Title:

The origins and history of the special adviser, with particular reference to the 1964-70 Wilson Administrations

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Abstract of thesis:

Special advisers are temporary civil servants, of party political alignment, appointed on a basis of individual ministerial patronage. Particularly since 1997, there has been much interest in their activities. This work sets out to provide a historical perspective on the subject, which is currently lacking. The long-term background to the instigation of the special adviser and the circumstances in which this innovation took place will be discussed. The central focus of this work is upon the period 1964-70, during which, it will be argued, special advisers, as they are now conceived, were first used. Full consideration is given to the subjects of who special advisers were, what they did and why, as well as how they functioned. Their official positions, in terms of matters such as job titles, pay, access to information and rules governing their conduct, will be investigated. Also of importance will be an understanding of their relations with each other, career civil servants and ministers. All of these themes will be extrapolated beyond the period in which special advisers were first used, through to the present day. Most importantly, an explanation of the collective significance of special advisers will be attempted. A core thesis, that they are best understood in terms of their relations with their employing ministers, will be proposed, along with a number of possible alternative interpretations. Primary material, including memoirs, diaries, personal and institutional papers, Public Record Office files and interviews, will form the most important basis for this work. Much of this will be examined for the first time in the context of the special adviser. Secondary
sources will also be drawn upon. It is concluded that special advisers were a complex phenomenon and no single interpretation fits them entirely. Nevertheless, the relationship with the employing minister was, at times, extremely important.
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I am also grateful to all those who took the time to talk to me about events of a number of decades ago. Two of these, Lord Harris of Greenwich and the Right Hon. the Lord Shore of Stepney have since passed on. Stuart Holland very kindly supplied me with some of his personal papers.

The staff of the Public Record Office, Kew, the British Library, St. Pancras, the British Newspaper Library, Colindale, the British Library of Political and Economic Science, Holborn, the King’s College Library, Cambridge, the National Museum of Labour History, Manchester and Queen Mary College Library, Mile End, were all extremely helpful. The Wednesday night Institute of Contemporary British History (ICBH) seminars at Senate House provided a forum for the discussion of many relevant matters, as well as giving me the opportunity to present a paper based on my thesis. In addition to this, the ICBH Director, Dr Harriet Jones, provided me with various work opportunities. The Right Hon. the
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Useful suggestions and advice were supplied by June Morris, Visiting Fellow at St. Anthony's College, Oxford, Professor Tony Thirlwall of the University of Kent, Canterbury, Professor George Jones of the London School of Economics and Professor Lord Skidelsky of the University of Warwick. All conclusions are, of course, my own.

Finally, I would like to thank Nicola Brookbanks and my parents.
Chapter I

Introduction

Special advisers are temporary civil servants, of overt party political alignment, drawn from beyond the career Civil Service, whose appointments are subject to the patronage of individual ministers. They may be in possession of specialist skills or particular experience, drawn from areas such as academia or business. Variously, they provide services including political counsel, expert guidance, contact with the media, and personal assistance. Changes in the party of government are accompanied by wholesale clear-outs of special advisers. If their minister is sacked or shifted to a new portfolio, they may serve the successor, follow their employer to a different office of government, or be forced to leave Whitehall.¹

Since the 1997 advent of a Labour administration under the premiership of Tony Blair, the role of the special adviser inside British government has received a high level of public attention, often of a critical nature.² There has, however, been no specific attempt to investigate the historical origins and development of this phenomenon, an omission which this work sets out to repair. It is intended that the following tasks will be performed. The long-term background will be explained and precedents for the use of aides of this

² See, for example: Nicholas Jones, The Control Freaks (London: Politico’s, 2001).
type sought. The circumstances in which the special adviser was instigated, and the motives lying behind this, must be described. A study of the experiment which followed, during the 1964-70 Labour administrations of Harold Wilson, will be conducted. This period has been selected since, as will be shown, it was the crucial, formative, one for the special adviser. Furthermore, a rich archive of primary evidence, including Public Record Office (PRO) files, is now available. This will enable, for the first time, a careful reconstruction of events and the perceptions of those who participated in them.

In this context, full consideration will be given to the subjects of who these counsellors were, what they did and why, as well as how they functioned. Their official positions, in terms of matters such as job titles, pay, access to information and rules governing conduct, will be investigated. Also of importance will be an understanding of their relations with each other, career civil servants and ministers. All of these themes will be extrapolated beyond the period in which special advisers were first used, through to the present day. Most importantly, an explanation of the collective significance of special advisers will be attempted.

A core thesis will be proposed, along with a number of possible alternative interpretations of the subject. Because of the lack of secondary material dealing expressly with special advisers, these will largely be inferred from the various sources used. They will be considered throughout, with a final judgement in the conclusion. Primary material, including memoirs, diaries,
personal and institutional papers, Public Record Office (PRO) files and interviews, will form the most important basis for this work. Much of this will be examined for the first time in the context of the special adviser. Some of it has only very recently become available to historians, or is exclusive to this study. Secondary sources will also be drawn upon. Existing interpretations, in so far as there are any, will be tested. As previously stated, the focus will be upon the 1964-70 Wilson administrations, during which, it will be argued, special advisers, as they are now conceived, were first used. In Chapters II and III reference will be made to earlier periods and in Chapter VIII, the conclusion, the main themes will be examined in the context of selected post-1970 examples.

The central thesis under examination is that special advisers are best understood in terms of their relationships with their appointing ministers. A description of this interpretation follows. As already stated, aides depended upon the patronage of individual politicians for their employment. Special advisers’ first loyalties, therefore, were owed to the particular ministers they served. The political interests of both were synonymous. The furtherance of the minister’s career, even at the expense of others, was likely to be desirable to the counsellor. Employing politicians could become reliant upon their

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3 For an expression of this view by one of the most important advocates of the use of special advisers, see: Fabian Society Collection (LSE, London), K 66.1, ‘Civil Service’, 1963. ‘Civil Service Group, draft sections of memoranda’, ‘Advising the Ministers’, by Thomas Balogh, undated, probably from 1963.

4 This was regarded by many observers as being the case with John Harris, special adviser to Roy Jenkins, a Cabinet member from 1966-70. See, for example Richard Crossman, The Diaries of a Cabinet Minister, Vol. 2, Lord President of the Council and Leader of the House of Commons 1966-68 (London: Hamish Hamilton and Jonathan Cape, 1976), p.368, diary entry for 7 June 1967.
aides. Special advisers and their ministers sometimes belonged to the same party faction and shared similar ideological outlooks. They frequently worked together on key policy objectives. In some cases, ministers and aides were long-standing associates. Often, they moved in the same social circles and were friends. In this sense, special advisers were members of the informal groups which sometimes congealed around politicians. The members of such bodies, which could be characterised by internal rivalries, achieved influence through their relationship with the person upon whom they centred. Even if there was not a pre-existing close personal connection between aide and politician, it could develop in office. Bonds of the type described here could override other commitments, including those to party and the government as a whole. At times, for example, special advisers acted against their employers' rivals within the Cabinet.

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6 This applied to Jenkins and Harris. Lord Harris of Greenwich in conversation with Andrew Blick, 3 April 2001.
7 This was the case with the taxation policies of James Callaghan, the Chancellor of the Exchequer and his aide, Nicholas Kaldor. Robert Neild in conversation with Andrew Blick, 16 July 2001.
8 Brian Abel-Smith was recruited by Richard Crossman at the Department of Health and Social Security (DHSS) in 1968. The two had first worked together more than a decade previously. For the fruits of their earliest collaboration, see: National Superannuation (London: Labour Party, 1957).
10 An example of this being the informal group which surrounded Wilson, known as the 'Kitchen Cabinet'. For a description of this, see: Philip Ziegler, Wilson (London: HarperCollins, 1995), p.183.
12 For Balogh's regular informal meetings with Wilson, see: Marcia Williams, Inside Number 10 (London: Weidenfeld and Nicolson, 1972) pp81-2.
13 This was the case with President of the Board of Trade, Tony Crosland and his aide Wilfred Beckerman. Wilfred Beckerman in conversation with Andrew Blick, 15 June 2001.
14 This was the view held by some of Roy Jenkins's special adviser, John Harris. Lord Shore of Stepney in conversation with Andrew Blick, 13 December 2000.
Special advisers can also be assessed in terms of their partisanship, which during 1964-70 meant commitment to Labour. By 1964, the party had been in opposition for 13 years and the recruitment of sympathetic aides was partly intended as a means of ensuring the implementation of its radical programme by an otherwise neutral Civil Service. All special advisers were supporters of the Labour government. Their employment resulted from Labour’s electoral success and was dependent upon the continuation of the party in office. Most were active in party circles for a number of years prior to their appointment as aides. From 1964, some participated in the implementation of policies they had helped develop in opposition. Special advisers often concerned themselves with the ideological content of policy. They also took a particular interest in the party political implications of decisions, for example their potential impact upon the labour movement or the popularity of the government. Special advisers were also associated with attempts to bring about favourable public presentation of the government and its policies. Of those recruited during 1964-70, one in particular came from a journalistic background and devoted much attention to the cultivation of relations with the press. Others, too, although drawn from academia rather than the media,

15 Lord Shore in conversation with Blick.
16 For the role of the economist Nicholas Kaldor as a long-term Party activist who had already made a considerable contribution to policy prior to 1964, see: Richard Whiting, *The Labour Party and Taxation*, *Party Identity and Political Purpose in Twentieth Century Britain*, (Cambridge: Cambridge University Press, 2000), pp130-172.
18 For Kaldor’s discussion of the latter, in relation to the possibility of floating sterling, see: Kaldor Papers (King’s College, Cambridge), NK 10/2, ‘Fixed or Flexible Rates’, Kaldor to Armstrong, 22 July 1965.
became involved in such activities as speech-writing and media rebuttal.  

Aides could perform the function of maintaining links between ministers who, while working closely together in opposition, were now spread out across various offices of government.

The recruitment of special advisers could be portrayed as a response to perceived national decline. During the late 1950s and early 1960s, a sense of malaise emerged in British political circles, prompted by such factors as a rapid deterioration in international status and relatively low economic growth rates. Wilson's 1964 policy objectives were influenced by this vogue. He engaged in a number of bureaucratic and policy innovations aimed at rectifying various supposed British deficiencies. The recruitment of temporary civil servants can be viewed as an element in this approach. Moreover, some aides went on to develop major policies aimed, in various ways, at the reversal of national fortunes.

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20 For Balogh's activities in the latter area, see: Wigg Collection (LSE, London), 4/14, Balogh to Wigg, undated.
25 Not least, the establishment of the Department of Economic Affairs (DEA). Ziegler, Wilson, pp170-1.
It is possible to argue that the special adviser was not a genuine innovation at all. At various stages in British history, administrations have utilised temporary bureaucrats, some of whom bore similarities to the 1964-70 batch. There have been, for example, individual personal aides\textsuperscript{27} and teams of prime ministerial advisers.\textsuperscript{28} Approaches of this type have sometimes been motivated by perceived national decline,\textsuperscript{29} which, as has been discussed, was a concern in 1964. Such interpretations of Wilson’s 1964 experiment could lead to the conclusion that rather than signifying the emergence of something new, special advisers were simply the latest in a long line of outsiders to be introduced to Whitehall.\textsuperscript{30} Moreover, the instigation of the special adviser was in part the continuation of an administrative reform process which had begun under the Conservatives during the late 1950s.\textsuperscript{31} However, as will be indicated below, views of this type will not be espoused here. Nevertheless, an investigation of earlier experiments with the use of outside aides and the changes already underway in 1964 will be conducted.

The instigation of the special adviser can also be explained in terms of a desire to incorporate greater expertise into the administration. The idea of appointing policy specialists as bureaucrats was in keeping with a technocratic strand

\textsuperscript{27} For example, John Rowland, the private secretary of David Lloyd George. Peter Hennessy, \textit{Whitehall} (London: Pimlico, 2001), p.59.

\textsuperscript{28} For an account of the body that served Winston Churchill during the Second World War, see: G. D. A. MacDougall, ‘The Prime Minister’s Statistical Section’ in D.N. Chester (ed.), \textit{Lessons of the British War Economy} (Cambridge: Cambridge University Press, 1951).

\textsuperscript{29} A broad group of anti-decline campaigners from the early twentieth century whose objectives included the introduction of outsiders into the Civil Service are the subject of: G. R. Searle, \textit{The Quest for National Efficiency} (London: Ashfield, 1990).

\textsuperscript{30} As the 1964 Fabian Society pamphlet \textit{The Administrators} which proposes the introduction of temporary bureaucrats, puts it, ‘[t]hese changes are not startling. Strong ministers do, in fact, get in the people they want in one way or another now; some personal or “political” appointments do take place.’ \textit{The Administrators} (London: Fabian Society, 1964), p.40.

\textsuperscript{31} For example, the National Economic Development Council (NEDC), established in 1961, was staffed by outside economists. Donald MacDougall, \textit{Don and Mandarin, Memoirs of an Economist} (London: John Murray, 1987), p.138.
detectable within Labour, associated in particular with its intellectual wing, the Fabian Society. Wilson’s ideological approach followed in this tradition. From the late 1950s onwards, a number of observers called for the correction of a perceived weakness in the Civil Service, which, it was argued, over-valued abstract intelligence at the expense of particular skills and knowledge. Special advisers, most of whom, during 1964-70, were economists, were intended to provide ministers with the expert advice that would otherwise be lacking. Their skills were brought to bear in the development of a number of policy packages. It is also possible, for analytical purposes, to divide aides into two groups, namely those who were specialists and those who were not.

Special advisers can be regarded as political actors in their own rights. Some of them were already substantial figures, for example in the intellectual field, and carried that weight with them into the bureaucracy. Aides possessed skills and contributed ideas which might otherwise have been absent from the administration. During 1964-70 they were motivating forces behind a number of policy initiatives bearing their distinctive personal imprints.

