction to the world of Whitehall and ‘how things came to be’ by the late 1980s.⁵ *Manipulating the Machine*, Christopher Pollitt’s excellent inquiry into the reform of the government’s central machinery, published in 1984, offered an admirable analysis of the changes which took place through many interviews with many of the most relevant figures in the years 1960–83.⁶ Pollitt’s study was completed without access to the official documents of the time. Geoffrey Fry’s highly detailed work on the Fulton Report, *Reforming the Civil Service*, published in 1993, did, however, have the distinction of being based on the relevant documents some time before the 30-year rule released them to the general public.⁷ The declassification of Fulton-related records for the period

after 1968, which is covered in Chapter 3 of this book, adds intriguingly to Fry's work.

The overall narrative in all these books is mostly similar. For the history of British administration is largely, at the highest level, uncontentious. It is not a story of competing policies – that would be political history, or even the history of ideas. Administrative history is concerned with a political party's plans and, more specifically, how those plans are put into practice, or at least attempted.

This book retraces ground previously trodden, but for the first time with virtually all of the central government archive open. What emerges diverges little from Hennessy and Theakston's work at the top end. There are, however, many new leads, angles and fragments of documentary evidence which throw fresh light on familiar events. Declassified documents often loosen the tongues of heretofore notoriously discreet retired senior officials. The archive plus the oral testimonies of these aged 'desk warriors' gives what Churchill might have described as the 'beginning of the end' of the story. For though this study attempts to be as comprehensive as possible, it covers many years of activity, and so some areas might well benefit from much closer scrutiny in the future. It is in a sense a hybrid of specialization and generalism, something of which officialdom itself (especially after the Fulton Report) should heartily approve. It has proved challenging to keep exactly to the topic in question – the why, how and evaluation of administrative reform – when so many other aspects affect it; for example, economic performance and the ebb and flow of political support. The context is important but has been kept brief.

The hybrid nature is most keenly seen in the manner in which the study has been conducted. The methodology began with a comprehensive trawl through all of the secondary material available alongside biographies, autobiographies, memoirs and diaries. The period studied here has been particularly well covered, the Wilson governments of 1964–70 especially so. Just about every significant figure has given his or her account, sometimes in different formats, including the Cabinet diarists Richard Crossman, Barbara Castle and Tony Benn. A good knowledge of all of these occasionally misleading accounts (for example, the conflict of opinion between Harold Wilson and George Brown over the early days of the Department of Economic Affairs) is essential if one is attempting to find the gaps in the history and seeking to bring new value to existing knowledge before developing a fresh synthesis. Once this was completed, immersion in the primary material followed.

For any study of prime ministers and the reform of British central government there is only one place that can bring the necessary illumination to a story that requires an understanding of the political and bureaucratic interface, and that is the Public Record Office now under the umbrella of the National Archives. For this study, the Prime Minister's Office, or PREM, files are crucial as they

hold virtually all of the papers and letters which the Prime Minister sees, writes and comments upon (though documents relating to intelligence matters are usually not included here). It is these files, created for Harold Macmillan, Sir Alec Douglas-Home, Harold Wilson and Edward Heath, which form the backbone of this work. But, being a hybrid, if a particular lead encourages investigation into departmental records, this has been pursued leading to a thesis which has a strong central trunk with many offshoots. If work has sometimes been suggested in archives other than those at Kew, these too have been investigated.

The final element is oral testimony – vital because so much of the history of government is not written down. This can be for several reasons, not all sinister. There is, understandably, a reluctance on occasion to write down very sensitive matters which might then be leaked or used in future as evidence. But the modern problem of leaking, while undoubtedly a difficulty for Wilson in his governments of the 1960s (but scarcely one at all in the Heath Government that followed), was not on the scale of the 1980s, the 1990s and in the aftermath of the invasion of Iraq in 2003. Another reason is that while a great many meetings in Whitehall are minuted, the sheer weight of consultation that occurs between colleagues, within and between departments, with Parliament, companies, overseas governments, international institutions and other outside interest groups means that much is necessarily lost. A further point is that personal observation, not written down at the time, can be compelling. This is naturally a danger given the passing of time and the blurring and selectivity of memory. One way of keeping interviewees ‘on the rails’ of what actually happened, sometimes over 30 years ago (and in some cases, such as the interviews conducted with Sir Frank Cooper, former Permanent Under Secretary at the Ministry of Defence, about events over half a century ago), is to present them with documents unearthed at the Public Record Office and to conduct the interview around the papers. This brings great benefit in maintaining relevance but, more importantly, it jogs the memory as nothing else can.

The investigation, though inevitably tracing some threads back before 1960, starts at that date because it essentially marks what Sir Samuel Brittan, economics commentator on the *Financial Times* since 1966, described as ‘the re-appraisal of the 1960s’.⁸ Just as the Thatcherite reforms of the 1980s can reasonably be said to have begun (however slowly) with the Callaghan Government in the aftermath of the 1976 sterling crisis, an account of the reforms which Harold Wilson enthusiastically pursued after his election victory in 1964 would be incomplete without an explanation of Harold Macmillan’s change of direction. This occurred after the Conservatives’ landslide majority in the 1959 election. The reasons for Macmillan’s shift towards what he described as ‘a little dirigisme’⁹ and which resulted in the reorganization of the Treasury and the creation of the tripartite National Economic Development Council (‘Neddy’), both in 1962 as part of his drive for economic growth, will be examined along with their effectiveness.

