

ROUTLEDGE REVIVALS

The Economic Section 1939-1961

A Study In Economic Advising

Alec Cairncross & Nita Watts



The Economic Section 1939-1961

First published in 1989, *The Economic Section 1939-1961* is a rare study of economic policymaking as seen from the inside. The Economic Section, formed in 1939-1940, was the first group of professional economists to operate full-time at the centre of government in the United Kingdom and its views on many issues of economic policy were frequently decisive.

In this volume, two former members of the Section draw on their memories and on the public records to trace the history of the Section from the early days of the war to the end of the 1950s. Alec Cairncross and Nita Watts discuss the advice offered by the Section, the controversies that followed advisers, and how Ministers responded. They present a picture of the day-to-day working of the Section, but inevitably focus on the more dramatic episodes, when major issues of policy were in dispute or important new issues were posed. Separate chapters are devoted to the Section's role in four main areas: fiscal, monetary, incomes and external economic policy.

In illuminating influence on policy exercised by officials and the place of expert advice in economic management, this work will appeal to a wide range of readers. It offers the student of economics or politics a picture of what, in practice, goes to the making of economic policy.



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Alec Cairncross and Nita Watts

THE ECONOMIC SECTION 1939–1961

A study in economic advising



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PREFACE

This is a study in the practice of offering economic advice to governments. It tells the story of the Economic Section, the first group of professional economists to operate full-time as government economic advisers in this country – perhaps in any country. They started at the end of 1939 as the staff of the Stamp Survey, appointed in the previous July – rather late in the day – to review the government's economic and financial plans for the contingency of war. A year later, when the Stamp Survey was wound up, the staff was split into the Central Statistical Office and the Economic Section, both located in the War Cabinet Offices. There the Section remained until it was transferred to the Treasury in 1953.

The interest of the study lies in the light it throws on the policy-making process as seen from the inside. In order to understand why particular policies were adopted we usually need to know how the issues involved were put to ministers and what advice they were offered. This is particularly true of economic policy, where a good deal of preliminary sifting of the issues is likely to be undertaken by officials before they are submitted to ministers for decision. The Economic Section had no monopoly of advice but it did occupy a central role and its views on major issues of policy carried great weight.

In this volume the reader is taken behind the scenes and shown what advice the Economic Section offered, how far their advice differed from that of other advisers, what controversies followed, and what action was taken. It is possible to do this circumstantially on the basis of the minutes and memoranda now available for consultation in the Public Record Office under the thirty years rule. This makes it possible to carry the story in some detail up to about 1958. The next few years can be dealt with only in very general terms and no attempt is made to

go beyond 1961 when the senior author took over the directorship.

The Section occupied a particularly influential position in its early days in wartime when it formed the staff of the Lord President, who co-ordinated economic policy on the home front, and when, with Lord Keynes, it joined in planning new international institutions for the peace. It continued to be influential after the war in relating policy advice to a view of the economy as a whole and as the only remaining group of trained economists in Whitehall dealing with matters of high policy.

For the first twenty years or more, the Economic Section was limited to some ten to fifteen members, with a considerable turnover. A high proportion of the leading academic economists of the last generation served at one time or another on its staff. They included, for example, two Nobel prize-winners (Meade and Stone), a President of the British Academy (Robbins), a Deputy Governor of the Bank of England (McMahon), and two Assistant Secretary-Generals of the OECD: Dow, who was later an Executive Director of the Bank of England; and Dow's predecessor in the OECD post, Jack Downie, who, but for his tragically early death, would probably have attained a reputation as a practical economist and administrator unsurpassed by any of his contemporaries.

In all, by 1960, nearly eighty economists had served at one time or another as members of the Economic Section or its earlier incarnation, the Central Economic Information Service, often for brief periods only. They are listed at the end of this volume with an indication of their later careers.

It is difficult to do justice to this galaxy of talent in a history covering the first twenty years of the Section's life. There may have been only a dozen or so in post at any one time but they were immensely productive in the subjects they covered, the ubiquity of their advisory activities, and the amount they committed to paper. There are, for example, well over 400 Section files already deposited in the Public Record Office for the years up to 1959. But much of the work of the Section, even when in written form, does not appear in these files and is to be found in the records of, for example, the Budget Committee, the National Income Forecasting Working Party, and the Central Economic Planning Staff. The written material, moreover, is often devoted to clearing the ground by working out general principles or reviewing the evidence while concrete policy proposals were often made verbally and may be recorded, if at all, in the records of departmental and interdepartmental committees. Inevitably, an account of the Section's doings, however lengthy, is bound to be incomplete and highly selective.

The Section did not decide economic policy and the policy adopted might or might not reflect their advice. The Economic Section's advice has to be seen in the context of competing advice from other parts of government and the decisions finally taken. A history of the Section, given their central role as advisers on key elements in economic policy, becomes almost inseparable from a history of the formulation of policy itself. But this in turn is only intelligible alongside some picture of the events giving rise to policy decisions and the impact of policy decisions on events. Thus a complete account would encompass the Economic Section's policy advice, their success or otherwise in securing the adoption of their advice, the development of policy, and all the complex interactions between policy and events that we call economic history.

There, is, however, a limit to what one book can do and a limit also to the reader's patience. The first requirement is a clear picture of what the Section did and how it was done, with only so much detail on the setting of policy as is indispensable, leaving the reader to draw his own morals and seek amplification elsewhere if so moved. The picture must also seek to bring out something of the personalities of those who did the job. Inevitably, attention is focused on the more dramatic episodes, when major issues of policy were in dispute or important new issues were posed, rather than on the day-to-day assembly of economic intelligence, the preparation of briefs and comments, and attendance at this committee or that. Separate chapters are devoted to the Section's role in four main areas of policy – fiscal policy, monetary policy, incomes policy, and external policy – but each of these interacts with the others so that there is necessarily some duplication and overlapping in this treatment. Other aspects of policy enter only incidentally, chiefly in the early chapters which aim to give a broader picture of the work of the Section. While some matters in which the Section's influence was plain are dealt with at length, other matters are given little attention.

The Section's influence extended far beyond the Cabinet Office and the Treasury. The first three directors all played an important role in the preparation of the White Paper on *Employment Policy* in 1944. They had the ear of Anderson and Attlee who had charge in wartime of the home front. The Section developed and drafted the *Economic Survey*. They made the running over changes in taxation and in the exchange rate and were an important counterpoise to the Bank of England in monetary policy. In many issues of economic policy theirs was frequently the decisive influence. No one seeking to understand the evolution of economic policy during and after the war can afford to neglect the contribution of the Economic Section.