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34 This was one of the arguments in favour of the temporary bureaucrat put forward by advocates such as the economist Thomas Balogh, who was also one of the first wave of special advisers. See: Thomas Balogh, ‘The Apotheosis of the Dilettante’, in Hugh Thomas (ed.), *The Establishment – A Symposium*, esp. p.123.
36 Abel-Smith, for example, fell into the former group, Harris the latter.
37 Kaldor was a particularly substantial intellectual figure, as his biography attests. Anthony P. Thirlwall, *Nicholas Kaldor* (Brighton: Wheatsheaf, 1987).
38 For Kaldor’s explanation of one of his pet projects, SET, see: Nicholas Kaldor, ‘Causes of the Slow Rate of Growth in the UK’ in F. Targetti and A.P. Thirlwall (eds) *The Essential Kaldor* (London: Duckworth, 1989).
also attempts to bring about the implementation not only of particular schemes, but to influence the overall direction of government policy, in accordance with special advisers' own preferences. When functioning as individual actors, the personalities of ministerial counsellors, which were in some cases characterised by pronounced eccentricities, became important. Special advisers could become embroiled in political intrigue.

The subject must also be examined from the perspective of the governmental centre. It will be shown that, during 1964-70, more special advisers were attached to the Prime Minister's Office than anywhere else. Such a tendency could be interpreted as the product of a desire on the part of Wilson to exert greater control over his administrations. Aides were involved in activities such as the scrutiny of policy and implementation chasing on behalf of the Prime Minister. It could also be argued that the appearance of special advisers attached to the premier signified a stage in the emergence of a prime ministerial department, albeit on an informal basis. During 1964-70, some of Wilson's allies encouraged him to initiate expansions at the centre, in which

39 For Balogh's attempt to encourage the formation of a Commonwealth economic bloc, see: PRO PREM 13/182, 'Aid to and Development of Trade with Commonwealth Countries', 1964-5, 'Commonwealth Trade and Aid', Memorandum by Dr. Balogh, 11 March 1965.
40 Kaldor, for example, possessed certain irritating habits. MacDougall, Don and Mandarin, p.152.
41 For a reference to Balogh's struggles with the Cabinet Secretary, Burke Trend, see: Crossman, The Diaries of a Cabinet Minister, Vol. 2, p.304, diary entry for 6 April 1967.
42 Details of these are contained in: PRO T 199/1063, 'Cabinet Office. Appointment of Special Advisors to the Prime Minister on Economic Affairs.' 1964-8.
43 Hence the description of Balogh, in some quarters, as Wilson's 'spy.' Cairncross, The Wilson Years, p.1, fn.
44 See: Benn, Out of the Wilderness, p.198, diary entry for 30 December 1964.
45 This has certainly been an interpretation of the growth in numbers of aides at Number 10 during the 1970s and 1980s, so could be applied to the 1960s. See: Lord Hunt of Tamworth, 'The United Kingdom' in William Plowden (ed.), Advising the Rulers, (Oxford: Basil Blackwell, 1987), p.69.
special advisers were intended to play a prominent role. The attachment of a staff directly to the Prime Minister could be taken as associated with the growth of a leadership cult in British politics.

There is potential for comparison between foreign arrangements and the use of special advisers in British government. The French bureaucratic model, as will be shown, was a direct influence upon the instigation of the special adviser in 1964, as was the ‘spoils system’ of the United States (US). Whether they were the product of a conscious desire to imitate such methods or otherwise, a comparison can be made between certain advisory structures which emerged during 1964-70 and those in place abroad. Certain ministers acquired teams of aides arguably similar in nature to French cabinets. Similarities could also be identified with bureaucratic appointments carried out in the US.

Special advisers can also be understood in terms of the political approach of Wilson, the Prime Minister who first utilised them. Wilson’s early career included economic training and service as a temporary bureaucrat during the Second World War. One aspect of Wilson’s premiership during 1964-70

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48 For evidence of how the French model was taken as a guide, see: A.P. Thirlwall (ed.), Keynes as a Policy Adviser (Basingstoke: Macmillan, 1982), p.175.

49 See, for example, Wilson’s references to Kennedy’s appointments. Whitehall and Beyond (London: BBC, 1964), p.19.

50 Jenkins’s autobiography contains numerous references to his use of a small inner team, that included his special adviser, Harris, see: Jenkins, A Life at the Centre.

51 For example: Cairncross, The Wilson Years, p.7, diary entry for 19 October 1964 and fn.

was his association with an informal group of loyalists, known as the Kitchen Cabinet, which included at least two temporary bureaucrats, Balogh and John Allen, in its number.\footnote{Pimlott, \textit{Harold Wilson}, p.339.} He has frequently been portrayed as a shallow politician, engaging in tactical manoeuvre and presentational novelty at the expense of long-term strategy.\footnote{For an example of an unflattering view of Wilson, see: Denis Healey, \textit{The Time of My Life} (Harmondsworth: Penguin, 1990), pp330-1.} His use of aides may be seen as a product of such tendencies.\footnote{Christopher Booker, \textit{The Neophiliacs} (London: Pimlico, 1992), p.254.} However, it could be argued that, in the form of the special adviser, he bequeathed a lasting constitutional innovation.\footnote{See: Pimlott, \textit{Harold Wilson}, p.338.} The personal counsellors of some Cabinet members figured in various threats to Wilson’s position as premier, which emerged, in particular, from late 1967 onwards.\footnote{For Wilson’s suspicions regarding Harris, see, for example: Jenkins, \textit{A Life at the Centre}, p.197.}

Another perspective from which to view special advisers is that of their contribution to policy. During 1964-70, they were associated with the implementation of numerous significant proposals, across a variety of areas. A number of these might not have appeared at all were it not for their input, which could include detailed formulation, preparing the ground inside the government and public presentation.\footnote{Christopher Foster, for example, was closely involved in technical and political aspects of the 1968 Transport Act. Sir Christopher Foster in conversation with Andrew Blick, 3 April 2001.} Many of the conflicts in which special advisers became embroiled related to policy objectives.\footnote{For evidence of Balogh becoming involved in conflicts over North Sea Gas policy, see: PRO CAB 147/18, ‘Natural gas pricing arrangements’, 1966-7.} A particular area of failure attributed to Wilson’s first two administrations related to sterling,
which, after much resistance, was devalued in November 1967. Aides took a strong interest in this, attempting to influence the outcome.

Finally, since the subjects of this work were employed as civil servants, albeit on a temporary basis, they should be analysed in terms of their relationship with the career bureaucracy. The appointment of special advisers challenged certain entrenched Whitehall customs, many of which could be traced to the mid-nineteenth century. Traditionally, senior civil servants were party political neutrals, recruited on a basis of open competitive examination, rather than personal patronage. Their tenure was not dependent upon the fortunes of individual ministers or election results. Normally, shortly after graduation from University, they commenced lifelong employment. Movement in and out of the Civil Service during the course of a single career was abnormal. So, too, was the recruitment of outsiders into Whitehall. The philosophy of generalism, which valued abstract intelligence over specialist knowledge, prevailed. Typically, senior bureaucrats were educated in subjects such as Classics or Mathematics at Oxford or Cambridge. The most influential office of government within Whitehall, in terms of both personnel decisions and policy formation, was the Treasury.

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60 For a critical account of this, see: MacDougall, Don and Mandarin, p.152.
61 For Kaldor's views on this, see: Kaldor Papers, NK 10/2, 'Fixed or Flexible Rates', Kaldor to Armstrong, 22 July 1965.
The instigation of the special adviser followed a period of public questioning of many of these traditions, to which it was partially intended as a corrective. Balogh, one of the most vehement critics of the career bureaucracy, was also amongst the first wave of aides in 1964. He was particularly opposed to Treasury dominance of the Civil Service, which he sought to challenge by various means, including the appointment of special advisers.\(^{64}\) One motive for the use of aides was the desire to ensure that Labour's policy programme was not obstructed by permanent civil servants.\(^ {65}\) During Wilson's first two administrations, there was a degree of antagonism between career officials and special advisers, centring on issues such as status, propriety\(^ {66}\) and access to ministers, committees and official papers.\(^ {67}\) There were also problems in obtaining Civil Service security clearance for aides.\(^ {68}\)

Chapter II will provide the long-term historical background. As already stated, the 1964-70 experiment took place in the context of a senior Civil Service characterised by party-political neutrality, permanent employment and generalism. The emergence of these values, criticism of which rose to a crescendo in the late 1950s and early 1960s, requires explanation. The perception of national decline, another important theme, prompted reassessment of bureaucratic arrangements on occasions prior to 1964. The

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\(^{64}\) See: Balogh, 'The Apotheosis of the Dilettante.'

\(^{65}\) Lord Shore in conversation with Blick.

\(^{66}\) For the concerns of the senior civil servants' union, the First Division Association, regarding the initial appointment of special advisers, see: PRO T 199/891 'Discussions with and information supplied to the First Division Association (Treasury Branch) concerning appointments to economic posts in the Civil Service' 1964-5.

\(^{67}\) For Balogh's difficulties in some of these areas, see, for example: PRO CAB 21/5248, 'Access to reproduction, circulation and custody of committee minutes, memoranda and economic papers by Thomas Balogh.', 1960-5.

\(^{68}\) See, for example: PRO T 199/1164, 'Government Economic Service: employment of economic adviser Professor N Kaldor and supporting staff', 1964-70, 'Note for the Record', 30 November 1967.
historian G. R. Searle has observed similarities between the Edwardian ‘National Efficiency’ movement and the modernisation campaign of the late 1950s and early 1960s, which immediately preceded Wilson’s narrow election success in 1964. Forerunners of the special adviser in earlier periods can be recognised. For example, during the early twentieth century, politicians such as David Lloyd George made use of personally appointed aides. The historian Peter Hennessy has described John Rowland, Lloyd George’s private secretary, as a ‘special adviser in today’s terminology.’ As Prime Minister during the First World War, Lloyd George established the Prime Minister’s Secretariat. John Turner has traced a line from this through to Harold Wilson’s use of ‘independent policy advisers.’ The large-scale use of temporary civil servants during the Second World War must also be examined. Many of those involved in the 1964-70 special adviser experiment were influenced by the 1939-45 experience.

As previously stated, the central focus of this work will be upon the 1964-70 period, during which Wilson’s first two Labour administrations conducted the inaugural experiment in the use of special advisers. It will be shown that, prior to 1964, the patronage-based recruitment of outsiders into the Civil Service as senior aides did sometimes take place, and the term ‘special adviser’ was applied inside bureaucratic circles, although not with its latterly assumed meaning. However, what marked out the Labour governments of 1964-70 was

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the concerted use of such appointments from the outset, to whom the ‘special
adviser’ title was applied, as an element within a specific administrative and
ideological programme. Moreover, this approach took root. As Wilson’s
biographer, Ben Pimlott, puts it, ‘[p]revious prime ministers had sometimes
employed non-civil service staff...[b]ut Wilson was the first to do so...on a
substantial scale, and as a matter of principle. The innovation stuck: what was
pioneering and risqué in 1964 became an established practice, copied and
institutionalized by later administrations.’73

Chapter III will examine the circumstances in which the first special advisers
were appointed and the reasons for this development, particularly from the
point of view of the Labour Party. The bureaucratic developments already
underway in 1964 will be assessed, along with Wilson’s political style.
Chapters IV, V and VI will cover the period 1964-7. In Chapter IV, the initial
wave of aides recruited in 1964 will be portrayed. Attention will be devoted to
their relations with the permanent machine, ministers and each other, the issue
of access to official papers and membership of committees, as well as
propriety questions. Possible theoretical interpretations of the special adviser
will be explored and the media reaction to Wilson’s innovation depicted.
Short biographical studies of three aides, namely John Allen, Thomas Balogh
and Nicholas Kaldor will be provided in Chapter V. Chapter VI will consist of
case-studies of the performance of special advisers in relation to three specific
policy areas. The first is that of sterling, which was devalued in late 1967.
The second is the 1966 introduction of Selective Employment Tax (SET).

73 Pimlott, Harold Wilson, p.338.
Finally, Balogh’s opposition to EEC membership will be considered, along with the dissenting views of his team member, Stuart Holland, who saw European integration as an opportunity for more effective economic planning.

Developments during 1967-70 will be covered by Chapters VII and VIII. Under examination in Chapter VII will be the shifting balance of power inside the Wilson administration which followed the devaluation of the pound. This had implications for a number of special advisers. Consideration will also be given to the behaviour of the Security Service (the internal agency, commonly known as MI5) towards certain temporary bureaucrats. In Chapter VIII, the role of Brian Abel-Smith, aide to the Secretary of State for Social Services, Richard Crossman, will be considered. Attempts at broad bureaucratic reform during the first two Wilson administrations reached a crescendo in 1968 with the appearance of the Fulton report, which contained a number of proposals relevant to the special adviser. A description of Christopher Foster’s activities at the Ministry of Transport and Jenkins’s use of a small group of aides will assist an examination of the question of the use of teams including patronage-based appointments. The electioneering activities of special advisers in the run-up to the 1970 poll will then be considered.

Chapter IX will evaluate all the possible interpretations of the special adviser outlined above, drawing conclusions on a basis of the evidence which has been examined. Further investigations of the themes already discussed will then be engaged in, with reference to selected developments between 1970 and 2002.

As discussed, there is no previous historical study of the special adviser. Secondary sources which have been drawn on for all chapters include Peter Hennessy's *Whitehall*, the only comprehensive history of the Civil Service. Hennessy emphasises the importance of the declinist school which emerged in the late 1950s in influencing subsequent bureaucratic reforms, including the use of special advisers. Henry Roseveare's *The Treasury* traces the emergence of this institution as the central office of government and the philosophies associated with it. *The Powers Behind the Prime Minister*, by Dennis Kavanagh and Anthony Seldon, contains valuable analysis of organisation and staff at Number 10 and their staff, including special advisers. The argument presented by Kavanagh and Seldon is that, while the number of aides attached to Prime Ministers has increased, there has been no absolute increase in the power of the premier.