The Labour years of 1964–70, which entrenched and deepened Macmillan's interventionist shift, form Chapters 2 and 3. These were hectic years of enthusiasm, movement and disaster, all against a background of repeated and worsening exchange rate crises, deteriorating industrial relations and an economy seemingly falling ever faster behind its major competitors. The creation of the Department of Economic Affairs (DEA) was meant to take on the work of 'Neddy' and to ally this limited 'dirigisme' to a much more statist and interventionist view of how to turn the country's economic fortunes around. The DEA was born of high hopes but was laid to rest just five years later after a battle royal with the Treasury over who controlled the direction of economic policy. An investigation into its creation and its perhaps inevitable demise forms much of Chapter 2.

The other big department created in 1964 was the Ministry of Technology or Mitech. (There were three other newcomers: the Ministry of Overseas Development, the Ministry of Land and Natural Resources and the Welsh Office.) Mitech's establishment was in response to a growing unease over Britain's perceived failure to convert its scientific prowess into economic advantage. The new department was supposed to be in the frontline of Wilson's battle to forge a new scientific socialism which would bring sustained and high levels of economic growth. Yet Mitech started off slowly and only by the late 1960s – when it assumed some of the dying DEA's functions – was it beginning to look as if it might achieve the size and power that would enable it to be a major player in Whitehall.

The importation of several high-level politically appointed special advisers in 1964 will also be covered. With Whitehall slow to recruit economists after 1945 and the belief on the left that the Civil Service was irredeemably centre-right, Labour decided to bring in such figures as Thomas Balogh to the Cabinet Office and Nicholas Kaldor and Robert Neild to the Treasury. Wilson's appointment of Marcia Williams as his Personal and Political Secretary in No 10 was perhaps the most significant of all. How they fitted into the Whitehall ecosystem and the long-term significance of these developments will be considered throughout the book but mostly in Chapter 2.

Eighteen months after coming to power, Wilson set up the Fulton Committee to look at the recruitment, training and management of civil servants, though steering it away from key areas such as Minister–official relations and the machinery of government. The Fulton Report, which emerged in 1968, became legendary for its difficult gestation, its immediate reception and the mini civil war which developed within Whitehall over its partial implementation, as will be seen in Chapter 3. The aftermath of the report, though effectively over by the early 1970s in terms of immediate impact and implementation, reverberated throughout that decade (and beyond, as many of its recommendations were enacted in a piecemeal fashion over three decades), with question-marks over the

power of elected politicians to exert their will vis-à-vis their permanent officials. The Fulton Report remains an undoubted landmark in the administrative history of Britain.

With Heath's unexpected election victory (unexpected to all but him, that is),¹⁰ the era of faith in the state's ability to effect a step-change in economic performance reached its zenith. Although elected on a platform with a vague commitment to reduce the role of government in the economy and society,¹¹ the reverse in fact took place. Two significant new additions to the institutions of Whitehall, the Central Policy Review Staff (CPRS or 'think tank') and Programme Analysis and Review (PAR), were established, with the hope not of reducing government machinery but of making what was already there work much better. Both had several parents, often a political and an official one, who wanted very different outcomes for their offspring. For example, PAR was originally planned by the Conservatives in opposition as a ruthless apparatus to concentrate minds on deciding whether a particular government activity was being done well, could be done better or should not be done by government at all. But by the time of its creation it had mutated into a highly bureaucratic scrutiny machine for long-term policy. Subtly different as this may at first appear, it was in practice a world apart as it had no real cutting edge with which to axe failing or unnecessary projects as was first envisioned.

An even greater gap existed between the original planning of the 'think tank' for the Prime Minister and what transpired. This began in the minds of Heath's advisers as a way of coldly analysing competing spending paths. Within Whitehall, meanwhile, there was a growing sense of a need for an analytical unit at the very heart of British government which could bring wisdom and clarity to intricate and frequently thorny problems, ones which often involved several departments. Again, the bureaucracy won the battle of ideas (perhaps more specifically the battle of practicality) and the CPRS was established in 1971 under the highly entertaining but idiosyncratic leadership of the third Lord Rothschild. The CPRS became an analytical unit effectively under the control of the Prime Minister as the political planners wanted, but without the purely financial focus they had deemed necessary in their pre-election analysis. The CPRS became the flagship for the Heath reforms, enjoying a first two years of great influence before it gradually became just another analytical component at the Prime Minister's disposal.