Both authors of this volume are former members of the Economic Section. Sir Alec Cairncross was one of the first to join its antecedent, the Central Economic Information Service, at the beginning of January 1940, leaving to go to the Board of Trade in June 1941. In May 1961 he returned as Director, having spent the previous ten years as Professor of Applied Economics at the University of Glasgow. Nita Watts joined the Section from the Bank of England in November 1941 and served under three of its first four directors: Lionel Robbins (1941–5), James Meade (1946–7), and Robert Hall (1947–61). She left in 1956 to go to the Economic Commission for Europe in Geneva and, at a later date, St Hilda's College and the Institute of Economics and Statistics, Oxford.

In writing this account of the Economic Section we have relied primarily on the files in the Public Record Office and (to a much lesser extent) the Bank of England's archives. We are grateful to the Controller of Her Majesty's Stationery Office for permission to cite documents in the PRO, to Miss Woodbridge (Treasury Department Records Officer) for help in making documents available there, and to Mr J. S. Fforde of the Bank of England for permission to draw on material in the Bank's archives. We have also to thank Professor James Meade and Lord Roberthall for allowing us to quote from their diaries, and Dr Alan Holmans for allowing us to consult his unpublished study of demand management 1952–8.

Many former members of the Economic Section have offered us assistance in various ways: Sir Fred Atkinson, David Bensusan-Butt, the late Sir Norman Chester, Sir Bryan Hopkin, Professor John Jewkes, Dr Ian Little, Professor James Meade, Roger Opie, Professor Sir Austin Robinson, Maurice Scott, and Dr R. C. Tress have allowed us to consult their papers, commented on parts of this volume, or helped to elucidate particular points. We have particular cause to be grateful to Lord Roberthall, Dr George Peden, Professor L. S. Pressnell, Mrs K. Jones, and Christopher Dow, who have read extensive sections of the manuscript and made many helpful suggestions. Russell Jones provided us with material for chapter 19. To all of these we offer our thanks.

The senior author gladly acknowledges the financial assistance of the Leverhulme Trust in the early stages of work on the book, when he was an Emeritus Fellow. He is also deeply indebted to Mrs Anne Robinson for her careful typing and re-typing of the manuscript.

A.K.C.
N.G.M.W

Chapter one

STIRRINGS: THE ECONOMIC ADVISORY COUNCIL

British governments have long made use of economic advisers but have only recently come to employ them on a full-time basis. Formerly they were content to rely on staff recruited to the public service with no professional training in economics, supplementing the advice they received by consultation from time to time on specific issues with outside experts. Such experts might themselves have little or no theoretical training and be consulted for their experience of affairs (for example, as bankers or business men) rather than as economists. The Bank of England, which acted as the government's financial adviser, was equally lacking in professionally trained economists.

When economists were called in, it was rarely for consultation directly and more likely to be at arm's length as members of a Royal Commission or as witnesses giving evidence to a government committee. The main exception before 1930 had been in the First World War, when economists and statisticians were recruited on a temporary footing. Keynes, for example, served throughout in the Treasury, becoming head of the division dealing with external finance and moving at the end of the war to Paris as chief Treasury adviser at the Peace Conference in 1919. Beveridge at the Ministry of Food, Walter Layton at the Ministry of Munitions, Hubert Henderson at the Cotton Control Board, and Arthur Salter at the Ministry of Shipping are other examples.

The duties of the permanent staff were largely administrative and executive but their role as policy advisers expanded with the range of government activities and the beginnings of economic management. Learning on the job, they often developed an expertise of their own.

2 THE ECONOMIC SECTION

Many achieved distinction in the Treasury and Board of Trade in the first half of this century as economic and financial experts. The one well-known economic theorist among them, Sir Ralph Hawtrey, like Keynes, had never sat a university examination in economics when he entered the Treasury in 1905. But his writings on monetary theory were at one time ranked with Keynes's and have lately gained a renewed popularity with the rise of monetarism. For the last twenty-six of his forty years in the Treasury he was a kind of one-man Economic Section, briefing ministers and Treasury colleagues on economic issues and providing them with rejoinders to the theoretical arguments on which Keynes's policy prescriptions rested.

Hawtrey, however, was never called Economic Adviser or Chief Economic Adviser. The latter title was conferred on Sir Hubert Llewellyn Smith in 1919 when he retired as Permanent Secretary to the Board of Trade. The post was created 'in anticipation of the burden of international economic discussions which was expected to follow the establishment of the League of Nations'; and the main duties of the holder were to represent the government at international meetings on economic issues and to undertake on its behalf commercial and financial negotiations with other countries.¹ Llewellyn Smith was succeeded in 1927 by Sir Sydney Chapman, who had taken over from him earlier as Permanent Secretary of the Board of Trade. Chapman in turn was followed in 1932 by Sir Frederick Leith-Ross, a Treasury official, who was Chief Economic Adviser until his retirement in 1946 to become Governor of the National Bank of Egypt. At that point the title lapsed. It was revived again in 1953, when Sir Robert Hall was made Economic Adviser to HMG, and in 1964 it again disappeared.

Of the three pre-war chief economic advisers, only Sir Sydney Chapman had any claim to be an academic economist. He had been Professor at Owens College, Manchester, from 1901 to 1917 and had written a textbook on economics as well as two books on the cotton industry. His duties as Chief Economic Adviser were to the Board of Trade, not HMG, and were largely imperial and international. He represented the British government at international conferences on import and export restrictions, tariffs, communications, copyright, statistics, etc. These were nearly all Board of Trade rather than Treasury matters. It would seem that he was rarely consulted on domestic issues of financial or macroeconomic policy.

¹ 'The role of the economist in the machinery of government', report by the Official Committee on the Machinery of Government, MGO(43)32, 15 November 1943, in PRO CAB 87/72.

This is less true of Leith-Ross. He had after all been Deputy Controller of Finance in the Treasury for seven years before his appointment as Chief Economic Adviser, and it was as an expert on finance rather than trade that he was usually employed. For example, he was much involved in negotiations on inter-governmental duties, both before and after 1932, and in preparations for the World Economic Conference of 1933, which he attended as a British delegate. Like Chapman he served on the Economic Committee of the League of Nations and represented the British government at various international conferences. In the Second World War he was Director-General of the Ministry of Economic Warfare and latterly Deputy Director-General of UNRAA. Thus he had little to do with domestic economic policy, on which he was happy not to be consulted, and not a great deal more with the formative stages of international economic policy. As he himself confessed, his title did not convey his true role.²

The main contrast between the duties of the chief economic advisers of the inter-war period and those of economists in government service since the Second World War lies in the absence until 1940 of a full-time staff at the centre of the government machine. Chief economic advisers were experienced civil servants acting largely on their own on an international stage. They lacked the support of a group of trained economists concerned exclusively with the framing of economic advice. No such group existed within the government to advise the Chancellor or any other minister charged with responsibility for economic policy (with the possible exception of the Minister of Agriculture).