Kevin Theakston's *Leadership in Whitehall* consists of a series of profiles of senior civil servants, covering a period from the nineteenth through to the late twentieth century. This group-biographical approach is followed in Chapter V. Also by Theakston, *The Labour Party and Whitehall* offers a clear thesis regarding Labour's approach to the administrative machine. Here, a technocratic, Fabian tradition within Labour is identified, as well as a tendency to doubt whether the existing official machine was willing or able to

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75 Hennessy, *Whitehall*.
79 Theakston, *The Labour Party and Whitehall*. 
implement socialism. Much of this will be agreed with. Most importantly, from the perspective of this study, Theakston casts doubt on the notion that Labour failed to implement its programme during 1964-70 as a result of subterfuge on the part of permanent civil servants.\(^{80}\) As he puts it, ‘Labour’s problems, frustrations and “failures” in office are political in origin rather than due to civil service sabotage and obstruction.’\(^ {81}\) Theakston’s argument will be engaged with in this work. It will not be suggested that career Whitehall was responsible for all the problems experienced during Wilson’s first premiership. However, it will be shown that permanent officials did offer resistance to the special adviser experiment. Furthermore, in order to pursue their own policy agendas, career bureaucrats sometimes deliberately excluded aides from the policy formation process.

Theoretical texts used include *Advising the Rulers*, a collection edited by William Plowden.\(^ {82}\) This provides accounts of various international forms of counsel, drawn on for the comparative aspects of this work. Of particular use are its descriptions of the continental *cabinet* and the US ‘spoils system.’ Michael Foley’s *The Rise of the British Presidency*\(^ {83}\) argues that the cult of the personality prevalent in US politics has come to the fore in Britain in recent decades. Special advisers, attached to individual politicians rather than institutions, could be regarded as symptomatic of this trend. It will be argued in this study that some of the tendencies Foley identifies apply to senior ministers other than the premier, which Foley concentrates on. Martin J.

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\(^{80}\) Ibid, pp32-7.
\(^{81}\) Ibid, ix.
\(^{82}\) Plowden (ed.) *Advising the Rulers*.
\(^{83}\) Foley, *The Rise of the British Presidency*.
Smith's *The Core Executive in Britain*\(^8\) summarises a fairly recent development in political science, core executive theory. This is founded on a view of government as an arena in which multiple actors trade resources such as information and authority in order to achieve particular objectives. Special advisers could be viewed as participants in such a process.

For Chapter II, particularly good in its coverage of the emergence of the permanent Civil Service is Richard A. Chapman and J. R. Greenaway's *The Dynamics of Administrative Reform*\(^8\). This analyses the circumstances, at various points in British history, in which bureaucratic change has come about. John Turner's *Lloyd George's Secretariat*\(^6\) details experiments with prime ministerial aides during the Great War, which can be compared with similar subsequent endeavours. Studies of significant outsiders recruited into the Civil Service prior to 1964 include Robert Skidelsky's three-volume biography of the economist John Maynard Keynes.\(^7\) José Harris's *William Beveridge, A Biography* is a portrayal of an individualistic academic in the pre-1964 period, who was able to achieve great influence inside government.\(^8\)

Paul Addison's *The Road to 1945* is an historical study of the broad swing to the left which took place in British politics during the Second World War, to

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\(^8\) Martin J. Smith, *The Core Executive in Britain* (Basingstoke: Macmillan, 1999).
\(^6\) Turner, *Lloyd George's Secretariat*.
which temporary bureaucrats were particularly significant. Addison’s is an account of the emergence of what is described as the post-war political consensus. This supposedly entailed a high level of agreement over policy between leading politicians, also taking in senior civil servants. The implications of the use of special advisers, who were partisan bureaucrats, for consensus theory, must be considered. The 1939-45 conflict also prompted the establishment of the Economic Section, a specialist advisory unit initially attached to the War Cabinet, of which former staff members, Alec Cairncross and Nita Watts, have produced an history, covering the years 1939-61. This could be viewed as part-way between a primary and secondary text.

The relatively recent availability of relevant Public Record Office (PRO) files explains their absence from many secondary studies of the 1964-70 period. Nevertheless, there are a number of valuable works. These include two biographies of Wilson, Ben Pimlott’s *Harold Wilson* and Philip Ziegler’s *Wilson*. As discussed, the former portrays its subject’s recruitment of temporary bureaucrats as a significant constitutional breakthrough. Pimlott’s book also contains a detailed examination of the sometimes real, sometimes imagined attempts by various rivals and elite social groups to undermine or remove Wilson. Hennessy’s *The Prime Minister* has a chapter dedicated to Wilson’s first two administrations, relating them to the characteristics and

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91 Pimlott, *Harold Wilson*.
92 Ziegler, *Wilson*.
93 Hennessy, *The Prime Minister*.
development of the office he held. *The Chancellors,*
written by former Labour politician and academic Edmund Dell, good for the entire post-1945 period, provides a searching analysis of economic policy during Wilson’s first two administrations. Dell argues that Wilson’s programme, with which special advisers were closely involved, was misconceived.

*The Wilson Governments,* a collection edited by Richard Coopey, Steven Fielding and Nick Tiratsoo, is also drawn upon here. The value of this is its analysis of its subject from a variety of different standpoints, including the activities of the Security Service, members of which may have been attempting to undermine the Prime Minister. Anthony P. Thirlwall’s *Nicholas Kaldor,* a portrait of the economist who served as a Treasury aide, is the only biography of a special adviser from the 1964-70 period. This conveys how Kaldor’s considerable intellectual abilities were applied inside the administration, as well as the great influence he achieved.

Andrew Graham was a member of Balogh’s team from 1966 and took over as Wilson’s senior economic adviser in 1968, serving until 1969. His article, entitled ‘Thomas Balogh (1905-1985)’ portrays its subject as an intuitive, if flawed, genius, as well as emphasising the closeness of his relationship with Wilson. It also argues that, during his time as a special adviser, Balogh reduced his own effectiveness through a tendency to try and achieve too

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96 Thirlwall, *Nicholas Kaldor.*
much. June Morris, who assisted Balogh in the preparation of an autobiography halted by his death, follows a similar line to Graham in her article, ‘Thomas Balogh and the Fight for North Sea Revenue’, which also details his performance in relation to the question of North Sea Gas in the late 1960s. In his chapter from Richard Rose’s *Policy Making in Britain*, called ‘The Irregulars’, Samuel Brittan provides an overview of the extensive use of economists made by Wilson’s first two administrations. He emphasises the fact that, while this was presented as a means of bringing about a reversal in economic fortunes, none was forthcoming. The practical difficulties experienced by outsiders within Whitehall are also discussed.

Susan Crosland, a journalist, has written a biography of her husband, the Labour intellectual and minister Anthony Crosland. This portrays the futile struggle, engaged in by, amongst others, certain special advisers, to persuade Wilson to devalue sterling, as well as the role of John Harris in the build up of resentment between Crosland and his friend and colleague, Roy Jenkins. It also describes the relationship between Crosland and his special adviser, Wilfred Beckerman. Giles Radice’s *Friends and Rivals* is a triple biography, written by a Labour politician and intellectual, of three senior figures on the Labour right, Jenkins, Crosland and Denis Healey, all of whom made use of special advisers at various points. Richard Whiting’s *The Labour Party and*  

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100 Susan Crosland, *Tony Crosland* (Sevenoaks: Coronet, 1983).  
Taxation\textsuperscript{102} includes a particularly detailed analysis of Kaldor's role in the formation and implementation of Labour policy. It argues that one major proposal he helped drive through, Selective Employment Tax, was far more a product of his individual effort than the labour movement as a whole.

Howard Glennerster's \textit{British Social Policy since 1945}\textsuperscript{103} is drawn on here, particularly for its coverage of pensions. This traces Brian Abel-Smith's development of the National Superannuation scheme in opposition through to his efforts at its implementation in office. Michael Stewart, who was a special adviser from 1964-7, is the author of \textit{Politics and Economic Policy since 1964}\.\textsuperscript{104} This is useful, in part, for its description of the political contingencies which led to the adoption of SET. \textit{The Mitrokhin Archive}, by Vasili Mitrokhin and Christopher Andrew, which details Soviet intelligence activities in the West, is relevant in that it contains no references to any special advisers, since some aides had problems in obtaining security clearance.\textsuperscript{105} The journalist Christopher Booker's \textit{The Neophiliacs} analyses the 1960s as supposed era of cultural revolution.\textsuperscript{106} Booker portrays the appointment of special advisers as motivated by Wilson's tendency towards gimmickry.

There are a number of valuable primary sources in the form of published texts. Periodicals, including newspapers such as \textit{The Times}, \textit{The Sunday Times},

\textsuperscript{102}Whiting, 'The Labour Party and Taxation', \textit{Party Identity and Political Purpose in Twentieth Century Britain}.
\textsuperscript{103}Howard Glennerster, \textit{British Social Policy since 1945} (Oxford: Blackwell, 1995).
\textsuperscript{105}Christopher Andrew and Vasili Mitrokhin, \textit{The Mitrokhin Archive, The KGB in Europe and the West} (Harmondsworth: Penguin, 2000).
\textsuperscript{106}Booker, \textit{The Neophiliacs}. 
Financial Times, Daily Telegraph, Daily Mirror, Daily Express and Daily Mail, have been consulted, along with journals such as The Economist and New Statesman. These demonstrate the high level of media attention special advisers and the policies they were associated with received during 1964-70. Party manifestos have been drawn upon.¹⁰⁷ Used for Chapter II, D.N.

Chester's Lessons of the British War Economy¹⁰⁸ is a collection detailing bureaucratic mobilisation for the Second World War, written by protagonists. Donald MacDougall's Don and Mandarin gives an account of his experiences as a temporary economist serving in Whitehall during this period, as well as his numerous returns to bureaucratic employment in subsequent decades.¹⁰⁹ In Change and Fortune,¹¹⁰ Douglas Jay, later a Labour minister, recalls his spell as an aide to the Labour Prime Minister, Clement Attlee. Edward Bridges, a leading mid-twentieth century civil servant, acted as a public spokesman on behalf of the permanent bureaucracy and a number of his speeches and written works are available. He was an exponent of the principles of generalism, party political neutrality and Treasury control, which special advisers, in various ways, challenged.¹¹¹

The period immediately preceding the instigation of the special adviser is rich in primary material. The 1957 Labour Party publication, National Superannuation,¹¹² provides an indication of the intentions lying behind later pensions policy. Brian Abel-Smith supplied some of the content for this. A

¹⁰⁸ Chester (ed.), Lessons of the British War Economy.
¹⁰⁹ MacDougall, Don and Mandarin.
¹¹¹ For example: Bridges, Portrait of a Profession.
¹¹² National Superannuation.
number of works from the late 1950s and early 1960s called for the use of temporary bureaucrats. These included Samuel Brittan’s *The Treasury Under the Tories*, 113 Brian Chapman’s *British Government Observed*, 114 the Fabian Society pamphlet *The Administrators* 115 and the collection *The Establishment*, edited by the former Foreign Office official, Hugh Thomas. 116 The latter work contained an essay crucial to an understanding of the special adviser, authored by Balogh, entitled ‘The Apotheosis of the Dilettante.’ This was an explicit attack upon career Whitehall, calling for the recruitment of partisan, expert, temporary civil servants. Norman Hunt’s 1964 series of interviews with leading politicians from the three main parties, with a response from Bridges, published under the title *Whitehall and Beyond*, is relevant to this work. Here, Wilson, shortly before forming his first government, described his plans for the Civil Service. 117 In the same year, the anti-socialist pressure group, Aims of Industry, produced a pamphlet which raised concerns regarding the appointment of Balogh and Kaldor as aides following Labour’s possible impending election victory. 118

For the 1964-70 Wilson administrations, memoirs by practitioners have been used extensively. *A Life at the Centre*, 119 the autobiography of the leading Wilson Cabinet member Roy Jenkins, is useful. In particular, Jenkins portrays the closeness of his relationship with his counsellor, John Harris. *Time and

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115 *The Administrators*.
116 Thomas (ed.), *The Establishment*.
117 *Whitehall and Beyond*.
119 Jenkins, *A Life at the Centre*. 

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\textit{Chance}\textsuperscript{120} is the memoir of James Callaghan, whom, amongst many senior posts, was Chancellor of the Exchequer from 1964-7. One interesting aspect to this is his description of the contingencies which prompted the adoption of SET. \textit{The Time of My Life},\textsuperscript{121} the autobiography of Denis Healey, the Secretary of State for Defence from 1964-70, contains a particularly scathing portrayal of Wilson as dabbler and opportunist.

Marcia Williams, Wilson's Personal and Political Secretary, provides insight into the workings of her employer's inner circle with her \textit{Inside Number 10},\textsuperscript{122} as does another close Wilson ally, George Wigg, Paymaster General from 1964-7, in his autobiography.\textsuperscript{123} Wilson's own record of his first two administrations contains no indexed reference to any special adviser, but is good as a general reference work.\textsuperscript{124} As well as "The Apotheosis of the Dilettante", important Balogh texts include \textit{Unequal Partners},\textsuperscript{125} which provides insight into his intellectual development, and \textit{Planning for Progress}, which, published in 1963, was an account of the views and proposals he took with him into office.\textsuperscript{126} \textit{The Essential Kaldor},\textsuperscript{127} a collection of Kaldor's economic writing, contains an exposition of SET, his most dramatic policy achievement.