Heath's 'quiet revolution',¹² as he described his administrative changes, were heralded in *The Reorganisation of Central Government* of October 1970.¹³ The White Paper included other elements beyond PAR and the CPRS, the most significant of which was the move toward merging several departments into fewer larger ones. The creation of super-departments such as the Foreign and Commonwealth Office, the Department of Health and Social Security (both

in 1968), along with the gradually enlarging Mintech (throughout the later 1960s) which became the Department of Trade and Industry, and the Ministry of Housing and Local Government which turned into the Department of the Environment (the latter two developments in 1970), was often for different specific reasons, but all fitted in with the prevailing management theory of ‘big is beautiful’, due to the internal economies of scale that could be offered. This was taken to a new level in the early Heath years as it also coincided with his wish to have a smaller Cabinet. But events conspired to undo the attempt. The Heath Cabinet got bigger as the DTI was broken up under immense political pressure. The gestation of *The Reorganisation of Central Government* White Paper, its implementation and how the developments handled the growing political, industrial and economic malaise of the 1970s is analysed in Chapters 4 and 5.

The book ends with the resignation of Heath in March 1974. Wilson’s return did not provide for a re-run of his earlier administrations’ lust for institutional reform, save for the creation of the Downing Street Policy Unit, a formalization of advice from the special advisers whom Wilson had incorporated into government in 1964. The fact that the PREM archive for 1976 will only become available at the National Archives in January 2007 also means that the end of the Heath Government in 1974 provides a neat cut-off point.

Several themes will be examined in this book. Firstly, the aforementioned relative economic decline. This proved to be a touchstone of those working in and writing about central government from the late 1950s to the 1990s. But by the early years of the twenty-first century, and with the UK having enjoyed unbroken and substantial economic growth between 1992 and 2006, the general view has consequently altered.¹⁴ But though the post-war period of the UK’s severe and rapid relative decline undeniably came to an end, it does not lessen the palpable feelings which living through the decline engendered in the minds of those who worked in Whitehall or wrote about government. It formed a backdrop which coloured analysis and stimulated many of the reforms of central government which will be covered.

A theme which proved much more contentious among analysts was that of the post-war consensus. This notion saw a country essentially at ease with itself in the post-war era where a mixed economy (albeit with fierce arguments about the public/private proportions of the mix)¹⁵ and a comprehensive welfare state were accepted across the mainstream political spectrum and where opponents of these found their voices heard only with difficulty. An acceptance of a broad consensus did not mean, of course, that everything was agreed as there were always many specific items which were beyond consensus, aspects of public ownership especially. The dates of this consensus are generally thought to be the mid-1940s (the publication of the Beveridge Report of 1942¹⁶ and the Employment White Paper of 1944¹⁷ are the cornerstones) through to the late 1970s. But as this book

shows, among those in the Conservative Party who conducted detailed planning in the run-up to the Heath Government were some keen to destroy the mixed economy aspect of the consensus equation. Many of the changes the Heath Administration enacted had at their heart an attempt to roll back the state. As we shall see, the bulk of these, if not all, were thwarted. This brings us to further themes which will be woven in.

Firstly, the whole question of Civil Service power. Sir Warren Fisher, Head of the Civil Service 1919–39, tried hard in the inter-war period to make his Civil Service respected as one of the ‘four Crown Services’, alongside the army, navy and air force.¹⁸ The power of the Civil Service was strongly underpinned by its sterling work in organizing the country during the Second World War, alongside gifted outsiders recruited for the duration.¹⁹ It was further enhanced by the post-war move to draw much of the economy into the state and the creation of a comprehensive welfare system, largely administered by the central state, as 2,304,200 people moved from the private to the public sector between 1945 and 1951.²⁰ As its responsibilities and reach grew, so did the size and the might of the Civil Service in relation to the wider public sector (in 1938 there existed a total of 581,000 civil servants; in 1960 there were 996,000).²¹ In the period dealt with here, there were many questions, from both left and right, over whether the senior Civil Service wielded too much power – and if the right kind of individuals were being recruited and promoted in the first place.

Another related theme was that of the widespread belief in the considerable use of state power as an instrument of modernization during the first 30 years of the post-war era. This book in effect looks at the why and the how of the attempts by both Conservative and Labour governments to use the state to bring about economic renaissance and social advance in Britain. Its main protagonists were Macmillan, Wilson and Heath. The failures of some aspects of this ambitious approach, with the major economic indicators of inflation, unemployment, growth and the balance of payments all performing poorly and industrial strife destroying hopes of a tripartite solution, led quite clearly to the late-1970s rise of the New Right and the dawn of Thatcherism. Such ideas had been around for some time (even the word ‘privatization’ was coined before Heath entered Downing Street in June 1970)²² but it took the undeniable failure of the state and its civil servant operators from the late 1960s to allow these relatively extreme ideas (certainly compared to those dominant during the heyday of the post-war consensus) to come to the fore.

Other, more specific, themes that will be addressed include an analysis of how the individual prime ministers viewed the Civil Service – as a whole and more particularly the centre – and what they planned for it, both in government and when in opposition. There will also be an ongoing look at the relative importance of Civil Service, party-political and other pressures upon the prime ministers and

how all these varying influences, combined with their personal views, affected their ability to effect change. A link will also be made to other analyses of the dynamics of administrative reform. Finally, an assessment of the impact the prime ministers had on Whitehall will be provided.