The nearest approach to such a group before 1939 came with the setting up in 1930 of the Economic Advisory Council. This had its origin in the greater realization during the First World War of the importance of organized economic intelligence. One of the first moves was Llewellyn Smith's establishment in the Board of Trade in 1917 of a General Economic Department to

anticipate, watch and suggest means of dealing with, important questions and movements likely to arise in commerce and industry, and which, from their generality or novelty did not fall within the scope of any specialized Department.³

2 Leith-Ross, Sir F. W. (1968) *Money Talks*, London: Hutchinson, pp. 145–7. He did, however, take part in the work of the Committee on Economic Information (see pp. 8–9).

3 Quoted by Howson, Susan and Winch, Donald (1977) *The Economic Advisory Council*, London: Allen & Unwin, p. 7.

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The Haldane Committee on the machinery of government, reporting in 1918, commented favourably on this experiment and laid stress on 'the duty of investigation and thought as a preliminary to action'. It recommended the creation of research sections in every department of government, with the possible addition of a separate Department of Intelligence and Research to supplement their work.

In the post-war economy drive these views fell on stony ground. Nothing much came of the Haldane Committee's recommendations; and Llewellyn Smith, far from recruiting additional staff either on secondment or through temporary appointments of students with degrees in economics, found himself isolated in the residual post of Chief Economic Adviser while the General Economic Department vanished.⁴ Efforts to improve government economic statistics proved fruitless. A petition was presented from the Royal Statistical Society in 1919, backed by a list of distinguished economists and statisticians, urging the need for a central statistical office, and for a Royal Commission to review the defects in official statistics. It took two years for a committee under Sir Alfred Watson, the Government Actuary, to report and when it did so it rejected the proposals. When retrenchment was the watchword, it saw little value in collecting data, for example on national income and wealth, of no apparent relevance to current administrative needs.⁵

By the time the first Labour government had taken office towards the end of 1923 the pressure for better economic information and more specialized staff had begun to revive. Sir William Beveridge was urging the creation of an economic general staff to advise the Cabinet in parallel with, and on the model of, the Committee of Imperial Defence. 'Modern governments', he argued, 'are faced with problems in the field of economic science as technical as those raised by war in the field of military and naval science.'⁶ These problems needed handling by a staff trained in economics that would stand above existing departments and would be headed by 'a person of high authority in the science of economics' and enjoying corresponding authority in the public service.

These were not ideas congenial to departments, which saw an economic general staff as a threat to their responsibilities. Compromise proposals were worked out, and approved by the Cabinet, for a Committee of Economic Inquiry, with Tom Jones, Deputy Secretary

4 *ibid.*

5 *ibid.*, p. 8.

6 *ibid.*, p. 10.

to the Cabinet, as Secretary of the Committee. These proposals, as Howson and Winch comment, laid 'an almost compulsive emphasis on statistical information' as the crux of the Committee's work.⁷ But nothing came of it all: before action could be taken, the Labour government fell.

The Treasury memorandum setting out the compromise proposals was considered afresh by the incoming Conservative government under Stanley Baldwin.⁸ Urged on by Lord Balfour, Lord President of the Council, the Cabinet agreed to set up a Committee of Civil Research, 'analogous in principle to the Committee of Imperial Defence'. This was to report to the Cabinet and be presided over by the Prime Minister (who did it once only) or by another minister nominated by him. There was to be no fixed membership. Both officials and outside experts were to attend. It was the purpose of the Committee, as seen in the Treasury memorandum, to give

connected forethought from a central standpoint to the development of economic and statistical research in relation, more especially, to problems of an interdepartmental character or in pursuit of knowledge in spheres not within the orbit of any single Minister.⁹

The language of the memorandum, however, was altered to include scientific as well as economic and statistical research and the scope of the Committee's work was expanded to cover the Empire as a whole and the Dominions as well if they would allow it.¹⁰ As a result the Committee acquired a strong scientific and imperial bias and did very little to promote economic and statistical research. The research it did sponsor tended to be highly technical, with a low political content and well clear of the domains of established departments. On the relatively few occasions on which its subcommittees investigated issues of economic policy, such as control over new issues on the London capital market on behalf of foreign and imperial borrowers, or unemployment in the coal industry, the Committee served largely as a convenient vehicle for resolving a disagreement between ministers with a minimum of publicity or else allowed the government to defer an awkward decision. In some cases it ended up after years of enquiry with no or only minor recommendations.

7 *ibid.*, p. 12.

8 'Foresight and co-ordination in economic enquiry', CP(24)366, June 1924, in PRO CAB 24/172. It was reissued as CP(25)195.

9 *ibid.*

10 'Outline history of central organization for economic policy, 1919-1947', PRO CAB 21/2217.

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The Committee had a limited and undistinguished lifespan. It continued for a short time under the second Labour government in 1929 but was wound up in January 1930 on the creation of the Economic Advisory Council. This followed a series of discussions at the end of 1929 between the Prime Minister and prominent business men, trade-unionists and economists, in which they were asked for their views on the industrial situation and the action the government might take to improve the information and advice on economic policy available to it. The government was pledged to deal with the unemployment problem but had made little headway. It was also pledged to establish a 'National Economic Committee' and 'create permanent machinery through which scientific knowledge and technical skill may be mobilized for . . . raising the standard of life throughout the whole community'.¹¹ Apart from putting J. H. Thomas, the Lord Privy Seal, in charge of unemployment policy, however, the Prime Minister had done little to implement these pledges before the end of 1929.

The economists consulted included Walter Layton and Keynes, who had already, in the Liberal Yellow Book,¹² revived the idea of an economic general staff under a head with the power and importance accorded to the CIGS in time of war. All questions of economic policy would be first considered in an economic policy committee of the Cabinet to which the chief of the economic general staff would act as secretary. He would have a very small staff but it should include the best experts available. There would be a council of industry, representative of employers and employed, which would keep wage and industrial relations questions under review and advise on industrial and labour legislation.

Of the other economists consulted, Clay, Cole, Hobson, and Stamp, the first two submitted memoranda favourable to an economic general staff, Clay laying stress on the drawbacks of relying instead on committees of enquiry which lacked continuity and were not integrated with the structure of administration, while Cole visualized a staff, including 'field investigators', that could take the initiative in gathering material, publish its findings on appropriate occasions, and supply practical plans for industrial reorganization.¹³

While all the economists were united in support of an economic

11 Howson and Winch, *op. cit.*, p. 18.

12 *Liberal Industrial Inquiry*, 'Yellow Book'. *Britain's Industrial Future* (London, 1978).