\textsuperscript{120} James Callaghan, \textit{Time and Chance} (London: Collins, 1987).
\textsuperscript{121} Healey, \textit{The Time of My Life}.
\textsuperscript{122} Williams, \textit{Inside Number 10}.
\textsuperscript{124} Harold Wilson, \textit{The Labour Government 1964-70, A Personal Record} (Harmondsworth: Penguin, 1974).
\textsuperscript{126} Balogh, \textit{Planning for Progress}.
\textsuperscript{127} Targetti and Thirlwall (eds), \textit{The Essential Kaldor}.
As will become apparent, the activities of special advisers were often informal and their relations with ministers markedly personal. For this reason, private papers and diaries provide a vivid image of the subject under examination. While not always supplying reliable technical detail, these sources offer insight into the impressions and perceptions of practitioners. A number of collections of personal papers have been studied. These include those of two special advisers, Brian Abel-Smith and Nicholas Kaldor. For the 1950s and 60s, the journals kept by Labour politicians Hugh Dalton, Richard Crossman and Tony Benn help demonstrate the long term involvement of future aides with particular factions and individuals within Labour, which, as will be shown, continued into office.

The 1964-70 Wilson administrations were particularly well served by diarists. These include the Labour ministers and Wilson allies Benn, Barbara Castle and Crossman. All three were in close contact with Wilson and various temporary civil servants. Crossman's record in particular contains a wealth of references to special advisers, especially Balogh and Abel-Smith. Crossman displays a tendency to overemphasise the role of personality in the political process. Nevertheless, this provides a counter-balance to the

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128 Abel-Smith Collection, (LSE, London).
129 Kaldor Papers.
132 Tony Benn, Years of Hope, Diaries 1940-1962, (London: Hutchinson, 1994).
133 Benn, Out of the Wilderness; and Tony Benn, Office without Power, Diaries 1968-72 (London: Arrow, 1989).
sometimes misleadingly uncontroversial official files. Alec Cairncross, Head of the Government Economic Service from 1964-8, also kept a regular record. Cairncross sat on the Economic Advisers committee, along with numerous special advisers, and provided detailed accounts of both personality and policy. The introduction he wrote to this volume, which, although written three decades after the fact, is useful, particularly in its description of his uneasiness at the appointment of special advisers in 1964. *Political Diaries* details some of the activities of Patrick Gordon Walker, a leading figure on the Labour right. His account of a plot to oust Wilson implicates Roy Jenkins’s aide, John Harris.

There are a large number of relevant and revealing PRO files, drawn on particularly for Chapters III-VIII. There is numerous evidence of the internal discussion of the appointment of special advisers, as well as the experiences of these aides. Policy formation participated in by various aides during 1964-70 is also apparent, along with sensitive information relating to security issues. Also of interest is the FU (‘Forever Unmentionable’) Treasury committee, responsible for sterling devaluation contingency planning, from which two senior special advisers, Kaldor and Balogh, were excluded.

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136 Cairncross, *The Wilson Years*.
138 Most useful here are the PRO Cab [Cabinet], PREM [Prime Minister’s Office] and T [Treasury] classes.
139 FU files can be found in: PRO T 312 ‘Treasury: Finance Overseas and Co-ordination Division and Finance (International Monetary) Division: Registered Files (2F and 2F (IM) Series).
However, there are gaps. So far, the only file devoted to the policy papers of a particular aide to have come to light is that of Balogh.\textsuperscript{140} For this reason, traces of the others are often scattered and in some cases not apparent at all. Discussion relating to the status of sterling, a particular concern of a number of temporary bureaucrats, was suppressed.\textsuperscript{141} Furthermore, as will be shown, special advisers inhabited a world somewhere between party politics and bureaucracy. This meant that their activities did not necessarily leave an official imprint. It is also possible that, perhaps because of the fleeting status of special advisers within Whitehall, some of their records were poorly maintained, or have been inadvertently concealed. Moreover, as Balogh once said, '[o]fficial files do not give away those nuances of intonation, the details of private horse-trading.'\textsuperscript{142} Nevertheless, there is enough PRO material available, used in conjunction with other sources, to provide a clear picture of the first special adviser experiment. Owing to the thirty year rule, records from beyond 1971 were not available. As will be discussed in subsequent chapters, the Labour party has not historically devoted much time to the consideration of bureaucratic matters. This explains the absence of relevant material from its files.\textsuperscript{143} However, the Labour-affiliated Fabian Society did take a particular interest in the Civil Service and its records have been drawn on here.\textsuperscript{144}

\textsuperscript{140} PRO CAB 147, 'Cabinet Office: Economic Adviser to the Prime Minister: Records.'
\textsuperscript{141} For example, Sir Derek Mitchell, Principal Private Secretary to Wilson from 1964-6, was charged with, and it seems carried out, the destruction of all copies of a 1964 paper recommending devaluation, produced by three senior special advisers, Thomas Balogh, Nicholas Kaldor and Robert Neild. Sir Derek Mitchell in conversation with Andrew Blick, 19 April 2001.
\textsuperscript{142} A.P. Thirlwall (ed.), Keynes and International Monetary Relations (London and Basingstoke: Macmillan, 1976), p.79.
\textsuperscript{143} Labour Party Archive (National Museum of Labour History, Manchester).
\textsuperscript{144} Fabian Society Collection (LSE, London).
Official publications examined in the following pages include the 1854 product of Sir Stafford Northcote and Sir Charles Trevelyan's investigation into the Civil Service. This, it will be shown, influenced the development of such Whitehall traditions as generalism and career long employment, which the instigation of special advisers confronted. The 1968 result of the Fulton enquiry into Whitehall deals with many of the themes under discussion here, for example the idea of introducing the cabinet to British government. Abel-Smith was responsible for much of the drafting of the 1969 National Superannuation and Social Insurance White Paper. Extensive use has been made of The British Imperial Calendar and Civil Service List, an earlier incarnation of the Civil Service yearbook. This provides details such as job titles and salaries, the determination of which for special advisers took on great significance. Hansard, the Parliamentary record, also contains relevant material, for example in the form of discussions of policies to which aides contributed, as well as questions relating to their appointments.

Finally, twenty interviews have been conducted. There are pitfalls associated with the use of oral testimony in historical research, relating to such factors as the fallibility of memory and the tendency towards individual self-justification. Nevertheless, owing to the sometimes uncertain position of special advisers inside the official machine and their particularly personal role, conversations with practitioners have proved invaluable. Wherever possible,
information obtained by this means has been cross-referenced against other
sources. Sir Donald MacDougall served as a temporary bureaucrat on
numerous occasions during the twentieth century, for example during the
Second World War, as well as 1964-70. A conversation with him provided a
long-term perspective, as did one with the long serving observer of economic
policy, and brief participant in the first Wilson administration, the journalist
and economist, Sir Samuel Brittan.

All those special advisers from 1964-70 willing and able to participate were
questioned, including Robert Neild, one of the first, 1964, batch, Stuart
Holland, who worked beneath Balogh during 1966-7 and the late Lord Harris
of Greenwich (formerly John Harris), political aide to various Labour
ministers, including Roy Jenkins, during 1964-70. Conversations with Lord
Marsh and the late Lord Shore of Stepney, both of whom served as Cabinet
members during the first two Wilson administrations, supplied a ministerial
view. Similarly, senior civil servants including Sir Derek Mitchell, Principal
Private Secretary to Wilson from 1964-6 and Lord Croham, Permanent
Secretary to the Treasury from 1968-73, helped illuminate the attitudes and
experiences of the permanent machine. Discussions were also held with
Kaldor’s biographer, Anthony Thirlwall and June Morris, who is currently
writing a profile of Balogh, both of whom were personally acquainted with
their subjects. These helped confirm general approaches and check certain
facts.
Chapter II

The Permanent Bureaucracy and Outsiders

The significance of special advisers, and the extent to which they represented a genuine administrative innovation, can only be fully appreciated in the longer-term context of the development of the Civil Service. The Northcote-Trevelyan report of 1854 was a touchstone for career officials. Moreover, demands for the use of temporary aides, which intensified from the late 1950s, were often founded in a particular view of the historical origins of career Whitehall. It was argued that the existing bureaucracy, inspired by Victorian ideals, was no longer equipped to cope with post-Second World War requirements. Reform campaigners drew attention to the value of previous experiments with the use of outsiders. The fact that these were not put on a permanent footing was lamented. It is necessary to describe the emergence, during the nineteenth and twentieth centuries, of a politically neutral, generalist, career bureaucracy, dominated by the Treasury. Various attempts to incorporate outsiders into this institution, prior to the instigation of the special adviser, will also be considered.

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1 Sir Edward Bridges, Portrait of a Profession, p.6.
2 The Administrators, pp2-5.
**Victorian reform of the Civil Service**

From the mid-eighteenth century, a body of permanent officials, without seats in Parliament, performing executive functions, began to emerge in Britain. The appearance of the single bureaucrat as head of a Government department, later known as the Permanent Secretary, can be traced to the early nineteenth century. Nearly all appointments to this embryonic institution were made on a basis of personal patronage. This mode of recruitment had both advantages and drawbacks. In some cases, it meant that the right man was chosen for the right post. However, nepotism and jobbery were rife. By the mid-nineteenth century, the Civil Service, as Hennessy puts it, sagged under the weight of family, patronage and obligation. Charles Edward Trevelyan was appointed to the most senior Treasury post of Assistant Secretary, at the very early age of 32, in 1840. He was a fierce campaigner for drastic re-organisation of the Civil Service. The Treasury, as the office responsible for overseeing spending, lay at the centre of government. This role had partly been placed upon it by Parliament, in its quest for accountable administration. Primarily, Theakston argues, Trevelyan wanted to strengthen the Treasury, installing it as the chief office of government.

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6 Peter Hennessy, *Whitehall*, p.27.
Most famously, Trevelyan was the motivating force behind the Northcote-Trevelyan report, commissioned by the then Chancellor of the Exchequer and future Prime Minister, William Gladstone, and published in early 1854.¹⁰ Trevelyan’s nominal co-author was Sir Stafford Northcote.¹¹ In Northcote-Trevelyan, a division of labour within the Civil Service between mechanical and intellectual functions was advocated. Corresponding classes of employee, it was argued, ought to be created. Much of the report was concerned with the means by which the members of these two groups should be selected, particularly the élite, policy advisory group, which is of most interest for the purposes of this study.

Trevelyan’s 1854 recommendations were shot through with the principle that Whitehall should be staffed by individuals of the highest calibre. As a result of initial recruitment being conducted on a basis of patronage, Northcote-Trevelyan contended, the Civil Service had become ridden with ‘the unambitious, and the indolent or incapable.’ As a consequence, when senior posts had to be filled, it was difficult to find a suitable candidate from inside the service. This often left no option but to ‘go out of the office, and to appoint some one of high standing in an open profession, or someone distinguished in other walks of life, over the heads of men who have been for many years in the public service.’ Such a practice, it was argued in Northcote-Trevelyan, had a detrimental effect upon morale within the service. Moreover, it was often abused. ‘[N]umerous instances might be given in which personal or political considerations have led to the appointment of men of very slender

ability, and perhaps of questionable character, to situations of considerable emolument', the report stated. The idea of personally selected ministerial aides, was, therefore, opposed.

Northcote-Trevelyan proposed that recent graduates should be competitively recruited through a written test. In the 1854 report, it was suggested that young entrants were more suitable to a life in public service than older and more experienced recruits from the outside world. The former could be more easily infused with the appropriate corporate spirit. The blueprint was for a Civil Service closed to the outside world; by implication the employment of 'outsiders' was stigmatised. Regardless of changes in the political mastery of departments, a job in the Civil Service was permanent; a career. The recruitment process, the report recommended, ought to be carried out for the whole service by a central board. This was an attempt to rectify the perceived problem of a '[f]ragmentary' service, where '[e]ach man's experience, interests, hopes and fears are limited to the special branch of services in which he himself is engaged.' The Northcote-Trevelyan report, then, put the case for a centralised service with an intellectual élite comprised of permanent officials. The members of this group were to be recruited directly from university on a basis of academic ability rather than personal qualities or experience. Here can be detected the philosophy of generalism; the belief that the faculty for abstract thought can be applied to any practical duty. In the

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12 For an exposition of generalism, see: Bridges, Portrait of a Profession.
Civil Service which developed in the post-Northcote-Trevelyan era, ‘technical expertise tended to be frowned upon.’

The call for the introduction of examinations was a manifestation of the intention on the part of reformers that the senior Civil Service would become an exclusive haven for Cambridge and Oxford graduates. This had specific social implications. In 1854, in order to qualify for classification as a gentleman, an individual not of unquestionably noble birth or established in one of the professions, had to have attended a university. Gladstone sought to preserve the position and values of the traditional ruling social élite through limited reform measures. He feared plutocracy; a state overrun by the vulgar monied classes. A possible means of avoiding this was the selection, through competitive entry, of administrative personnel representing the élite of respectable, gentlemanly society, rather than the dregs, as was believed to be the case under the patronage system. As will be shown, a little over a century later, one advocate of the special adviser regarded the permanent Civil Service as an element within a social establishment he sought to overturn.