How British prime ministers attempted reform of British central government during the years 1960–74 is, therefore, a substantial story. It deals with both long- and short-term institutional, social, economic and political issues. It encompasses all areas of central government, from the ‘hardware’ of state (its structures and institutions) to the ‘software’ (the people who formulate policy, take decisions and shape it every day).²³ It looks at the many changes which took place in 14 years which in retrospect appear as the high-watermark of faith in government-framed and administrative solutions to economic problems. The present work analyses why this was so, what was done as a result of this belief, evaluates each reform and examines why so much activity was followed by so little as the appetite for administrative reform waned for 20 years after the fall of the Heath Government.

Cracks

PRESSURE FOR REFORM OF THE BRITISH CIVIL SERVICE 1853–1964

THE HIGH WATERMARK

The Civil Service was under great pressure in 1964. It was accused in the years running up to Harold Wilson's first electoral victory of everything from under-skilled impotency to wielding too much undemocratic, elitist power. A seemingly failing economy, a speedy retreat from empire and a country adrift of the integrating nations of Western Europe meant that British confidence was at a low ebb. Disaffection was given form by a rash of publications which attempted to demonstrate how a once proud country was in swift decline. Books such as Andrew Shonfield's *British Economic Policy Since the War* (1958),¹ Michael Shanks' *The Stagnant Society: A Warning* (1961)² and Anthony Sampson's *Anatomy of Britain* (1962)³ differed in their analysis of decline but all included the British State among their reasons for the UK's failure.⁴ Though not as initially famous, an article from a left-wing Hungarian-born economist in 1959 was to prove more significant for the Civil Service of the 1960s. 'The Apotheosis of the Dilettante' by Thomas Balogh (who was to become Economic Adviser to the Cabinet in 1964) had as its sole target the senior civil servants themselves, castigating them for their amateurism, self-righteousness and self-protection.⁵ Just before the election in 1964, Balogh was part of a Fabian group which developed the themes he had previously expounded, in a more measured way, in *The Administrators*.⁶ This pamphlet sought to avoid simply pointing out shortcomings and offered practical roads to reform. All of these writings, amid an atmosphere of general dissatisfaction, led Professor W. J. M. Mackenzie to note in 1963: 'Administrative reform is a phrase that has hardly been heard since the eighteen-fifties until recently.'⁷ This was a great contrast to the mood just a decade-and-a-half before. For, in the afterglow of victory in the Second World War, the British Civil Service was widely held to have been the most effective bureaucracy of the warring nations.⁸ In order to chart this extraordinary turnaround, we must begin in that 'adventure playground for all the talents'⁹ – wartime Whitehall.

When Britain declared war on Germany in September 1939, a complex planning operation that had been gearing up for several years sprang into action. Learning the lessons of the opening months of the First World War when many of the young and best-educated men of the British Isles had been killed on the Western Front¹⁰ and when it took several years to get the structure and people right, a substantial list had been compiled of those whom the State felt it could profitably use in the wartime bureaucracy and how they would be used.¹¹ Individuals from all walks of professional life, academics and industrialists, young and old alike, were to be absorbed as the State mushroomed. As existing ministries expanded and new ones grew exponentially, the 'irregulars'¹² merged into the machine and some truly excelled. Oliver Franks, philosophy don on the outbreak of war, was the best example. He unprecedentedly rose from Principal to Permanent Secretary in just six years.¹³ Although the star performer, he was not alone in his success, with 'Many of the established civil servants who were originally most opposed to the new recruits [coming] to regard them as a stimulating influence.'¹⁴

Civil servants had their moments, too, as the suffocating inter-war grade cementation was temporarily swept aside.¹⁵ The role of experts was also crucial as Winston Churchill, Prime Minister from May 1940, came to depend on analysis from newly created groupings such as the Statistical Section (created in 1939 when Churchill returned to the Admiralty and which followed him across Horse Guards Parade when he became Prime Minister). The wartime Civil Service, with its blend of established and temporary, expert and generalist officials, raised its game impressively during the war to make Britain probably the most fully mobilized society on either side.¹⁶ The Whitehall fort had been overrun and was unquestionably the better for it.

The State also set in motion during the war the study of future responsibilities which were to change the political landscape of the United Kingdom out of all recognition. The Beveridge Report of 1942¹⁷ drew up plans for a comprehensive welfare state while the wartime coalition's 1944 *Employment Policy* White Paper¹⁸ looked at ways in which government could sustain high and stable employment (but significantly not total employment).¹⁹ Moreover, there were also the substantial nationalizations which Whitehall had not planned during 1940-5 (the National Health Service apart) but which Labour enacted after its 1945 victory. The acceptance of these new responsibilities was to bring difficulties to a Civil Service keen on largely unbending continuity with pre-war practices, as would gradually become apparent.