13 Howson and Winch, *op. cit.*, pp. 20-1.

general staff, it was not favoured by the leading administrators. Hankey, the Cabinet Secretary, attacked even the idea of attaching a few economists to the Prime Minister's office as 'feckless duplication' and would contemplate no economic general staff except one composed of the permanent heads of all the departments with economic responsibilities. Warren Fisher, Permanent Secretary of the Treasury, scoffed at 'the mere addition of half a dozen more "bureaucrats"' and seems to have assumed that they would engage in 'fundamental economic research' better conducted elsewhere.¹⁴

On the idea of a council of industry the economists were not agreed. Hobson, Layton, and Citrine supported it in one form or another but Keynes gave it no support and Cole was actively opposed to it. It was the politicians who were most strongly in favour of a body which they saw as likely to help in uniting opinion behind necessary change. What MacDonald ultimately plumped for went beyond an economic general staff and had a second component in addition to what he regarded as 'the thinking part' of his scheme: this took the form of an advisory committee with the task of 'moving people into the field of action'. This committee, the Economic Advisory Council, when appointed in January 1930, included twenty members, apart from any additional ministers who might be asked to attend. Five of the twenty were ministers and, of the other fifteen, seven were industrialists or bankers, two trade union officials, three economists, two scientists, and one an economic historian (Tawney). The 'economic general staff' attached to the Council consisted of Hubert Henderson (after much persuasion), Colin Clark, H. V. Hodson, and Piers Debenham (in an unpaid capacity). The total cost, including clerical staff, was £6,500 per annum and did not stretch to the purchase of an adding machine for Colin Clark.¹⁵

The creation of the Economic Advisory Council followed close on the setting up of the Macmillan Committee on Finance and Industry in November 1929; Keynes and Bevin were members of both. The Macmillan Committee concluded its work at the end of June 1931 and the Economic Advisory Council as such ceased to meet after April 1931, although its members continued to be consulted individually and to submit memoranda until the exchange crisis in August.¹⁶ Broadly speaking, therefore, the activities of both the Committee and the

¹⁴ *ibid.*, p.22.

¹⁵ *ibid.*, p. 25.

¹⁶ There was one largely formal meeting in January 1932 but the Council was already defunct, even if not officially buried until 1938.

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Council coincided with the period between the onset of the slump in 1929 and the sterling crisis in the autumn of 1931. The disclosures in the Committee's report helped to bring on the crisis, while the Council did nothing to delay it.

Not surprisingly, given the complexity and importance of the issues of policy involved, there had been little agreement between the economists and the business men, who took a resolutely non-interventionist line. The economists themselves were also divided, in matters both of theory and of policy, and the story of their debates is full of echoes of later doctrinal differences.

Although the Council did not survive, two of its committees did, notably the Committee on Economic Information, which was established in July 1931 and met regularly from March 1932 until the outbreak of war in 1939.¹⁷ As Howson and Winch point out, 'the Economic Advisory Council's claim as an influence on economic policy and as the forerunner of future development rests on the work of the Committee on Economic Information'.¹⁸

The membership of the Committee included Stamp as chairman, Keynes, G. D. H. Cole, and H. D. Henderson. The early reports were written by Henderson, who acted as secretary until 1934, when Francis Hemming and Piers Debenham took over the secretarial duties. Two Treasury officials, Leith-Ross as Chief Economic Adviser and Sir Frederick Phillips (from 1935), attended the meetings and took an active part.¹⁹ In this way the thinking of the economists on the Committee percolated to the Treasury, which studied the Committee's reports with great attention.

The work of the Committee is admirably discussed in the well-known study of the Economic Advisory Council by Howson and Winch, and there is no need to recapitulate it here.²⁰ The Committee's method of work, however, is of some interest in relation to later developments. This consisted in the preparation of a series of 'Surveys

17 Members of the Council were also included in the Advisory Committee on Financial Questions, appointed by the Prime Minister after devaluation in September 1931. They gave valuable advice on exchange rate policy in the ensuing six months, after which the Treasury took matters into its own hands, no longer feeling in need of advice on management of the rate. Keynes, who was a member of the Committee, and Henderson, who was its secretary, took an active part in the discussions (Howson and Winch (1977), *op. cit.*, p. 100).

18 *ibid.*, p. 107.

19 Citrine also attended some meetings in 1932–3. Dennis Robertson joined the Committee in 1936.

20 Howson and Winch (1977), *op. cit.*, chapter 5.

of the economic situation', which drew attention to 'salient features of the period under review and to the tendencies of the immediate future' before putting forward a set of policy proposals. The Committee itself decided on the topics to be covered in the next report except when, as sometimes happened, the government sought its advice, for example on the problems posed by rearmament. The draft was considered by the Committee and redrafted in the light of comments, before submission 'on the basis that each member acquiesced in what was written rather than necessarily approved of the exact wording adopted'.²¹ The reports of the Committee can be seen as forerunners of the economic surveys of the early post-war years, although in their published form the economic surveys recorded decisions rather than policy recommendations.

21 *ibid.*, p. 108. The same method was used later by the London and Cambridge Economic Service and, still later, by the Clare Group.

Chapter two

BEGINNINGS: THE STAMP SURVEY AND THE CENTRAL ECONOMIC INFORMATION SERVICE

As war approached, the government came under increasing pressure to review its arrangements for economic co-ordination. The familiar war-cry of an 'economic general staff' had been raised again in a memorandum to the Lord Privy Seal (Sir Samuel Hoare) from Sir Arthur Salter, Sir George Schuster, and others. The same group suggested an 'association' representative of outside interests to work in co-operation with the proposed staff, thus combining the two kinds of approach – the technocratic and the representative – that kept recurring in the 1930s, as they did again in post-war years. Others, including the Prime Minister's Panel of Industrialists, wanted a department of economic planning.¹

None of these proposals appealed to the Lord Privy Seal. The Chancellor of the Exchequer also rejected the idea of an economic general staff.² He wanted neither a staff nor a committee. Instead, he intended to ask one individual, Lord Stamp, to review departmental plans and proposals to keep the country going during war and advise whether they were mutually consistent and covered the ground adequately. The review would 'no doubt result in recommendations in general terms as to the lines on which . . . defects and gaps may be dealt with'.³ This proposal was accepted by the Cabinet on 5 July 1939

1 'Survey of war plans in the economic and financial spheres', Memorandum by the Chancellor of the Exchequer, 30 June 1939, CP(39)146 in PRO CAB 24/287.

2 *ibid.*

3 *ibid.*

but was not publicly announced until 9 October.⁴

Stamp was to be assisted by 'one or two economists and perhaps a prominent industrialist, who should all be familiar with . . . the machinery of government', and he would have the services of 'a suitable civil servant' and 'probably . . . the Cabinet secretariat'. The 'one or two economists' turned out to be Henry Clay and Hubert Henderson and the 'suitable' civil servant was Francis Hemming, who with Piers Debenham, moved over from the now defunct Committee on Economic Information to be Secretary and Assistant Secretary of the Stamp Survey.