Another factor important to an understanding of the Trevelyan programme was the nature of the Victorian state. Government did, and was expected to do, far less than would be the case in the following century; laissez-faire principles

held sway, particularly within the Treasury.\textsuperscript{18} As Balogh put it, the Victorians ‘conceived the role of the state in purely negative terms’ and simply sought to ensure that its ‘“night-watchman” functions should be ably, efficiently and cheaply performed.’\textsuperscript{19} While the state was small, it was about to grow very rapidly. Employees of the Civil Service in the 1850s numbered around 40,000. This figure would double within forty years.\textsuperscript{20} Here was an important source of post-1945 criticism of the Civil Service. The generalist, it was argued, was redundant within a state the many and varied tasks of which required specialist skills. Moreover, Treasury control, which entailed emphasis upon \textit{laissez-faire} principles and minimising expenditure, became inappropriate.\textsuperscript{21}

Despite the best efforts of its political sponsor, Gladstone, Northcote-Trevelyan was not immediately implemented.\textsuperscript{22} However, in 1855, a Civil Service Commission of three members, answerable to the Crown, not the Prime Minister, was established. While the political heads of departments retained the power of patronage, all nominees for a bureaucratic career were examined by the Commission.\textsuperscript{23} In 1870, as a result of the exertions of the Chancellor of the Exchequer, Robert Lowe, and Gladstone, who had become Prime Minister, more progress was made towards the attainment of Trevelyan’s objectives. An Order in Council of this year ensured that those political heads of department who wished to do so could open up their

\textsuperscript{18} Roseveare, \textit{The Treasury}, pp143-4.
\textsuperscript{20} Hennessy, \textit{Whitehall}, p.51.
\textsuperscript{22} Chapman and Greenaway, \textit{The Dynamics of Administrative Reform}, pp42-4.
ministries to competitive entrance.\textsuperscript{24} Trevelyan's objectives in another area were gradually realised during the second half of the nineteenth century, with the tightening of the Treasury's grip on government. It obtained greater powers of scrutiny and control over departmental expenditure, nominally as a response to political demands for retrenchment.\textsuperscript{25} As will be discussed further in later chapters, one factor leading to the use of special advisers was an unfavourable perception of the extent of the influence of the Treasury.\textsuperscript{26}

During this period, a distinctive Civil Service ethos of party-political neutrality began to take shape. From 1870, the practice of appointing experts to administrative posts declined. Generalist career bureaucrats were less readily associated with particular policies than the outsiders they replaced. This fact was associated with the rise of the doctrine of ministerial responsibility. Political heads of department were accountable to the legislature, while bureaucrats, in theory, were accountable to ministers and required to carry out instructions once political decisions had been reached. These principles, combined with the waning of patronage-based recruitment, meant that reform had guided the developing Civil Service away from the arena of party politics.\textsuperscript{27} By 1964, the lack of politically committed advice available to ministers came to be seen, by some, as a shortcoming.\textsuperscript{28} Moreover, in the view of one very senior twentieth century career official, the personal commitment

\textsuperscript{24} Chapman and Greenaway, \textit{The Dynamics of Administrative Reform}, pp48-9.
\textsuperscript{26} See, for example: \textit{The Administrators}, p.9.
\textsuperscript{27} Fry, \textit{Statesmen in Disguise}, pp33-6.
\textsuperscript{28} See, for example: \textit{The Adminsitrators}, p.40.
of bureaucrats to the particular minister they served declined, to be gradually replaced by loyalty to the Civil Service itself.29

Whitehall outsiders in the early Twentieth Century

In 1901, the Fabian social reformer, Sidney Webb, stated that 't]he country is ripe...for a policy of National Efficiency.'30 During the late nineteenth and early twentieth century, there emerged in Britain a fairly heterogeneous modernisation movement. At the time, participants, including Sidney Webb, referred to a 'National Efficiency' campaign. Another general term, subsequently attached to the tendency by academics, was 'Social-Imperialism.' Ideas from left and right were synthesised into a brand of welfarism which, it was intended, would be founded upon a revitalised Empire. The varied members of this cross-party movement, who included in their number the Unionist politician, Joseph Chamberlain, believed in reform designed to appease the potentially revolutionary working classes.31 As well as assistance for the lower orders, the Social-Imperialist programme was intended to facilitate the more efficient deployment of national resources. Leading figures within the tendency, such as the journalist J. L. Garvin, feared that, relative in particular to the United States and Germany, Britain was a declining power.32 Japan was also regarded as an increasingly formidable rival.33 One of the

33 See, for example: The Earl of Rosebery, 'Foreword' to Alfred Stead, *Great Japan, a Study of National Efficiency* (London: John Lane, 1906).
Social Imperialists' many demands was for the greater utilisation of expertise within government. For example, the Co-efficients were a turn-of-the-century, cross-party discussion group, the members of which included Sidney Webb, the philosopher Bertrand Russell and the writer H. G. Wells. One question debated by the Co-efficients during 1902 was 'by what methods is it possible to increase the thinking element in the administrative departments?'

The Liberal Party took power late in 1905 and the following year won a crushing election victory over the Conservatives. The return of the Liberals to office occurred in a political context which Social Imperialism had helped generate. The administrations of the Liberal Prime Ministers, Henry Campbell-Bannerman and Herbert Asquith, embarked upon an ambitious public welfare programme. Measures included the introduction of old age pensions and unemployment insurance, influenced by schemes developed in Germany during the 1880s. Such innovations 'placed new demands on the state that were beyond the scope of the existing machine and its minders to meet.' This called for the recruitment of outsiders. For example, in 1908, Winston Churchill, the President of the Board of Trade, established the first Labour Exchanges. In order to do so, he had to import experts into Whitehall, for example the academic, William Beveridge.

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34 Co-efficients Collection (LSE, London), 'Subjects of Discussion, 1902.'
36 Asquith was associated with the social imperialist movement earlier in his career. See, for example: Searle, The Quest for National Efficiency, p.109.
37 Hennessy, Whitehall, pp57-8.
38 Ibid. p.55.
39 Ibid.
The Liberal politician David Lloyd George held high government office from 1906 to 1922.° His political technique involved surrounding himself with customised institutions and personal allies. Lloyd George’s tendency to make personal appointments was interpreted by some contemporaries as a ‘predilection for surrounding himself with a bunch of second-rate cronies.’ However, Balogh referred approvingly to his use of ‘men of great ability and expertise advising him directly – a method...of bypassing bureaucratic obstacles.’ Some of Lloyd George’s selections were political aides, others were primarily policy experts. The former included John Rowland, one of many of Lloyd George’s allies who shared the politician’s Welsh origins. Rowland worked in Lloyd George’s private office alongside permanent civil servants. He helped bring about such achievements as the introduction of National Insurance, which passed into law late in 1911. Sir George Paish, who falls into the latter category, was Lloyd George’s economics expert in the early stages of the First World War. During this conflict, Lloyd George oversaw the introduction of a number of outsiders into Whitehall, for example the businessmen who were recruited to the Ministry of Munitions, which he established in 1915.

Another of Lloyd George’s innovations, from his time as premier, was the Prime Minister’s Secretariat, established during the First World War, in early 1917. Comprised of temporary, prime ministerial, personal appointments, it

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40 Ibid, p.56.
41 Ibid, pp56-7.
44 Hennessy, Whitehall, pp57-8.
46 Hennessy, Whitehall, pp61-2.
was labelled the 'Garden Suburb' because it was housed in huts on the lawn
behind Downing Street. As well as dealing with specific contingencies as they
arose, the Garden Suburb was responsible for inter-departmental co-ordination.
For most of its existence, the Prime Minister's Secretariat had a staff of five,
each of whom were each allotted specific policy areas. Their tasks included
chasing the implementation of decisions, speech writing and research work.\(^{47}\)
The historian, John Turner, describes the Garden Suburb as arising from a
'presidential concept of war-leadership.'\(^{48}\) He argues that, rather than
providing policy guidance to the wartime Coalition government as a whole, the
Prime Minister's Secretariat primarily served the individual, short-term
political interests of the Prime Minister.\(^{49}\)

**Inter-war Treasury dominance**

It has already been shown that, during the course of the nineteenth century, the
Treasury emerged increasingly as the dominant office of government. By the
early twentieth century, the Permanent Secretary to the Treasury was often the
first prime ministerial port of call for advice, receiving a higher salary than
other departmental chiefs, but was not the official head of the Service, no such
post existing at that stage.\(^{50}\) This was to change. On 15 September 1919, a
Treasury Minute announcing Treasury control over the Civil Service was
distributed around Whitehall. This declared that the Permanent Secretary to
the Treasury was now also the Permanent Head of the Civil Service and

\(^{48}\) Turner, *Lloyd George's Secretariat*, p.191.
\(^{49}\) Ibid, p.192.
\(^{50}\) Theakston, *Leadership in Whitehall*, pp57-8.
adviser to the First Lord of the Treasury, (a post almost always held by the Prime Minister), on Civil Service appointments and patronage. Another Circular, of 12 March 1920, effectively strengthened the Permanent Secretary to the Treasury further. It stipulated that prime ministerial approval was needed for all senior Civil Service appointments. As the premier’s pre-eminent consultant in such matters, the Permanent Head of the Civil Service would naturally have great influence here. An Order in Council of July 1920 gave the Treasury complete control of personnel and staffing matters.

Lloyd George chose Warren Fisher, who was aged just 40, to head the Civil Service in 1919. He stayed in the top job for twenty years. Early on in his tenure, Fisher saw to it that élite civil servants were convened as a single group, throughout almost all departments. Collectively, they were termed the Administrative Class. Freely admitting that he had little knowledge of economics, Fisher was a conscious opponent of the notion of the rule of the specialist in Whitehall. He advocated the movement of administrators through a number of different offices of government during the course of their careers. Operating in tandem with the internal ebbing and flowing of staff was the exclusion of outsiders.

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51 Hennessy, Whitehall, pp70-1.
52 Theakston, Leadership in Whitehall, p.48.
53 Hennessy, Whitehall, p.71.
54 Theakston, Leadership in Whitehall, p.46.
55 Hennessy, Whitehall, p.70.
56 Chapman and Greenaway, The Dynamics of Administrative Reform, p.106.
57 Theakston, Leadership in Whitehall, pp51-4.
58 Hennessy, Whitehall, p.75.
To Fisher, the belief that the Civil Service should exist as an entity in and for itself was vital.\textsuperscript{59} Unification of the Home Civil Service was later seen by one special adviser as having contributed to the creation an independent power-base, collectively seeking to maximise its influence.\textsuperscript{60} Administrators tended to take more interest in glamorous policy-formation matters than their other functions, which included internal management.\textsuperscript{61} During the 1920s, the senior officials' grip on government tightened when Ramsay MacDonald was installed as the first Labour Prime Minister in January 1924. For the first time there was no clearout of Downing Street private secretaries upon a change of resident. The principle that the employment of Private Office staff in Number 10 was not dependent upon the premier can be traced to this event.\textsuperscript{62} One development during this period led to the existence of institutions from which partisan, temporary bureaucrats could be drawn. This was the emergence of party research bodies, such as the Conservative Research Department (CRD), which was formed in the late 1920s.\textsuperscript{63}

A rare interwar attempt to introduce greater expertise into the bureaucracy took place when, in January 1930, MacDonald, returned to office the previous year, created the Economic Advisory Council (EAC). The EAC was intended to help tackle the problem of unemployment, which had become chronic. It was comprised of economists, industrialists, trades unionists and others.\textsuperscript{64} The

\begin{thebibliography}{99}
\item Theakston, \textit{Leadership in Whitehall}, p.50.
\item Balogh, 'The Apotheosis of the Dilettante', p.86.
\item Fry, \textit{Statesmen in Disguise}, pp60-1.
\item Dennis Kavanagh and Anthony Seldon, \textit{The Powers Behind the Prime Minister}, p.49.
\end{thebibliography}
EAC's cast was certainly A-list, including the union leader Ernest Bevin and the economist John Maynard Keynes. However, this collection of specialist opinion was not properly integrated with the government machinery, and its role was poorly defined.\(^{65}\) As one EAC member, the future Labour Prime Minister Clement Attlee, put it 'there were interesting discussions but nothing constructive ever emerged.'\(^{66}\) As will be shown, special advisers, by contrast with the EAC, were deliberately located within the Whitehall loop.

**Outsiders and Total War**

During the Second World War, in its bid to direct an effective struggle against the Axis Powers, the British government engaged in domestic economic and social intervention on an unprecedented scale.\(^{67}\) The advent of total national mobilisation held certain implications for the bureaucracy. Large numbers of additional staff were needed, many of whom had to be in possession of particular skills. Accordingly, a specifically established Central Register supplied the various Whitehall departments with thousands of temporary civil servants who went on to perform a wide variety of functions.\(^{68}\) In quantitative terms, outsiders were required the most by new departments, including the ministries of Information, Economic Warfare and Food.\(^{69}\)

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\(^{68}\) Hennessy, *Whitehall*, pp88-104. For an example of how one economist, Evan Durbin, found his way into the Ministry of Supply, see: Durbin Collection (LSE, London), 3/11, 'Correspondence about Durbin's wartime employment.'

\(^{69}\) Hennessy, *Whitehall*, p.97.
In May 1940, following the German surge through the Low Countries into France, Churchill supplanted Neville Chamberlain as Prime Minister. The new premier instigated major changes in the way government was advised, entailing the use of many expert outsiders, for example in the area of economic policy formation, as will be shown. Churchill was hostile towards the Treasury. Its permanent secretary, Sir Horace Wilson, was associated with Chamberlain's policy for the appeasement of Nazism. In place of Treasury control, economic co-ordination was carried out by the Lord President of the Council and his Committee. This ministerial Cabinet committee was advised by the temporary civil servants who comprised the Economic Section of the War Cabinet. The first Director of the Economic Section was Professor John Jewkes, an economist from a research department attached to Manchester University.

While, theoretically, the Economic Section served the whole War Cabinet, effectively, particularly from early 1942, it was attached to the Lord President's Committee. The Economic Section supplied briefs and papers for the Committee and provided secretaries and members for a range of its sub-committees. The number of staff never exceeded twelve, and was

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71 Barberis, The Elite of the Elite, p.13.  
73 For Economic Section files, see PRO T230, 'Cabinet Office, Economic Section, and Treasury, Economic Advisory Section: Registered Files (EAS and 2EAS Series)', 1939-71.  
normally ten. A variety of statisticians and economists of academic origin were recruited to the Economic Section. These included one James Harold Wilson, previously an Oxford don, who was transferred from the Anglo-French Co-ordinating Committee. Wilson's account of his service in the Economic Section shows that, as well as utilising specialist skills, members engaged in 'more general duties.' One aspiring politician who found employment inside the Economic Section was Evan Durbin, an economist, associated with Labour. He was said to have 'adopted a role more like that of a junior minister than a civil servant...[he] was in touch with Labour ministers, and concentrated on large, general issues, particularly those involving social reform.' Durbin could be seen as a precursor of the special adviser, in so far as he was a partisan, temporary civil servant.