The Civil Service, therefore, entered the post-war world rejuvenated and supremely confident. Yet, in its moment of triumph, the seeds of future under-performance were sown. For, as soon as hostilities ended, the very high quality irregulars left virtually en masse,²⁰ not attracted by the pay or the atmosphere

of Whitehall once the wartime emergency was over.²¹ Those irregulars with previously established careers went back to their universities and firms, while many of the younger ones sought pastures new. This severely depleted the Civil Service of exactly the kind of enthusiasm and skill that the bureaucracy needed as, over the space of only six years, it substituted administering total war for making real the ambitious wartime plans for welfare and economic management. This was to be explicitly recognized by the Head of the Civil Service, Sir Edward Bridges.²² Bridges did not, however, allow his regret to get in the way of the newly emboldened Civil Service's 'institutional conservatism'.²³ He simply felt that the irregulars had proved wonderfully effective and now that most of them had gone, the service must go back to doing things as they had done prior to the war and with the same people.

In fact, by the early 1950s there were very few of the wartime temporaries left. Some, like Richard 'Otto' (a pseudonym from his pre-war financial journalism days²⁴ which apparently referred to his trademark spectacles)²⁵ Clarke, became permanent but those who did not were gradually removed. Sir Frank Cooper, who joined the Air Ministry in 1948 after wartime service in the Royal Air Force, explained that 'people well up the ladder wanted to get back out into the private sector and earn some money again' and that those not in senior positions 'could be held to have got in through the back door by some kind of favouritism'. 'The Civil Service in those days', Sir Frank explained, 'was very prudish and rules were not meant to be broken'.²⁶ The staleness which many began to note in the 1950s was partly due to the return to 'normality' as the war years receded.²⁷ Reviews of the Civil Service did take place during this period, but they were invariably internalized affairs (in practice if not in theory) and ultimately unambitious.²⁸

This generally blasé attitude contrasted sharply with the approach of a Labour backbencher and businessman, Geoffrey Cooper, who wrote to Clement Attlee on 12 February 1946 urging the Prime Minister to conduct a reform of the Civil Service. Cooper pointed directly to the massive new responsibilities the State had taken on which negated any possibility of business as usual.²⁹ But his points were effectively ignored. For Attlee and his senior ministers had served in the wartime coalition and had found it highly effective.³⁰ Furthermore, the left's fears in the 1930s that the Civil Service was anti-socialist were assuaged as one nationalization bill after another rolled off the production line.³¹

Attlee, as well as many others (including Professor Harold Laski of the London School of Economics),³² observed that the Civil Service had proved itself democratic and effective. Pressure for reform was for Attlee, according to Richard Crossman, 'left-wing clap-trap',³³ though he had had some interesting, and quite radical, thoughts of his own on the machinery of government reform after his early governmental experience in the second Labour government of Ramsay MacDonald and his senior role in the War Cabinet during the Second World War,

thoughts which he did not implement once in Downing Street. These included a forerunner of Churchill's 1951–3 peacetime coordinating 'overlords' experiment and significantly strengthening the Prime Minister's Office.³⁴

That the Civil Service survived the return of Sir Winston Churchill as Conservative Prime Minister in 1951 unscathed, especially after the example of 1945, demonstrated its political neutrality. This was despite Churchill's private remark soon after re-entering Downing Street that the Civil Service had been politicized and was 'drenched with socialism'.³⁵ This throwaway aside fitted well with the traditional Tory suspicion of bureaucracy (bar defence – the Armed Forces were always seen as something different from civil servants in the service ministries). But it was to be short-lived as Churchill settled into the other traditional Conservative approach to the Civil Service – a high level of intellectual dependence.³⁶

The Civil Service was, therefore, highly self-confident during the immediate post-war period, something graphically illustrated by Bridges' amazingly self-congratulatory 1950 lecture 'Portrait of a Profession', which was rightly described by Samuel Brittan as 'an inexhaustible quarry of quotations for radical critics'.³⁷ Bridges did understand, though, that the Civil Service had a poor public reputation when he observed that 'I confidently expect that we shall continue to be grouped with mothers-in-law and Wigan Pier as one of the recognized objects of ridicule'.³⁸ How the Civil Service went in such a small space of time from supreme self-confidence, able to brush aside all criticism, to a position of questioning its own abilities is truly intriguing. The cause, primarily, was economic.

ECONOMICS CASTS A SHADOW

With the successful conclusion to the war, Britain was generally on something of an understandable high. The exemplary sacrifice of so much to prosecuting the war meant that many Britons looked forward to a relaxation of effort once it was won. Before this could happen, however, the British had to undergo one final push. Britain had to be made to pay for itself again, since it had been since 1941 financially reliant on America³⁹ (in the form of Lend-Lease initially, and when that was abruptly halted the American Loan and then Marshall Aid).⁴⁰ A tremendous export drive was launched as it was widely felt that the United Kingdom was in a favourable position to take advantage of mainland Europe's devastation to make large strides in post-war world markets.⁴¹ The feeling was that the British could now look forward to a rosy economic future.