This approach to economic co-ordination was a curious one, given the imminence of war. It followed previous experiments in its emphasis on inconsistencies and gaps between the plans of different departments and in avoiding any direct challenge to the responsibility of individual departments. In more peaceful and leisurely circumstances it would have been entirely reasonable to invite three economists, experienced in the ways of governments and likely to be able to reach agreement with one another, to look through war contingency plans and submit general recommendations for ministers to consider. But in the summer of 1939 the Survey seemed less than adequate for the cataract of matters needing urgent decision that would pour in on the government as soon as war broke out.

When war did break out on 3 September the Survey was asked to continue its work. A few weeks later, the government decided to create a ministerial committee under the Chancellor, with responsibility for economic policy. At the official level there was also to be an interdepartmental committee of permanent secretaries of the main economic departments 'to perceive and close gaps . . . and reconcile inconsistency'. Sir Horace Wilson (head of the Treasury) was to be Chairman and Stamp was to be President and Adviser on Economic Co-ordination.⁵

Soon after these arrangements were announced, they were vigorously attacked in the House of Commons on 18 October. How could it be right to rely for economic co-ordination on the part-time efforts of one of the busiest men in London (Stamp was Chairman of the London, Midland, & Scottish Railway, a Director of the Bank of England, and

4 CM(39)35, 5 July 1939, in PRO CAB 23/106 and H. of C. Debates, new series, vol. 352, cols 28–31, 9 October 1939.

5 WP(G)(39)26, 29 September 1939, in PRO CAB 67/1. See also H. of C. Debates, new series, vol. 352, cols 28–31, 9 October 1939, and vol. 352, cols 932–46, 18 October 1939.

occupied in many other directions)? Was the Chancellor of the Exchequer, with all his other duties, the right man to co-ordinate economic policy in wartime? Did the government not realize that the whole British economy, as Beveridge had argued in *The Times*, must now become a planned economy? Why had no employment been found for the economists who had gained so much experience in the First World War – for example, Beveridge, Keynes, Layton, and Salter?

These were valid criticisms. The Stamp Survey, although it did a remarkable job, was no substitute for an effective Minister of Economic Co-ordination, nor was the Chancellor likely to prove one. The Survey could only develop lines of argument, make general recommendations, give policy a push in the right direction. Had Stamp been appointed Minister and been assigned an adequate staff, things might have been different. But until Anderson became Lord President in November 1940 and acquired the necessary authority to co-ordinate economic policy, with the Economic Section formally assigned to him as his professional staff, there was a lack of urgency and grip.

The one criticism that was less than fair was of the part-time nature of Stamp's appointment. If one may judge from the amount of paper it generated, the Survey spared no effort to do a thorough job. In the five weeks after its appointment, it held twenty-four meetings, interviewed the heads of the various government departments, examined their contingency plans, and prepared a short interim report for ministers indicating the questions which it thought needed further attention. By the end of the year it had held forty-six further meetings and circulated no less than 150 papers, followed in the first four months of 1940 by a further eighty-five most of them written by members of the Survey.⁶ The flow continued in May and June but from July onwards began to dry up, only six more papers being circulated before the Survey was wound up at the end of the year. A lengthy study of the pre-war position of agriculture, prepared in response to a request from the Food Policy Committee in October and issued posthumously at the end of March 1941, was its last contribution.⁷ The collection of documents prepared over the eighteen months of the Survey's

⁶ The papers of the Stamp Survey are in PRO CAB 89/1-9.

⁷ 'Agriculture: pre-war position of' P(E and F)(41)1, 31 March 1941, in PRO CAB 89/9. Many of the papers in May and June by members of the Survey appear in the series of staff papers headed P(E and F)(S), to which they had very rarely contributed hitherto.

existence add up to a manual for democratic governments on the problems of converting a peacetime to a wartime economy after the outbreak of hostilities.

Membership of the Survey

The three economists on the Survey were a distinguished and well-balanced group. Stamp, the Chairman, had begun as a boy clerk in the civil service and risen to be Director of Economic Intelligence in the Inland Revenue and a leading expert on national income statistics before embarking on a successful business career. He was now a kind of economic Pooh-Bah, sought after by business men, civil servants, and politicians, acceptable to all. In 1940 he was offered the chancellorship after the fall of the Chamberlain government but refused it. A year later he was dead, killed in an air raid in the Spring of 1941.

Stamp was unfailingly kind to his staff, however junior. In the chair he seems to have let others make the running but was never at a loss to express his own view.⁸ His close contacts with ministers meant that he was the main channel through which the ideas and recommendations of his colleagues found their way to market.

Hubert Henderson was both an extremely clear-headed economist and an experienced journalist. He was known to all young economists as the author of *Supply and Demand*, one of the most successful textbooks in economics ever written. In the 1920s he had edited *The Nation*, a weekly newspaper that economists felt compelled to read, and had been for many years a close associate of Keynes. Henderson had a typically Scottish turn of mind, with a love of argument, a stern determination to look uncomfortable facts in the face, and an aversion from compromise at the expense of logic. He carried realism to the point of contra-suggestibility, reacting critically to proposals rather than devising ways of making the best of what was to hand.

Henry Clay, the other economist on the Survey, was a Yorkshireman who had written one of the few elementary textbooks then available. He had held an Economics Chair at Manchester University and was widely respected as an authority on industrial and manpower questions. Clay was less interested than his colleagues in macro-

⁸ Sir Denis Rickett recalls meetings of the Economic Advisory Council at which Stamp, who was Chairman, arrived without having read his papers and tried to conceal his predicament by reading out one paragraph at a time before asking for comment.

economic issues although, as the first British economist to be designated economic adviser to the Bank of England, his interests had come to include monetary and financial policy. Clay had a rather quieter personality than his colleagues, and spoke with more caution and deliberation, but had wide experience and great common sense. In 1944 he went to Oxford as Warden of Nuffield College.

The Secretary, Francis Hemming, was one of the most exuberant characters in the civil service. In private life he was a distinguished entomologist and an authority on butterflies, holding simultaneously the posts of Secretary of the London Zoo and Deputy Secretary of the Cabinet (under Sir Edward Bridges).

The Assistant Secretary, Piers Debenham, was in some ways just as unusual a civil servant as Hemming. He was passionately interested in economics and had done a good deal of dabbling in quantitative economic history on his own account after coming down from Cambridge, where he studied under Dennis Robertson. He had been Assistant Secretary of the Economic Advisory Council more or less from its inception, just as Hemming had been Secretary, and was probably as well-equipped intellectually to cope with government economic problems as the average professional economist in Whitehall.

The origins of the Economic Section

The Survey, in spite of its heavy responsibilities, had no staff except Hemming and Debenham, no executive authority, and no integral connection with any powerful administrative department. On the other hand, it enjoyed access to confidential data and departmental experience, was relieved of administrative responsibilities, and was free to take a central and comprehensive view of the proposals it considered, undeterred by the administrative or political difficulties they might present. Stamp, although not a minister, was a regular member of the Ministerial Committee on Economic Policy and had the ear of the Prime Minister. The work of the Survey, therefore, commanded attention and influence. But it is hardly surprising that Stamp and his colleagues felt increasingly the need for assistance, particularly in the assembly of statistical and other information. It was this need that led to the creation of what proved to be the forerunner of the Economic Section and it was under the banner of 'economic information' that it took the field.