Another organisation, the Prime Minister's Statistical Section, attached specifically to Churchill, was required to offer counsel. According to one of its staff, Donald MacDougall, it 'was essentially personal to the Prime Minister; it worked continuously for him; it had some idea of what was in his mind; it knew the sort of thing he wanted to know and how he liked to have it presented; its loyalty was to him and no one else.' Another member of the Statistical Section stated that it was created because 'Churchill wished...to

78 Hennessy, *Whitehall*, p.103.
80 Ibid, p.55.
81 Much material relating to the Prime Minister's Statistical Section is to be found in PRO, PREM 3 'Prime Minister's Office: Operational Correspondence and Papers', 1938-46.
82 G. D. A. MacDougall, 'The Prime Minister's Statistical Section' in Chester (ed.), *Lessons of the British War Economy*, p.68.
have around him a band of critics, who, precisely because they were not fully merged into the general machinery of government, would give him an independent judgement on how things were going forward.83 It was led by Professor Frederick Alexander Lindemann, a physicist nicknamed ‘the Prof’,84 whom Churchill described as ‘my friend and confidant of so many years.’85

‘The Prof’ was soon given the ministerial post of Paymaster General and raised to the Peerage as Lord Cherwell.86 The Statistical Section staff of roughly six economists were mostly temporaries.87 Their central task was to keep the Prime Minister informed of matters relating to the allocation of resources in the context of the conduct of the war.88

Outsiders were also introduced into longer established areas of government. In the summer of 1940, Keynes was recalled to the Treasury, where he had previously served during and immediately after the First World War, subsequently becoming a leading critic of its laissez-faire tendencies. By then in his late fifties, he remained there until his death in 1946. He had no formal position and was unpaid.89 From 1940 onwards, the government began to assume responsibility for the whole economy, rather than merely setting out to balance its own books.90 Budgets had previously been little more than annual

84 Harrod, The Prof, p.1.
86 Harrod, The Prof, p.188.
87 MacDougall, Don and Mandarin, pp22-3.
90 Addison, The Road to 1945, pp170-1.
public sector statements of account. From April 1941, they became tools designed to maintain equilibrium between demand and supply.\textsuperscript{91} Henceforth, such statements included estimates of the total national income and expenditure.\textsuperscript{92} Keynes's input was crucial to this development.\textsuperscript{93} He was also entrusted with obtaining foreign loans, in particular from the United States government.\textsuperscript{94} Keynes was the key British figure in the negotiation of the Bretton Woods monetary agreement for fixed, but adjustable, exchange rates.\textsuperscript{95}

Experts, Keynes believed, had a part to play in post-war government. In 1943 he suggested the 'grouping of the principal economic departments under a single super-Minister', to whom a staff of economists could be attached.\textsuperscript{96} Balogh, however, believed that Keynes went native whilst inside the Treasury, losing his radical edge.\textsuperscript{97} A degree of compromise on Keynes's part was probably an inevitable product of his involvement in the decision-making process. In this sense, Balogh's judgement was unfair. As will be shown, from 1964, Balogh, possibly to his own detriment, was determined not to succumb to orthodoxy as, he felt, Keynes had.

In 1940, once war had begun in earnest, normal methods of administration went into abeyance, as has been shown. This fact presented an opportunity to those members of the intelligensia who sought a radicalisation in the functions

\textsuperscript{91} Roseveare, \textit{The Treasury}, pp274-6.
\textsuperscript{92} Harrod, \textit{The Life of John Maynard Keynes}, pp501-2.
\textsuperscript{94} See, for example: Harrod, \textit{The Life of John Maynard Keynes}, pp506-14.
\textsuperscript{96} PRO T 230/283, no catalogue title, 1943-53, Keynes to Robbins, 1 February 1943.
of government, for example the novelist, playwright and broadcaster J. B. Priestley. Priestley made the case for an egalitarian society as a war aim. Groups such as the 1941 Committee, which met in the home of the *Picture Post* proprietor, Edward Hulton and included amongst its members a young Thomas Balogh, campaigned to this end. Their efforts did not go unrewarded. Considerable official time and attention was devoted to planning the society that would be created after hostilities had ceased.

Many of those who forced the pace of the reconstruction project were temporary civil servants. One such significant outsider was the social scientist William Beveridge, whose earlier involvement with welfare policies has been mentioned. Beveridge had long sought to implement his ideas through association with politicians, for example Lloyd George. During the late 1930s, while working at Oxford, Beveridge became increasingly convinced of the need for economic planning combined with an ambitious social welfare programme, both during the coming war and beyond. Like Keynes, he had worked in the Civil Service during the First World War, reaching the level of permanent secretary at the Ministry of Food. From autumn 1939, Keynes, Beveridge and other such ‘Old Dogs’ held regular meetings at 46 Gordon Square, Keynes’s Bloomsbury residence. All awaited the call to

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99 Ibid, p.188.
101 Lloyd George, *The Years that are Past*, pp.228-9.
103 Lloyd George, *The Years that are Past*, p.77.
104 Harris, *William Beveridge, A Biography*, p.250.
duty, which one by one they received. Beveridge certainly possessed the difficult personality often associated with individualistic outside policy specialists. Harold Wilson, who served Beveridge as a research assistant before the war, described him as 'inspiring and constructive in research, impossible in personal relations.' Presumably partly as a result of these tendencies, Beveridge was one of the last advisers to be admitted from academia into Whitehall during the Second World War. Even then, his insufferable traits led to his being shunted around the government.

In June 1941 a committee on 'Social Insurance and Allied Services' was established under Beveridge. He took the initiative, conducting investigations which extended far beyond his apparent initial brief, which was to investigate workmen's compensation. The White Paper subsequently published in November 1942 laid out the blueprint for the welfare state, advocating universal state benefits, healthcare and education, as well as maintained high employment levels. Wilson wrote that Beveridge 'certainly was not guilty of underselling his achievement.' Taking on a life of their own in the public imagination, partly as a result of Beveridge's calculated priming of the press, the recommendations of the so-called 'Beveridge Report' were effectively forced upon a reluctant, but distracted Churchill.

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112 Wilson, *Memoirs*, p.64.
113 Harris, *William Beveridge*, pp.419-22.
1943, Beveridge conducted his own unofficial enquiry into methods of maintaining full employment. His assistants in this endeavour included a young Hungarian economist, Nicholas Kaldor.\(^{115}\)

Interaction between temporary and permanent officials during the Second World War generated certain tensions.\(^{116}\) Durbin experienced numerous difficulties relating to his status and pay.\(^{117}\) Experts such as Keynes were often confronted with the problem of 'the inability or unwillingness of some senior officials to understand the issues under discussion.'\(^{118}\) The Economic Section engendered a certain amount of resentment amongst the Departments, when policy proposals produced by the latter were subjected to criticism or amendment by the former.\(^{119}\) Obstruction was encountered by Churchill's Statistical Section when attempting to obtain information from Whitehall officials.\(^{120}\) As might be expected, certain policy proposals made by temporaries did not find favour amongst permanent bureaucrats. For example, established elements within the Treasury offered considerable resistance to the more radical approaches offered by the Economic Section to the possible problem of post-war unemployment.\(^{121}\) Nevertheless, most temporaries were full of praise for the co-operation they received from permanent bureaucrats.\(^{122}\) Lionel Robbins, who succeeded Jewkes as head of the Economic Section, and his staff were able to achieve much through their determination to work 'with

\(^{115}\) Ibid, pp242-3.
\(^{117}\) Evidence of this is contained in: Durbin Collection, 3/12, 'Appointment Mr Durbin: Personal Doper [sic]: Remnants from War Files.'
\(^{118}\) Cairncross and Watts, *The Economic Section*, p.80.
\(^{120}\) See, for example: MacDougall, *Don and Mandarin*, p.21.
\(^{121}\) Cairncross and Watts, *The Economic Section*, p.79.
\(^{122}\) Ibid, p.42.
the departments rather than apart from them [Robbins’s emphasis]."23

Moreover, some disagreements were between outside experts. Robbins wrote
that he possessed a greater willingness to implement austerity measures than
Cherwell, of the Prime Minister’s Statistical Section.124

Chester stated that outsiders brought a ‘fresh outlook’ to government, which
would have been valuable even if there had not been a war. At the same time,
he felt that ‘by the end of 1945, the temporaries were beginning to lose their
value in this respect; their earlier experiences had become heavily overlaid
with their civil service experience and they were in danger of losing their
different outlook.’125 The effectiveness of wartime temporaries was governed
to a great extent by the nature of the institutions and individuals they were
attached to. The Economic Section, for example, failed to fulfil its potential
until it became more closely associated with a powerful body, the Lord
President’s Committee, led by an efficient minister, Sir John Anderson.126

The significance of the party-political alignment of temporaries was reduced
by the fact of a Coalition government.127 In a time of greater polarisation,
electoral reverses could lead to en bloc changes in personnel among the
temporaries. The relations of outsiders with permanent Civil Servants might

123 PRO CAB 87/72, ‘NOTES ON THE ROLE OF THE ECONOMIST IN THE FUTURE
MACHINERY OF GOVERNMENT’, Memorandum by Professor Lionel Robbins, 25 January
1943.
126 Cairncross, Austin Robinson, p.80.
127 See, for example, the Labour leader and Lord Privy Seal, Clement Attlee’s description of
the party political truce: Attlee, As It Happened, p.138.
also have been more strained. The attachment of policy-forming bodies such as the Economic Section to the War Cabinet Office may not have been tolerated elsewhere in the administration under less extreme circumstances. The question of the applicability of temporary bureaucrats to peacetime conditions was examined within Whitehall during the war. The official inquiry into the future machinery of government, conducted by Treasury official Sir Alan Barlow, concluded in November 1943 that ‘the expert economist has an important contribution to make to the future business of Government’ but cautioned against the establishment of a central economic general staff, on the grounds that this might usurp the power of the permanent Civil Service.

Re-establishment of bureaucratic normality

Allied victory signalled a return to business as usual in Whitehall. The Statistical Section was dissolved following Churchill’s 1945 election defeat. The Economic Section remained in existence, but by 1953 it had been officially absorbed by the Treasury, an acknowledgement of the fact that it had become largely an advisory body to the Chancellor of the Exchequer. The vast majority of temporaries, including, for example, MacDougall, found their way back to their previous occupations. One reason for this development

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128 Cairncross and Watts, *The Economic Section*, pp44-5 and Sir Donald MacDougall in conversation with Andrew Blick, 9 March 2001. For a forceful statement of this view, see: PRO CAB 87/72, Sir Hubert Henderson to Thomas Padmore, 4 February 1943.
129 Cairncross and Watts, *The Economic Section*, p.44.
131 MacDougall, *Don and Mandarin*, p.41.
133 MacDougall, *Don and Mandarin*, p.40.
was the fact that Civil Service salaries were not sufficiently high. It is not surprising, therefore, that a return to academia or business appeared attractive to so many. The traditional Whitehall strictures on conduct and free speech also encouraged this exodus. A note produced by Keynes in 1943, which correctly anticipated many of them, demonstrated that such problems were foreseeable. However, it seems, little effort was made to overcome these.

The Ministry of Production was abolished after the war, 'when it might conceivably have been built up into a major co-ordinating department or even a Ministry of Economic Planning.' This opened the way for a comeback by the career officials of the Treasury. Hugh Dalton, Chancellor of the Exchequer from 1945 to 1947, was a trained economist. He persuaded Keynes, who was formerly his teacher at Cambridge, to stay on 'as my personal adviser, outside the establishment.' Keynes, wrote Dalton, 'became my most trusted counsellor at the Treasury for the last nine months of his life.' However, it has been suggested that, generally, because of his economics background, Dalton resisted the appointment of experts to the Treasury, feeling that he did not need help of this nature.

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135 See for example: MacDougall, Don and Mandarin, p.25 and Wilson, Memoirs, pp60-1.
136 MacDougall, Don and Mandarin, p.40.
140 Cairncross, Years of Recovery, p.55.
Keynes died in April 1946. While it had lost its sole, irreplaceable expert, the Treasury soon regained its pre-war administrative hegemony, which had temporarily been lost to the Ministry of Labour and the Lord President’s Committee. Sir Stafford Cripps became the Chancellor of the Exchequer in 1947. He took the responsibilities for economic policy co-ordination he had held as Minister of Economic Affairs with him to the Treasury. Such developments constituted a pendulum-swing back towards generalist, permanent administrators and Treasury control. Ironically, at the same time that the principle of non-specialism was being re-asserted, the role of the state was expanding in ways which suggested a need for more expertise, in greater quantities, than ever before.

In July 1945, the first general election held in ten years produced a shock result. A Labour government was returned, with 393 seats in the Commons, as opposed to the Conservative’s 210. This victory represented a capitalisation on the mood for social change, previously described, which had in part crystallised around the Beveridge report. The Labour manifesto had laid out a radical programme and the government, led by the Prime Minister, Clement Attlee, was serious about implementation, as its track record

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141 Cairncross and Watts, *The Economic Section*, p.117.
143 Ibid, p.53.
147 Ibid, p.44.
shows. Policies included the creation of a universal benefits system, state-
funded health care for all and the nationalisation of a number of major
industries, for example coal-mining. Labour held power until 1951. By this
time, it has been argued, the peacetime functions of government had altered
fundamentally. In the words of Addison, 'the new collectivist state was set in
concrete.'

Government was now involved in a vast array of new activities, which surely
called for a stronger presence of expertise within the bureaucracy. This was
not brought about to any great extent. Attlee was not adverse to administrative
modernisation per se, as his use of a complex cabinet committee system
demonstrated. Furthermore, importantly from the perspective of this work,
certain personal aides were utilised by the 1945-51 Labour administration.
During 1945 and 1946 Attlee employed Douglas Jay, a rising star within
Labour, in his late 30s, as his personal economic adviser. Jay was
experienced in this role. From 1943, while he was President of the Board of
Trade, Dalton had employed Jay as 'my Personal Assistant on post-war
problems.' In his capacity as an adviser to Attlee, Jay took an interest in
'economics and the press.' After initial opposition from the permanent
bureaucracy, Jay was granted access to Cabinet minutes. He also sat on

150 Addison, The Road to 1945, p.263.
151 Addison, 'The Road from 1945', in Hennessy and Seldon (eds), Ruling Performance, p.7.
152 Morgan, Labour in Power, p.88.
154 For Jay's description of his time at Number 10, see: Douglas Jay, Change and Fortune, A
Political Record, pp128-56.
155 Dalton, The Fateful Years, p.419.
156 Jay, Change and Fortune, p.129.
‘Cabinet committees on major subjects such as food and coal.’ As will be shown, Jay’s role and experiences are comparable to those of special advisers in later decades. As well as Attlee, certain other Labour government members appointed temporary aides. For example, Herbert Morrison, as Lord President, was advised by the generalist Max Nicholson, formerly director of the research body Political and Economic Planning.