As the 1950s opened, the Korean War erupted. Widely feared to be the opening skirmish in World War Three,⁴² the British re-armed substantially, directing resources away from the consumer to the military industries through a quadrupling of the defence estimates thereby halting the great upswing in exports.⁴³

Mercifully, a third world war failed to materialize but so, unfortunately, did a successfully renewed export drive even though the Korean emergency's pressure on resources proved short-lived. Lord Croham, generally agreed to be 'one of the most economically literate civil service permanent secretaries' as Permanent Secretary to the Treasury (1968–74),⁴⁴ felt that the Labour Chancellor, Hugh Gaitskell, was politicking and panicking when he diverted the country's resources in such an extreme way and that 'we could have had a German-style recovery here' but for him.⁴⁵ Persistent balance of payments crises and the drag of administering the world's second reserve currency alongside a business cycle politically, though not very effectively, manipulated from 1955 to produce economic booms to coincide with general elections, meant that the decade was instead one of fitful growth.⁴⁶

Although growth in the early-to-mid 1950s was not given the primacy it later attracted (unemployment was still the main preoccupation)⁴⁷ the feeling began to develop that the British economy was underperforming. The Treasury's 1954 *Economic Survey* was perhaps the first publication to draw attention to the UK's dwindling share of world trade,⁴⁸ though there had been private unease in Whitehall since before the end of the war.⁴⁹ This was increasingly underlined by the comparative statistics that institutions such as the Organisation for Economic Co-operation and Development were beginning to publish, which continuously pointed to lagging British performance.⁵⁰

The decline debate which fascinated a generation of historians demonstrates a powerful warning about the use of statistics. Depending on the start and end points, almost anything can be 'proved'. As Hamish McRae of the *Independent* has indicated, Britain began the twentieth century enjoying the world's largest economy and finished it in fourth spot behind the United States, Japan and Germany – hardly a crash.⁵¹ (An even starker statistic is that Britain also had the fourth largest economy way back in 1820, behind China, India and France respectively.)⁵² With this in mind, the post-war acceptance of significant and sustained British decline was clearly misplaced. This is not to suggest that Britain did not lose ground economically during the 1950s, 1960s and also the 1970s, as it most certainly did. But, while one duty of the historian is to dissect the past, another is to try to understand why individual protagonists thought and acted as they did. It is entirely understandable why decline felt so palpable to contemporary observers, as we shall see.

Some historians, most notably Correlli Barnett, have unequivocally blamed British decline in the 1950s, 1960s and 1970s on the creation of a comprehensive welfare state during the final months of the Coalition Government and Attlee Administrations;⁵³ he has also argued that the creation of a generalist career Civil Service in the nineteenth century was another great failing.⁵⁴ The considerable burden which the welfare provision imposed, so the theory went, meant scarce

resources were directed to unproductive consumption as a way of the UK patting itself on the back for a (war) job well done. This superficially persuasive theory is not borne out by closer scrutiny. As José Harris has demonstrated, by 1950 the UK's spending on social services as a percentage of gross domestic product was less than West Germany, Austria and Belgium; in 1952 it was passed by France and Denmark; in 1954 by Italy; in 1955 by Sweden; in 1957 by the Netherlands; in 1970 by Norway and Finland. For health care the position is even clearer. Studies during the 1950s and early 1960s show that 'the aggregate volume of per capita health expenditure through central, local and private agencies was lower in Britain than anywhere else in Europe except Italy and Ireland'.⁵⁵

Higher European spending on social programmes did not mean poorly performing economies either. Poor growth in Britain contrasted eye-catchingly with that of continental Western Europe. Despite the same world financial crises that faced Britain in this period (but always remembering that no other country had the combined burdens of a reserve currency, an empire and a big defence budget), Germany's growth averaged 7.8 per cent per annum over the period 1950–8, Italy achieved 5.8 per cent, and France 4.6 per cent. Britain could only muster 2.6 per cent⁵⁶ – interestingly, not dissimilar to America's.⁵⁷ This was respectable by historical standards but clearly very poor by contemporary comparison.⁵⁸ (The trend continued: between 1950 and 1973, Germany averaged 6 per cent in GDP per hour worked, France and Italy 5.1 per cent and the UK 2.9 per cent.)⁵⁹

Looked at in world economic terms, the quarter-century after the war is regarded as the 'Golden Age'⁶⁰ – 'Everywhere growth was faster than before.'⁶¹ It subsequently dawned on many in the British circles of influence that the jump in continental growth that reconstruction from a low base inevitably brought was continuing for a suspiciously long time.⁶² This recognition turned into something of a 'national neurosis'⁶³ (though this was not the first outbreak of declinist gloom – that began in the 1870s⁶⁴ and was followed by another in Edwardian times) fuelled by unsubstantiated scaremongering that the UK was heading for 'technical inferiority and spiritual weakness in the face of the Soviet challenge'.⁶⁵ Even Prince Philip joined in when he said in 1962 that 'we are suffering a national defeat comparable to any lost military campaign, and, what is more, self-inflicted'.⁶⁶ The burgeoning declinism reached a crescendo with publications such as the best-selling *The Anatomy of Britain* which pictured the UK as 'becoming to the twenty-first century what Spain was to the eighteenth'.⁶⁷