It was a banner, as we have seen, that was frequently waved whenever governments contemplated the recruitment of economists. The Committee on Economic Information survived the decline of the

Economic Advisory Council, and the government retained the services of economists after 1931, even when it remained wary of accepting their advice, because of its need for more adequate data and for a more professional analysis of the economic situation.

A similar need now struck home to the wartime government: the lack of economic information was even more acute. The need for secrecy meant the suspension of publication of virtually all economic statistics. At the same time far more information was required for the conduct of the war. The government was forced to assume a vastly greater role in guiding economic activity and for that purpose needed information on a host of things of little interest to it in peacetime. Sooner or later arrangements would have to be made for its collection, presentation, and analysis.

The Central Economic Information Service (CEIS)

Before the end of October 1939 the new Ministerial Committee on Economic Policy asked Lord Stamp and Sir Horace Wilson to make proposals for a central economic information service.⁹ They suggested that the new service should be attached to the Stamp Survey and should consist of a few economists or statisticians – ‘say two or three at the outset’ —who would have to be recruited from ‘the Universities or elsewhere’ because no civil servants ‘possessing the necessary qualifications’ could be spared by their departments.¹⁰ The staff would maintain close contact, through a liaison officer appointed by the Minister, with each of the departments concerned with ‘priority and allied economic questions’; and this officer, or a subordinate, would arrange for the supply of information and offer any necessary assistance to the new service. Administrative responsibility for the staff would rest with Francis Hemming, and their work would be directed jointly by Henry Clay and Hubert Henderson.

The immediate tasks suggested for the information service related almost entirely to exports and imports and showed concern for the danger to exchange stability if there were insufficient pressure to increase exports or reluctance to ration imports. The information service would have to accumulate data to guide policy in applying pressure or in taking priority decisions and might be asked to analyse

⁹ EP(M)(39) 5th Conclusions, Minute 3, 27 October 1939, in PRO CAB 72/1.

¹⁰ ‘Machinery for the establishment of a central information service in connection with exchange stability and priority policy’, Report by Lord Stamp and Sir Horace Wilson, EP(M)(39)31, 6 November 1939, in PRO CAB 72/2.

the import content of particular items of consumption or the reaction of raw material allocations on exports.

Ministers approved these recommendations and the first appointments to what was now called the 'Central Economic Information Service' were made in December. John Jewkes, later to be the first Director of the Economic Section, came from Manchester, where he was head of one of the very few economic research departments attached to a university in the United Kingdom. He was joined by Austin Robinson, then helping Keynes to edit the *Economic Journal* and a Fellow of Sidney Sussex College, Cambridge. The third senior appointment was Harry Campion, also from Manchester and soon to be Director of the Central Statistical Office. Of these three, Jewkes and Robinson were expected to help on labour and industrial problems and Campion on the statistics needed by the Stamp Survey.

Before these appointments took effect, the Ministerial Committee became increasingly uneasy about the load that existing programmes would impose on the economy and the adequacy of available resources to meet it. The need for a survey of national resources in relation to the scale of the war effort had been seen as one of the main reasons for reinforcing the Survey with additional staff.¹¹ Early in December the Chancellor (Simon) pressed for a preliminary report, evidently assuming that the CEIS was already at work, and Stamp volunteered to do what he could with the material already available. Simon's anxieties continued to centre on the export trade, which he saw as threatened by a shortage of raw materials if imports were severely limited by lack of foreign exchange and shipping, and by a shortage of manpower as a result of competing military requirements.¹²

Stamp's main conclusion, when he submitted a memorandum, was that reserves of foreign exchange were likely to be run down by an extra £150–250 million in the first year of war beyond what was justifiable if exchange resources had to cover a three-year war – a view supported by the Treasury, which foresaw an increasing strain on reserves. The Ministry of Shipping pointed out that imports of dry cargo (i.e., excluding petroleum) were running at only 36 million tons a year compared with a programme of 47 million tons and pre-war imports of nearly 60 million tons. At Simon's suggestion, the Survey was invited to submit 'a preliminary, documented account of the adequacy' of each of the items that might limit the achievement of

11 See EP(M)(39)23, 11 October 1939, in PRO CAB 72/2 and EP(M)(39)8M, 9 November 1939, in PRO CAB 72/1.

12 EP(M)(39)11M, 7 December 1939, in PRO CAB 72/1.

existing plans for the war effort: foreign exchange, shipping, manpower, and raw materials.¹³

The preparation of papers in response to this remit was the staple, but by no means the sole, activity of the CEIS in the first quarter of 1940. At the end of January Stamp submitted to the Ministerial Committee a memorandum covering two staff papers, one by Austin Robinson making a forecast of the British balance of payments in the first year of war and one by Jewkes on labour requirements in the engineering and metal trades and the rate of absorption of labour into those trades.¹⁴ In the first of these, Robinson put the deficit on current account at £369 million (or, more generally, at £312–471 million) and Stamp reiterated his earlier conclusion that it would not be safe in the first year of war to make use of more than £150 million from holdings of gold and foreign assets of all kinds. In the second, Jewkes cited figures from a report by a committee under Humbert Wolfe at the Ministry of Labour showing that, if the expressed requirements of the fighting services were to be met, it would be necessary to expand employment in the metal and engineering industries in the first year of war by 72 per cent and in the second year by a further 25 per cent.¹⁵ The most that had proved possible in the First World War was a 54 per cent increase over four years. In 1939 only a trickle of labour had moved into these industries in the first three months of the war and very little dilution had taken place. Yet without a redistribution of labour on an unprecedented scale the services could not be supplied with the equipment they asked for. Some scaling down of the programmes or spreading them over a longer period was therefore recommended in Stamp's covering note.

The conclusions in these two papers were challenged as too pessimistic, if not defeatist, in a note by the Admiralty (presumably by Churchill's 'Statistical Section', which later played an important role in the war as part of the Prime Minister's staff).¹⁶ A rejoinder was

13 EP(M)(39)12M, 15 December 1939, in PRO CAB 72/1. At this stage Stamp's tentative estimate of the deficit on current account in the first year of war was £100–200 million.

14 'Survey of national resources in relation to our war effort', memorandum by Lord Stamp, EP(M)(40)8, 29 January 1940, in PRO CAB 72/4 (also WP(40)45).

15 'Supply and manpower', note by the Chancellor of the Exchequer, covering memorandum submitted by the interdepartmental conference on the labour requirements of the proposed war programme, WP(G)(40)9 in PRO CAB 67/4.