One attempt at administrative innovation, which involved the employment of temporary civil servants, was the establishment of the Central Economic Planning Staff (CEPS) in March 1947, under the industrialist Edwin Plowden. Plowden’s team contained a mixture of outsiders and permanent staff. From September 1974, when he became Minister of Economic Affairs, the CEPS was attached to Sir Stafford Cripps. The independence of the CEPS, however, was soon compromised, since it was absorbed into the Treasury upon Cripps’s appointment as Chancellor of the Exchequer. Moreover, the body never fulfilled its supposed long-term planning role, instead addressing problems on an ad hoc basis. Neither this, nor any of Attlee’s other measures amounted to far-reaching administrative change. The qualities associated with senior officialdom remained unaltered.

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157 Ibid, p.128.
158 Cairncross, Years of Recovery, p.52.
Aside from the introduction of greater expertise, Labour might have been expected to introduce bureaucrats committed to its political objectives.

Whitehall was often portrayed in internal Labour mythology as dominated by public school-educated enemies of the workers’ movement. On a more sophisticated level, in 1938, the socialist theorist Harold Laski argued that the narrow outlook of civil servants made them incapable of implementing radical legislation. Balogh later argued that Attlee should have made patronage-based appointments to senior posts, since, as he puts it, ‘[c]ertain key positions of power need for success to be held by sympathizers.’ In Balogh’s view, through his failure to displace the existing élites, particularly those based in Whitehall, Attlee squandered the advantages he possessed in 1945. This was a mistake Balogh was determined should not be repeated by a future Labour administration. The views of Laski and Balogh, however, were seemingly not shared by participants in the Attlee governments, as will be shown.

Civil Service reform in the immediate post-war period was a non-event in need of an explanation. Attlee, as well as other members of his Cabinet, had served in Churchill’s wartime coalition. As a result, he and his colleagues were far more comfortable in dealing with the personnel and mechanisms of the Civil Service than they might have been coming fresh to Whitehall. Furthermore, those ministers who had already operated within the existing system generally felt it was effective. In the words of Hennessy, ‘[t]hey had seen the recent

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165 Ibid, p.85.
administrative past and it had worked.\textsuperscript{168} By 1945, the Civil Service was practised in the implementation of economic planning and welfare policies, thanks to the experience of total war.\textsuperscript{169} The left academic Ralph Miliband contended that the Labour leadership never contemplated 'a fundamental transformation of the social order on the basis of common ownership.'\textsuperscript{170} From this perspective, it could be argued that the Attlee government had no need to overturn Trevelyan’s regulatory Civil Service. Theakston draws attention to the fact that Labour has never worked out a proper theory of the state.\textsuperscript{171}

However, for the first few years of Attlee’s premiership, there was pressure for administrative modernisation to match Labour’s social and economic programme. During the war, left intellectuals had called for a major bureaucratic overhaul. The journalist and future Labour MP, J. P. Mallalieu, for example, had called for the establishment of a highly trained élite, responsible for total economic planning, on the Soviet model.\textsuperscript{172} In February 1946, the Labour back-bench MP, Geoffrey Cooper, wrote to the Prime Minister suggesting the need for reform of the Civil Service in order to ensure the effective implementation of socialist policies.\textsuperscript{173} Cooper was influenced by the approach taken by the administration of Franklin D. Roosevelt, President of the United States from 1933 to 1945. In order to put his ‘New Deal’ welfare

\textsuperscript{168} Hennessy, \textit{Whitehall}, p.137.  
\textsuperscript{169} Kevin Theakston, \textit{The Labour Party and Whitehall}, p.26-7.  
\textsuperscript{171} Theakston, \textit{The Labour Party and Whitehall}, pp3-4.  
\textsuperscript{172} J. P. W. Mallalieu, ‘\textit{Passed to You, Please'}, Britain’s Red-Tape Machine at War (London: Victor Gollancz, 1942).  
\textsuperscript{173} PRO T 273/9 ‘Civil Service organisation: setting up of ministerial and official committees and papers concerning draft White Paper on Future of Civil Service’, Cooper to Attlee, 12 February 1946.
programme into place, Roosevelt had ensured that the executive machinery was suitably adjusted.\textsuperscript{174} Cooper wanted the establishment of a Parliamentary Select Committee to enquire into the Civil Service. It should, he felt, include MPs with knowledge of business efficiency methods.\textsuperscript{175}

Sir Edward Bridges, the Secretary of the Cabinet and Head of the Civil Service, conceded the possibility that 'the government's legislative programme...will have important consequences on the experience and type of qualities required in many sections of many departments.'\textsuperscript{176} However, at a meeting of permanent secretaries in March 1946, it was generally agreed, unsurprisingly, that Cooper's proposal for parliamentary scrutiny of the executive machinery was inappropriate. The Civil Service continued to be self-regulatory.\textsuperscript{177} Evan Durbin, by then a Labour MP, attempted to bring about publication of a White Paper on Civil Service reform while he was Dalton's Parliamentary Private Secretary in 1946. As mentioned, Durbin's interaction with the bureaucratic machine during the war was not happy. His personal papers indicate an interest in means by which Whitehall might be modernised, for example alternatives to recruitment by written exam, such as the instigation of an interview board.\textsuperscript{178} His endeavours were undermined both by the delaying tactics of Bridges and the appointment of Durbin to a junior ministerial post at the Ministry of Works. The draft version of the paper, however, was not radical in its suggestions and was more of a description of

\textsuperscript{174} Ibid.
\textsuperscript{175} Ibid.
\textsuperscript{176} Ibid, Bridges to Permanent Secretaries, 26 February 1946.
\textsuperscript{177} Ibid, 'Organisation of the Civil Service', Note of a Meeting, 2 March 1946 and Hennessy, \textit{Whitehall}, pp123-5.
\textsuperscript{178} Durbin Collection, 3/14 Miscellaneous, Durbin to Dalton, 13 November 1946.
existing arrangements than anything else. One reason for this was the fact that, by this point, the Civil Service Selection Board had been established, fulfilling one of Durbin's major objectives in the area of staffing policy. Reform of the Civil Service, then, was unfinished business for Labour, to be tackled by Wilson's administration from 1964.

The Civil Service which re-emerged from the Second World War is epitomised by Sir Edward Bridges, Secretary of the Cabinet from 1938 to 1946 and Permanent Secretary of the Treasury and Head of the Civil Service from 1945 to 1956. Bridges's power was undeniably great. The academic Peter Barberis writes that while Bridges 'deliberately soft-pedalled the use of the term "Head of the Home Civil Service"...he did not soft-pedal his exercise of the role.' He was, however, a virtual unknown to the general public. According to Balogh, a bureaucrat in Bridges's position was able to 'determine the tone of the whole of the Establishment.' Bridges, who consciously took his cue from Northcote-Trevelyan, was a repository for many of the characteristics associated with the permanent civil servant described previously. Sir Derek Mitchell, his private secretary from 1954-6, agrees that Bridges was the embodiment of the Victorian ideal, who saw his job as a quest for 'truth which could be expressed in the form of a minute.' Though a product of the past, Bridges's long-term influence was great. Upon becoming

185 Sir Derek Mitchell in conversation with Andrew Blick, 19 April 2001.
Head of the Home Civil Service in 1977, Sir Ian Bancroft let it be known that he wanted to set a tone as Bridges had done. In 2002, the outgoing Whitehall chief, Sir Richard Wilson, gave a public lecture addressing himself specifically to Bridges’s legacy, the title of which, ‘Portrait of a Profession Revisited’, was a reference to a talk given by Bridges half a century previously.

Bridges was a supreme generalist. The text of a November 1950 lecture given by Bridges to a London University audience contains his description of himself as ‘neither an economist nor a statistician.’ The rapid movement of staff within and between departments, was, in his view, a ‘healthy practice’ since ‘when a man has done five jobs in fifteen years...he is afraid of nothing and welcomes change.’ Bridges preferred on-the-job learning to the training of administrators in colleges. In his most famous lecture, 1950’s ‘Portrait of a Profession’, as well as in his 1964 book The Treasury, Bridges described Treasury control of Civil Service organisation and economic policy in uncritical terms. He approved of the idea that each department should have its own particular philosophy built up over a long period of time. As will be shown, critics would regard these as agendas which were imposed on ministers. Non-partisanship was also highly important to Bridges. As he put

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191 Bridges, *Treasury Control*.
it, 'a Civil Servant...is perhaps the least political of all animals.'\textsuperscript{194}

Furthermore, he conceived officials as owing loyalty to the Civil Service as an institution rather than particular ministers.\textsuperscript{195} The introduction of special advisers, it will be demonstrated, was, in part, a reaction against the kind of ideas of this distinguished Civil Servant espoused.

\textsuperscript{194} Ibid, p.27.
Chapter III

Technical Revolutionaries?

This chapter will examine the circumstances in which Harold Wilson's first government came to initiate the special adviser, and place this innovation in the context of certain political trends, Labour ideology and Wilson's particular qualities. Consideration will be given to the period immediately preceding Labour's 1964 election victory and the term of office which followed. The demands for bureaucratic reform which emerged during the late 1950s, produced in part by a perception of national decline, must be described, along with the related changes which had already come about by 1964. There will be an explanation of the motives lying behind the introduction of special advisers to government, both in terms of Labour's intellectual traditions and its desire for effective manifesto implementation. Wilson's political style will also be assessed in relation to the subject of this work. In particular, there will be a description of his personal group of allies, which came to be known as the 'Kitchen Cabinet.' The role of special advisers within this informal group will be investigated. Finally, there will be a discussion of prime ministerial power in relation to the temporary civil servant.

Decline and administration

The Fabian Society's *The Reform of the Higher Civil Service*, which appeared in 1947, described the British Civil Service as 'probably the best...in the
world.\textsuperscript{1} The fact that even reform campaigners could be so generous in their appraisal of the Civil Service was indicative of the high level of complacency concerning the bureaucracy present in British political circles at the time.\textsuperscript{2} This was part of a 'general tendency'\textsuperscript{3} of contentment that did not survive the 1950s. \textit{The Administrators}, another Fabian publication, this time from 1964, was produced by a group of economists, Labour politicians and Whitehall insiders.\textsuperscript{4} It stated that '[f]or many years it has been customary to say that Britain has the best civil service in the world. The depth of this conviction has perhaps deflected people from considering what they mean.'\textsuperscript{5} While Whitehall had previously been the subject of relatively gentle criticism, as the 1960s approached, the 'mood became nastier, more anguished, more recriminatory.'\textsuperscript{6} Just as satisfaction with the bureaucracy had been related to a general sense of national well being, so condemnation of Whitehall was a product of a feeling of crisis. As will be shown, from late 1956 onwards, members of the intelligensia urged the declaration of an unofficial countrywide state of emergency.

The first series of events to encourage this were associated with the Conservative Prime Minister, Anthony Eden's ill-judged actions during the Suez crisis.\textsuperscript{7} On 26 July 1956, the Egyptian government, led by President Nasser, announced the nationalisation of the Suez Canal Company, in which

\textsuperscript{1} The Reform of the Higher Civil Service (London: Fabian Society, 1947), p.5.
\textsuperscript{2} Peter Hennessy, Whitehall, pp170-1.
\textsuperscript{4} Hennessy, Whitehall, pp172-3.
\textsuperscript{5} The Administrators, p.2.
\textsuperscript{6} Hennessy, Whitehall, p.171.
\textsuperscript{7} Morgan, The People's Peace, p.145.
the British government previously held a controlling interest. Eden's response, which took the form of military intervention, was opposed by the US government. Through the refusal to guarantee support for sterling during the crisis, the US authorities were able to force Eden to abandon his course. Britain's international status was severely damaged, and its ability to conduct independent foreign policy was called into question. Furthermore, military efficiency and the probity of leading politicians was also called into doubt. Senior bureaucrats have not been considered leading culprits in the Suez fiasco. However, the feeling of British decline engendered by Suez led to intense critical scrutiny of many national institutions, of which the Civil Service was one.

The national inferiority complex propagated by intellectuals in response to Suez was compounded by a number of other developments. Since 1945, the rate of economic growth in Britain was consistently lower than that of countries including France, Germany and Japan. Such a disparity was an increasing source of concern to many domestic commentators. Britain also suffered from a confused approach to the developing European unification project. Numerous invitations to participate were declined. For example, in 1949, the British government rejected the integrationist advances of the French

9 For correspondence between President Eisenhower and Eden regarding this matter, see: PRO PREM 11/177, 'Exchange of Personal Messages Between the Prime Minister, Sir Anthony Eden, and President Eisenhower', 1955-6.  
14 Thomas Balogh, *Planning for Progress*, p.3.  
15 Sir Samuel Brittan in conversation with Andrew Blick, 10 August 2000.
Planning Commissioner, Jean Monnet. The European Economic Community (EEC) was formally created on 1 January 1958. It included France, Germany, Italy and the Benelux nations as member states and after a few years of existence, was generally judged in Britain to be a success. However, Britain not only declined to involve itself with the EEC at the outset, but established an organisation initially conceived as a spoiler for the EEC, the European Free Trade Association (EFTA). The disparate collection of EFTA affiliates, bound together by the Stockholm Convention of July 1959, included Norway, Austria and Portugal.