CRITICISM BECOMES FOCUSED

Powerfully underpinning the burgeoning economic self-doubt was the foreign policy debacle of the Suez Crisis, whereby a hostile USA flexed its financial muscle to such effect – in the face of sterling's fragility⁶⁸ – that it spelt the end

for British pretensions to independent world-powerdom. As the Prime Minister, Sir Anthony Eden, privately put it in 'a kind of political last will and testament'⁶⁹ penned less than a fortnight before stepping down from the top job, 'we must review our world position and our domestic capacity more searchingly in the light of the Suez experience, which has not so much changed our fortunes as revealed realities'.⁷⁰ The combination of economic and foreign policy failure festered and led to palpable national self-recrimination, which in turn led the search for scapegoats.⁷¹

The re-evaluation was to encompass all aspects of British life in a far-reaching re-evaluation of where the country was, how it had got there and where it should go. Anthony Sampson, in the early 1960s, felt that the seemingly inexorable decline in the country's power and prestige – and the non-reaction from the Civil Service – was 'producing a crisis almost comparable to the war'.⁷² That the government of the war years and those since had accepted state economic management as a primary responsibility largely by means of the 1944 Employment White Paper, yet things appeared to be going wrong economically, meaning that governments and therefore their civil servants were very much in the firing line.

Much of the detailed criticism came from left-leaning thinkers who discounted the Attlee line that there was nothing wrong with the Civil Service's democratic credentials or its ability. For example, Thomas Balogh felt that a future radical Labour administration would require root-and-branch reform of the system of public administration as an 'essential pre-condition'⁷³ to extensive social and economic change. Moreover, the Fabian team which produced *The Administrators* included not only noticeable left-wing political figures such as Balogh himself, Shirley Williams and Anthony Crosland, but also serving civil servants in a private capacity (the Fabian Society allows for non-party members), two of whom went on to be permanent secretaries⁷⁴ (although these dropped out, claiming the Fabian work was poor).⁷⁵

There were two main elements of criticism which the senior Civil Service faced: that they possessed a distinct lack of expertise and a hopelessly elitist attitude, two mutually reinforcing drawbacks. Ever since 1853–4 and the founding of the modern Civil Service with the Northcote-Trevelyan Report and, much more specifically, during the inter-war tenure of Warren Fisher as Head of the Civil Service (1919–39), there had been a definite bias towards what was known as the 'generalist'.⁷⁶ The idea was that the expert should be the first one consulted yet the last to take the decisions – 'on tap but never on top' as the phrase went.⁷⁷ The expert, Fisher believed, had too narrow a viewpoint, wanting to solve a problem by the shortest route. This was a recipe for tunnel vision. Having been moved between disparate tasks and fields of expertise over many years (what Fisher described as 'musical chairs'),⁷⁸ the generalist had been schooled continuously in the on-the-job *art*⁷⁹ of official-political decision-making

reality, the generalist believing that the expert was irredeemably impractical. This produced, to Anthony Sampson's mind, a 'cold war' between experts and generalists.⁸⁰ Balogh contemptuously dismissed 'the absence of training [which] does not make for an absence of "theory"'. It usually results in a bias towards a policy of "do-nothing" in the fond – and jejune – hope that a negative absolves them from any responsibility'.⁸¹

Although the amateur ethos was not completely reversed, the post-war Treasury recognized that Fisher's views were becoming outdated. It took the major step of establishing in 1963 the Centre for Administrative Studies,⁸² 'which inaugurated formal courses for Assistant Principals in economics and related subjects' and which led to a growing professionalism throughout the 1960s.⁸³ The traditional lack of expertise in the Treasury – Sir Donald MacDougall was appalled at the general economic illiteracy when he became Economic Director of the National Economic Development Council in 1962⁸⁴ – had a further repercussion. It left the Treasury very dependent upon the Bank of England for advice in monetary matters.⁸⁵ (As BWE Alford has pointed out, 'the nationalisation of the Bank of England was regarded as a crucial first step in gaining [political] control of banking and finance ... the reverse would be nearer the truth'.)⁸⁶

Leaving aside the anomalous wartime emergency experiences, the supreme merit of the generalist was underpinned by the iron commitment to sustaining a recruitment processes whereby high-fliers were admitted straight from university and expected to stay for life, a practice which had developed since Northcote-Trevelyan. Earlier in the twentieth century more mature appointments were sometimes made, occasionally all the way up to Permanent Secretary.⁸⁷ This was gradually phased out and the almost total reliance on recruitment straight, or very soon after, university became standard practice.⁸⁸ Not only was this fact criticized, but also that during the years 1957–63, 85 per cent of those recruited by the Civil Service Selection Board (CSSB) to the (top-ranking) Administrative Class were from the Oxbridge colleges.⁸⁹ As such a high proportion of Oxbridge students came from the public schools – between 1948 and 1956 30 per cent came from boarding schools alone⁹⁰ – the charge of elitism had much foundation.