16 'Notes compiled in the Admiralty on Lord Stamp's paper', WP(40)39, February 1940, in PRO CAB 66/5. The author was presumably Roy Harrod.

prepared and circulated at the beginning of April.¹⁷

Austin Robinson's forecast of a deficit of £369 million had been attacked as too high by about £150 million. In reply, the Survey pointed out that experience over the first six months of war hardly suggested so favourable an outcome: even on rather optimistic assumptions it pointed to a figure of £358 million. Moreover, in the first year of war the military programmes were far from reaching their peak and the external deficit was therefore likely to grow. Later estimates in 1940 by the CEIS yielded totals as high as or higher than Robinson's, the last, in November, amounting to £438 million. Subsequent official estimates by the CSO, in the light of fuller knowledge, indicate a figure of about £700 million.

The Admiralty also attacked the contention that £150 million was as much as it was safe to draw on foreign assets in the first year of war. If three-quarters of British imports were paid for in sterling, any deficiency would merely add to the sterling balances of the supplying countries; countries like the Argentine should be induced to accept sterling in payment for their exports; and, when quoted foreign investments alone amounted to over £3,200 million, there should be no great difficulty in making sales of over £150 million, which was only 3 per cent of annual turnover on the New York Stock Exchange.

The Survey was unconvinced. Of the £3,200 million, they pointed out, £2,000 million represented sterling loans, not readily disposed of in countries which regarded the future of sterling as precarious. The scope for making sales on the New York market had been carefully investigated by two Bank of England representatives on the spot. And while empire countries, apart from Canada, were willing to accept payment in sterling there was a limit to their willingness to supply without being sent countervailing exports. They might draw on their sterling balances in order to procure from 'hard currency countries' (*sic*) what the United Kingdom was unable to sell them, thus intensifying the overriding shortage of hard currency.

The balance of payments controversy soon died. It was only too evident by the middle of the year that a desperate shortage of foreign exchange lay ahead. The controversy on manpower was more prolonged. The Admiralty paper tended to make light of labour immobility and the problems of dilution without actually denying that there was an acute shortage of skilled labour in engineering which was

17 'Our national resources in relation to our war effort', comments prepared by the Survey of Economic and Financial Plans on certain criticisms advanced by the Admiralty.

sure to get worse when the new factories under construction were ready for operation. As the Survey pointed out, the current rate of intake into the engineering trades was far below that required to meet the service programmes in the period specified. Moreover, all past experience suggested that constant research would throw up new weapons of war, making additional demands on the engineering trades.

Equally to the point was Jewkes's reply – for the paper was largely the work of Robinson and Jewkes – to the Admiralty's comparison with French manpower policy. If France with a hundred divisions needed only 44 per cent of Britain's engineering resources, how, they had asked, could the United Kingdom's programme of fifty-five divisions put an excessive burden on a much larger industry? Perhaps, Jewkes suggested, France might yet prove to have mobilized to excess and denuded French industry of the manpower needed to make equipment for the armed forces on the scale considered by the French military authorities to be a safe minimum or which others might consider desirable.¹⁸

The balance of payments and manpower remained continuing interests of the Economic Section in later years. A revised forecast of the balance of payments for 1939–40 was circulated in May 1940 and a third estimate was made in November.¹⁹ From then on, balance of payments forecasting became a regular activity of the Economic Section. By the end of 1941 Austin Robinson was already making tentative forecasts of the balance of payments after the war. Later forecasts by the Economic Section formed the background to the loan negotiations in 1945.²⁰

The manpower situation was also the subject of continuing study. At the beginning of May 1940 Hemming returned to the figures in the Humbert Wolfe Report in order to compare them with the increase in engineering employment over the first ten months of war as

¹⁸ *ibid.*

¹⁹ 'Revised forecast of the United Kingdom balance of payments during the first year of the war', memorandum by Lord Stamp, P(E and F)(4)89, 8 May 1940, covering a memorandum by E. A. G. Robinson and A. K. Cairncross; also EP(M)(40)36; 'The United Kingdom's international balance of payments', memorandum by P. K. Debenham and A. K. Cairncross, P(E and F)(S)(40)78 Revise, 27 November 1940.

²⁰ For a full account of wartime forecasts of the balance of payments, see Pressnell, L. S. (1986) *External Economic Policy since the War*, vol. 1, London: HMSO, appendix 27.

established by a Ministry of Labour enquiry.²¹ Instead of the 72 per cent per annum required in order to meet the military programme, the actual increase was at a rate of about 14 per cent, much the same as in 1935–6 and 1936–7. This slow rate of expansion in manpower was undoubtedly a contributing factor to the disappointing growth in the output of munitions. Perhaps, therefore, the schedule of reserved occupations should be extended to cover unskilled and partly skilled men in the engineering group of industries instead of only the skilled men. But the main need was for the systematic training of skilled men and this could best be done by reserving the Government Training Centres for converting semi-skilled men into men with a higher grade of skill and abandoning the use of the Centres for the reconditioning of the unemployed.

A third subject which the Survey had been asked to investigate with the help of the CEIS was the supply position on raw materials. No comprehensive report was prepared: the Survey confined itself to steel, timber, and wool.²² The first of these was dealt with by Henderson, the second by Austin Robinson, and the third by Jewkes. The three reports, taken together, brought out some fundamental issues. First there was the interdependence of raw materials: the danger that economy in one might be sought through intensification of the demand for another which in turn would become scarce; the waste that might arise if scarce materials were allocated to uses for which complementary materials were not available. Then there was the problem how far to encroach on stocks in a war of unknown duration and often in the absence of reliable information as to the level of stocks and the changes in progress. Economic policy, moreover, had to be related to military strategy: the timing of the main military effort, and the eventual rate of absorption of resources by the military. With limited resources, investment in all forms of new capacity – factories, ships, transport facilities, equipment for new weapons and for new military formations – had to be balanced against urgent immediate requirements, and its justification was in proportion to the length of the armed struggle that was contemplated.

21 'The brake on our war effort due to the shortage of manpower in the war industries', memorandum by Mr Francis Hemming, P(E and F)(S)(40)19, 2 May 1940, in PRO CAB 89/9.

22 'The supply position in regard to steel, timber and wool with reference to the survey of the national resources in relation to our war effort', memorandum by Lord Stamp, P(E and F)(40)76, 5 April 1940, in PRO CAB 89/8 (also EP(M)(40)26).

A fourth consideration was the heavy demand all three materials made on shipping and on foreign exchange. The first of these could be economized by shorter voyages but usually this involved paying higher prices; and since it often meant buying in North America it also clashed with the need to economize hard currencies. The Survey – in fact Piers Debenham – had worked out a formula for resolving the conflict between the saving in shipping and the extra cost in foreign exchange. But the formula did not provide for differences in the hardness of currencies and was of questionable value. Moreover, as the reserves oozed away in 1940 it was increasingly obvious that the war could not be carried on as planned without extensive financial help from America. That being so, economy in shipping was paramount.

But what of export requirements, from which the whole exercise took its origin? At that stage in the war, with Lend-Lease still undreamt of, the Survey continued to insist on the need for an export drive and procuring the foreign exchange needed for essential imports. It would be self-defeating to rank exports below war production and civilian consumption in the allocation of raw materials and labour. If the supply was insufficient, it was civilian consumption that would have to give way for if exports suffered this would react on the imports that could be purchased and consumers would still go short.

Thus in the first quarter of 1940, at the height of the phoney war, the Survey had provided ministers with an extensive review of the economic outlook for men and materials, shipping, and foreign exchange.²³ The picture they drew was a disquieting one. Time seemed to be slipping away and the country was only too obviously not fully mobilized. In whatever direction one looked, the war effort was endangered by growing shortages while civilian consumption had hardly been touched. Unemployment was still relatively high – it was nearly one million when the Battle of Britain was at its height in the autumn – but this left a relatively small margin in relation to the rapidly growing manpower requirements of the armed forces. There was also a major balance of payments constraint and very little foreign exchange. The import programme would have to be cut for lack of

23 On shipping the Survey submitted no detailed report, partly because the Ministry of Shipping was doing a first-class job while the Lord Privy Seal had reported to the War Cabinet on the need to cut the import programme because of the shipping situation ('The extent to which shipping considerations call for a review of our import programme', WP(40)64, 23 February 1940, in PRO CAB 66/5). This, too, attracted criticism from Churchill in a 'Note by the First Lord of the Admiralty on the Lord Privy Seal's memorandum' (WP(40)81).

shipping, stocks were being run down, manpower was moving too slowly into the metal and engineering trades, and all this was in the first year of war before the armed forces were actively engaged on the Continent. In the background, too, was the ever-present danger of inflation if the claims over resources continued to be excessive or if efforts were made to speed up labour transfer by the offer of higher wages.

After the first quarter, the Survey continued its work and kept up a running correspondence with departments on miscellaneous questions. But fewer papers of the kind just described were submitted to ministers. One exception was a survey of the economic consequences of the loss of Norway and Denmark in April: this was almost entirely the work of the CEIS. Later papers on the economic consequences of the loss of the Low Countries and then of France went to ministers directly, without the intervention of the Survey.²⁴

The papers that have been discussed so far, although they constituted the main documents transmitted to ministers by the Survey, were only part of their output. In a review of their work over the first year of war, circulated in October 1940, they listed fifty subjects, affecting many different departments, with which they had dealt between September and December 1939 and twenty-nine more in the first three months of 1940.²⁵ The flow continued in the second quarter, with another twenty-four topics covered, but died away in the third quarter, when the list shows only nine.

Some of all this work was largely factual and statistical: for example, papers on earnings and employment. But nearly all of it had a substantial policy content and included proposals by the Survey or comments on proposals made by others, such as Keynes's *How to Pay for the War* or John and Ursula Hicks's suggestion for stabilizing the price of an 'iron ration' of goods entering into everyone's budget. A large number of the topics dealt with related to the operation of the various wartime controls. Other papers bore on some aspect of inflation: taxes, subsidies, the budget, wages, and prices, but not –

24 'The economic consequences to the Allies and to Germany respectively of the seizure by Germany of Denmark and Norway', note by the Chancellor of the Exchequer, WP(G)(40)103, 13 April 1940, in PRO CAB 67/6; 'The economic consequences of a complete or partial collapse of French resistance', memorandum by the Minister without Portfolio, WP(G)(40)155, 17 June 1940, in PRO CAB 67/7.

25 'The work of the Survey in the first year of war', memorandum by the Survey, P(E and F)(40)116, 15 October 1940, in PRO CAB 89/9.

apart from a note by Debenham in June on 3 per cent interest rates — monetary policy. These, and the subjects discussed earlier, were, so to speak, the staples. But the Survey ranged far and wide. To take half a dozen topics at random, they discussed 'film production and the exchange problem', 'the position of small shopkeepers', 'standard clothing', 'design and location of new factories', 'duplication of Iraq pipe line', and 'paper production — concentration on efficient mills'.

After the change of government in May, the Survey was asked to continue its work. But the official committee under Sir Horace Wilson was abolished and the Ministerial Committee, on which Lord Stamp continued to serve, met only twice in the third quarter. The new Chairman of the Committee, Arthur Greenwood, was put in charge of economic policy and took over as his staff for purposes of economic co-ordination, the Central Economic Information Service, rapidly augmented in May and June. These changes tended to restrict the activities of the Stamp Survey, which also felt that a stage had been reached in which the issues of policy requiring decision were fairly clearly defined. Arrangements for economic organization had taken shape and the scope for their services was narrowing correspondingly. From May onwards, therefore, the Survey was beginning to fade out while the Central Economic Information Service, now christening itself exuberantly the Economic General Staff, had emerged as a key group of policy advisers.

There can be little doubt that the Survey played an important role in clarifying the issues of adaptation to a war economy and that it gave much wise advice to ministers. If the action taken was slow and irresolute, the fault did not lie with them but with ministers. No real effort was made to bring home to the public, before the change of government, the sacrifices in which they would be involved under existing military plans or the still larger effort that would be required for victory. No minister with the necessary drive and vision was entrusted with powers to take the measures required for a comprehensive and consistent plan. The air was full of make-believe and apathy, and much of what the Survey was saying went unheard.

Chapter three

EMERGENCE: THE TRANSITION TO THE ECONOMIC SECTION

With the end of the 'phoney war' in May 1940 and the change of government that coincided with it, new arrangements were made for the formulation of economic policy. On 4 June Attlee, acting as Deputy Prime Minister, announced in the House of Commons that economic and home affairs would be dealt with in future by five new ministerial committees, whose work would be 'concerted and directed' by a small group of ministers (the Chancellor of the Exchequer, Sir Kingsley Wood; the Lord Privy Seal, Clement Attlee; and the Minister without Portfolio, Arthur Greenwood) under the chairmanship of the Lord President of the Council, Neville Chamberlain.¹ Two of the five committees had particular responsibility for economic policy and were both to be chaired by Arthur Greenwood: the new Economic Policy Committee and the Production Council. A third committee, the Food Policy Committee, would also be in need of economic advice. The work of the Stamp Survey was to continue but the committee of permanent secretaries over which Stamp presided was to be discontinued.

These new arrangements imposed fresh duties on the CEIS, which was now attached to Greenwood. They were given a threefold remit:

- 1 To advise the ministerial committees dealing with economic policy.
- 2 To 'provide digests of statistics bearing on the development of our war effort'.

1 H. of C. Debates, vol. 361, col. 770, 4 June 1940. Chamberlain died on 9 November 1940 and was succeeded by Sir John Anderson.