Public schools came under attack at this time from many quarters. There were those who felt that they fostered the antiquated ethos of the Victorian gentleman, personified by the archaic figure of the imperial administrator, qualities unsuited to the new era of highly specialized, innovatory international capitalism, let alone running huge public businesses.⁹¹ Apart from the honesty of the average civil servant, Thomas Balogh could see little virtue at all in this recruitment system.⁹² Others claimed that it was a socially divisive practice⁹³ perpetuating snobbery and, just as powerfully held, inverse snobbery (in its wake fuelling the destructive industrial relations⁹⁴ which, for many historians, accounted for much of Britain's apparent economic anti-miracle).⁹⁵

The Civil Service ignored these specific criticisms by pointing to the unbending merit inherent in their recruitment systems – ‘the first great meritocracy’.⁹⁶ Michael Young, in his remarkable study of the past and future of British society, *The Rise of the Meritocracy*, written largely in the early 1950s and eventually published in 1958, explained how the perpetuation of privilege at this time was inevitable:

The rest of society, and in particular education, was not yet run on the civil-service principle. Education was very far from proportioned to merit. Some children of an ability which should have qualified them as assistant secretaries were forced to leave school at fifteen and become postmen ... Other children with poor ability but rich connexions, pressed through Eton and Balliol, eventually found themselves in mature years as high officers in the Foreign Office ... The limits were the deficiencies of the general education system. Only when the school did its job were the Civil Service Commissioners able to do theirs.⁹⁷

Meritocracy was, therefore, only applied from the age of 21. The elitism this practice created collided heavily with the accelerated social change which Britain experienced in the post-war period. The civil servants themselves were seen by many as antiquated symbols of a discredited past.

The creation essentially of ‘night-watchmen’⁹⁸ civil servants, with a ‘mentality of maintenance’,⁹⁹ was the inevitable culmination of Civil Service recruitment and training. This produced a mismatch, as the Civil Service was in effect now running huge enterprises. ‘Though the Keynesian state was to have highly sensitive new responsibilities’, wrote Professor David Marquand in *The Unprincipled Society*,

He [Keynes] had no theory of state and appears to have seen no need for one. He assumed that, demand management apart, the Keynesian state would behave as the pre-Keynesian state had behaved. The possibility that it could not discharge these new responsibilities successfully without a change in its character – that they would generate new expectations and demands, which could be accommodated and reconciled only by a new kind of state, engaging the public in a process of consultation, negotiation and mutual-education – does not seem to have occurred to him.¹⁰⁰

The resultant lack of what Marquand called a ‘developmental state’ therefore meant that there was no accommodation between formal parliamentary sovereignty and ministerial accountability on the one hand and the ‘great powers of the real economy’ on the other.¹⁰¹ Defence is a major area in which that thesis was not wholly true. David Edgerton has explained how the defence arm of Whitehall was consistently successfully interventionist, offering encouragement and co-operation, all with informed and high quality technocratic civil servants.¹⁰² Agriculture was another example of Whitehall-influenced technical prowess,

certainly up to the British accession to the European Economic Community in 1973, but these were very much exceptions to the rule.

REFORM BEGINS

The Treasury was at the forefront of criticism. That 'most political of all the Departments',¹⁰³ as Bridges called it, faced attack from all sides. What was most interesting, and most significant for its workings, was that much disquiet came from *inside* (especially after Keynes's death in 1946 left it without a respected external stimulus)¹⁰⁴ so beginning the Treasury's rolling internal reappraisal of the late 1950s and early 1960s.¹⁰⁵ Some officials were coming to see the Treasury's aims and methods as anachronistic. They thought the departments were too decentralized¹⁰⁶ and that the Treasury had too few people properly to scrutinize other departments' programmes, yet too much power when it came to imposing simplistic, wholesale economies which could prove counterproductive. They also felt, along with the rest of the Treasury, that the piecemeal scrutiny of programmes and the way the Chancellor was being ambushed in Cabinet by spending Ministers was undermining the Treasury's role in expenditure control (in the words of one Treasury official, 'trying to avoid this system of being nibbled to death').¹⁰⁷

All-encompassing machinery needed to be constructed on the model of the fledgling defence and social security forward surveys,¹⁰⁸ begun in the mid-1950s, which were an attempt to add serious analysis to the politics of spending.¹⁰⁹ An opportunity for Treasury officials to enact big change arose in late 1957 with an investigation by the all-party House of Commons' Select Committee on Estimates. Reporting in July 1958, the committee was broadly favourable to the Treasury, but felt that a more expert investigation into the public expenditure machinery was required (after suitable briefing and encouragement by the Treasury reformers).¹¹⁰ A year later, the Chancellor of the Exchequer, Derick Heathcoat Amory, announced an inquiry under the chairmanship of Lord (Edwin) Plowden, Chief Planning Officer in the late 1940s – early 1950s Central Economic Planning Staff and latterly Chairman of the Atomic Energy Authority.

The investigation took place privately under the auspices of the Chancellor. The membership of the Committee was interesting in that it included three businessmen, all with some experience of Whitehall.¹¹¹ Five anonymous senior civil servants also sat on it as 'assessors' (Burke Trend, Otto Clarke and Evelyn Sharp were among them).¹¹² The Plowden Report was to prove a landmark in the post-war history of the Treasury. For not only was it the first investigation to take Keynesianism as its point of departure,¹¹³ but it also had the same effect in government circles as the legendary wartime Beveridge Report in that it signalled a true change of heart at the centre of government – 'It was in effect a statement