EFTA proved to be a non-starter, at least as a viable alternative to the EEC. In 1961, the British Cabinet decided to seek EEC membership, but in 1963, the resulting application was vetoed by the French. This chain of events was broadly interpreted as indicative of national weakness. By the early 1960s, then, it was becoming painfully apparent that Britain’s global role was severely compromised, but its European one was yet to be found. The worst fears of National Efficiency campaigners of six decades previously had become reality. Britain was now a second-rate power.

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19 Young, *Britain and European Unity*, p.46.
21 See, for example, Brian Chapman, *British Government Observed*, p.7.
British observers drew dramatic comparisons with the demise of the Spanish Empire.²³ Domestic scapegoats were sought out and one was found in the form of the ‘Establishment.’ The use of the word Establishment as a socially descriptive term possibly had origins in the early nineteenth century. It was applied to the Anglican Church, as distinct from Non-Conformism.²⁴ In 1959, Hugh Thomas, a former Foreign Office official who left the Civil Service two years previously, attempted to define the Establishment as a collection of institutions which between them governed the country.²⁵ Thomas characterised the Establishment as possessing an attachment to ideas and practices associated with the period 1830-70, when Britain was unchallenged as an international power.²⁶

Conspiracy theorising in various forms was prevalent throughout the Western world during the late-1950s, for example in the US.²⁷ Initiated by the journalist Henry Fairlie, of The Spectator, in 1955,²⁸ Establishment-bashing took on a particular ferocity in Britain. This fact is in part attributable to the existence of a rabid desire to identify a group upon which blame could be allotted for rapid imperial decline. A 1959 book entitled The Establishment²⁹ edited by Thomas, investigated aspects of this supposed entity, including the Public School system, the Armed Forces, the City of London, Parliament and the BBC. It also included a chapter on the Civil Service, written by Thomas

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²³ For example, Hugh Thomas, ‘The Establishment and Society’ in Hugh Thomas (ed.) The Establishment, p.15.
²⁶ Ibid, p.15.
²⁹ Thomas (ed.), The Establishment.
Balogh, entitled 'The Apotheosis of the Dilettante.' Balogh’s thesis was an important one. It will be examined from a variety of different standpoints over subsequent chapters. Balogh was also a key member of the Fabian group responsible for *The Administrators*.³⁰

Those who sought to evaluate bureaucratic arrangements in Britain did not constitute an homogenous group. For example, Robert Neild, a member of the Economic Section from 1951-6 who was involved in the campaign for greater expertise within the administration, was not motivated primarily by concerns such as relative national decline. Rather, his complaint was the low status accorded to economists and other specialists inside Whitehall. ‘We were treated like plumbers’ he recalls, ‘only called out when things had gone wrong.’³¹ Moreover, Sir Samuel Brittan, whose *The Treasury under the Tories*³² was an influential analysis of economic policy-formation methods, never considered himself to be part of a movement as such.³³ Nevertheless, as will be demonstrated, certain ideas did recur in reform literature emerging during the period between Suez and Harold Wilson’s 1964 election victory.

A consensus developed amongst many intellectuals regarding the shortcomings of the Civil Service. Areas of agreement were that Whitehall suffered from Oxbridge domination³⁴ and was an environment in which specialist skills were undervalued and ‘amateurism’ prevailed.³⁵ These

³³ Brittan in conversation with Blick.
³⁵ *The Administrators*, p.18.
criticisms had basis in fact. Between 1937 and 1968, 75% of entrants to the Administrative Class were Oxbridge graduates. 59% of these had studied humanities, 29% social sciences and only 7% technical subjects. There was also said to be excessive secrecy and a lack of movement in and out by staff. Furthermore, the power of the Treasury was felt to be too great. More broadly, observers felt that the Civil Service was a product of the nineteenth century which might benefit if it took a modernising cue from its foreign counterparts. Related to this was the idea that economic policy should move away from the *laissez-faire* approach associated with the Treasury and towards greater interventionism.

Balogh was particularly vehement in his criticism, although, in Neild’s view, adding little in the way of original analysis. As an institution, he argued in ‘The Apotheosis of the Dilettante’, the Civil Service, and, in particular the Treasury, was guilty both of technical incompetence and conspiracy to enforce its own economically liberal policy agenda upon ministers. The typical senior career official was characterised by Balogh as a ‘smooth, extrovert conformist with good connexions and no knowledge of modern problems, or of up-to-date techniques of getting that information.’ He was of the view that Treasury

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36 Peter Barberis, *The Élite of the Élite*, fig. 6.2, p.103.
37 For example: *The Administrators*, pp17-8.
42 Neild in conversation with Blick.
43 Balogh, ‘The Apotheosis of the Dilettante’, pp110
officials ensured the continued pre-eminence of non-interventionist policy approaches, undisturbed by election results.\textsuperscript{44}

What changes did these reformers propose? There was agreement over the need for increased specialist knowledge and the recruitment of experts.\textsuperscript{45} Better training was advocated for civil servants. The model frequently cited as an example to be followed in this respect was the French one.\textsuperscript{46} The French tradition of technocracy, that is the rule of experts, dates back at least as far as the foundation, in 1794, of the École Polytechnique (‘school of many skills’), also known as the ‘X’.\textsuperscript{47} ‘Les X’, as its products were known, often went on to serve the French state as engineers and technicians. The École Nationale d’Administration (ENA), created immediately after the Second World War, turned out students with specialist administrative training, which could be applied in the field of government.\textsuperscript{48} It was argued that mid-career movement, in both directions, between the service and the outside world, should also be encouraged.\textsuperscript{49}

Drastic changes were envisaged for the Treasury. In the area of personnel, a common suggestion was that Establishments (ie: personnel policy) should be removed from the Treasury to a separate Civil Service Commission.\textsuperscript{50} In the context of the traditional function of the Treasury, that is control of spending, it is interesting to note that none of the reform texts analysed here called for

\begin{itemize}
\item \textsuperscript{44} Ibid, pp111-2.
\item \textsuperscript{45} Ibid, pp122-3.
\item \textsuperscript{46} Chapman, \textit{British Government Observed}, p.12.
\item \textsuperscript{47} Sampson, \textit{The New Europeans}, p.332.
\item \textsuperscript{48} Ibid, p335-7.
\item \textsuperscript{49} The Administrators, p.41.
\item \textsuperscript{50} Ibid, pp32-6.
\end{itemize}
retrenchment or a reduction in waste, in fact The Administrators specifically rules this out.\textsuperscript{51} Plans for a new approach to economic policy-formation were at the radical core of the proposals made by Balogh, Brittan, the Fabians and others. Increasingly, the idea emerged that a new economics ministry should be created.\textsuperscript{52} The proposed role for this department, which would be responsible for economic planning, clearly representing a challenge to the Treasury, will be described in greater detail below.

Crucially for this study, a need for temporary bureaucrats, appointed on a patronage basis, was also frequently identified.\textsuperscript{53} Brittan, for example, argued for the creation of ‘a new class of adviser’ whose ‘job would be both political and technical. They would be selected in accordance with the personal preferences of ministers and move freely in or out from the academic world, industry, the professions, and elsewhere.’\textsuperscript{54} Similarly the Fabian society’s The Administrators also proposed ‘political appointments.’ The Fabians suggested that there should be two types of temporary adviser, ‘experts who are called in to help implement the particular policies of the government of the day, and personal aides to provide general help to Ministers in their private office.’\textsuperscript{55}

As will be shown, ideas of this type, when implemented, manifested themselves in the form of the special adviser. Again, foreign influences were at play. The US ‘spoils system’ of patronage-based appointments, was admired at the time. However, the complete clearouts upon changes of

\textsuperscript{51} Ibid, p.23.
\textsuperscript{52} Brittan, The Treasury Under the Tories, pp70-1.
\textsuperscript{54} Brittan, The Treasury Under the Tories, p.309.
\textsuperscript{55} The Administrators, p.42.
administration this entailed were seen by some as too extreme.\textsuperscript{56} An even more favoured model, associated in particular with France, was the \textit{cabinet}, the handpicked team of ministerial advisers, comprised of both bureaucratic outsiders and seconded career officials.\textsuperscript{57} In July 1962, at the first meeting of the Fabian Civil Service Group, which produced \textit{The Administrators}, there was 'some support in the discussion for a modified chef de cabinet system.'\textsuperscript{58} This proposal had great implications for the Civil Service as it was constituted at the time. As Simon James notes, in countries where the \textit{cabinet} is used, typically, the minister's private office as constituted in Britain has no place and the equivalent to the permanent secretary, if there is one at all, is responsible for little more than logistical support. Policy formation is in the hands of the ministerial team.\textsuperscript{59} Moreover, the clear distinction between a career as a party politician and as a bureaucrat associated with Britain cannot be detected. For example, the French Presidents George Pompidou, Valéry Giscard d'Estaing and Jacques Chirac all previously served as \textit{cabinet} members.\textsuperscript{60}

The intention of some reform campaigners was to introduce greater political control over the bureaucracy. For example, Balogh in particular argued from this standpoint. This is why he saw the recruitment of 'expert opinion from outside, sharing the point of view of the Government of the day...at senior

\textsuperscript{57} Hennessy, \textit{Whitehall}, p.175; and Brittan in conversation with Blick.
\textsuperscript{58} Fabian Society Collection, K 65/1, 'Civil Service', 1963. 'Civil Service Group, notices, lists of members, minutes', Minutes of first meeting, 31 July 1962.
\textsuperscript{59} Simon James, \textit{British Cabinet Government}, p.242.
\textsuperscript{60} Pierre Gaborit and Jean-Pierre Mounier, 'France' in Plowden (ed.) \textit{Advising the Rulers}, p.108.
levels' as vital. There was certainly a distinction between the kind of explicitly partisan advisers advocated by Balogh and those which, for example, Brittan envisaged. Brittan’s temporaries ‘would tend to change with governments, but this would not be a rigid rule.’ As already shown, in the wake of relative national decline, many intellectuals turned their fire upon what they described as the Establishment. Balogh’s solution to the problem of the Establishment was to replace it with a new Socialist one, since ‘[s]o long as Labour hankers after being accepted by the old “Establishment”, instead of creating its own, so long will it be in an awkward position, forced mainly on the defensive.’

In Balogh’s view, a Labour administration had to be led by the correct individual and faction. In his 1963 pamphlet Planning for Progress, Balogh noted that ‘Mr Harold Wilson’s election to leadership has made a coherent planning of future Labour strategy easier.’ Balogh subjected Wilson’s less dirigiste opponents inside Labour to even greater derision than he did the Conservatives. Balogh conceived the special adviser as more than mere technician or indeed partisan, stressing the requirement of personal loyalty to the employing minister. In a memorandum he drafted for the Fabian Civil Service Group during 1963, he described how ‘each Minister responsible for an important department should have men at his disposal who are not merely technically able, who are not merely in sympathy with the political party in

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64 Balogh, Planning for Progress, p.7.
65 Ibid, p.7 fn.
power, but who are personally devoted to the Minister himself.’ Such aides would be expected to enter and leave office with the politician they served.66

Many of the arguments for bureaucratic reform described above rested, to some extent, on a belief in economic planning. As has been stated, the sign of British economic weakness considered most significant from the late 1950s was that of relatively slow expansion. This led to demands for the introduction of indicative planning.67 In Planning for Progress, Balogh produced a table detailing annual rates of growth of gross domestic product and output in various capitalist countries between 1950 and 1960. At the bottom of the pile was Britain, at 2.7%, compared to Japan, at the top, at 9.5%. France, in the top half, stood at 4.3%.68 The perceived post-war success of the French economy cast a long shadow.69 In contrast to Britain’s Treasury-led laissez-faire tradition, the French state had long taken a dirigiste approach to the economy. After 1945, this took the form of indicative planning administered by highly trained technocrats.70 Under this influence, by the beginning of the 1960s in Britain, attempts were being made within government to replace the central, negative objective of minimum unemployment with the positive one of maximum growth.71

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68 Balogh, Planning for Progress, p.3.
69 Donald MacDougall, Don and Mandarin, p.137.
71 Tiratsoo and Tomlinson, The Conservatives and Industrial Efficiency, p.20.
As head of the Planning Commission, Jean Monnet was responsible for France's first Plan, produced in 1946. His objectives included improvements in productivity, trade and the standard of living as well as a commitment to full employment. Production targets and deadlines were set. Rather than the use of coercion, Monnet's method was one of tripartite negotiations between state, employers and trades unions in order to arrive at voluntary agreements. Monnet utilised expert, often temporary, advisers. He appointed a personally selected cabinet. Another influence, upon members of Wilson's circle and those further to the left within Labour, was the State Planning Committee (Gosplan) of the Soviet Union, instigated in 1921. Balogh, demonstrating the extent of his faith in state intervention, goes as far as to warn that the command economy of the Soviet Union 'with its vast output of technicians and ever increasing production' might 'overwhelm us.' According to Balogh, as a result of their generalist tendencies, permanent civil servants were naturally prone towards laissez-faire principles. As he put it, '[i]n a planned economy, the crossword-puzzle mind, reared on mathematics at Cambridge or Greats at Oxford, has only a limited outlet.' The implication was that outside bureaucrats would be vital to a successful adoption of planning. On this basis, politicians from the Labour left had a more obvious motivation for the use of temporary aides than their less interventionist party colleagues. However, as

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73 Ibid, p.248.
74 Ibid, p.236.
76 Ibid, pp242-3.
80 Ibid, p.111.
will be shown, during 1964-70, special advisers were employed by ministers from across the political spectrum.

Prior to Labour's 1964 election success, there had already been significant government activity related to the concerns described above. The Conservative governments of 1951 to 1964 utilised outside expertise, even before the decline vogue began. For example, Churchill, at the beginning of his second and final 1951-5 spell as Prime Minister, recalled Cherwell (as a Cabinet member) and MacDougall. Their team was smaller than the wartime Statistical Section had been, but was housed in 11 Downing Street, allowing easy access to the Prime Minister. A very important series of developments during the long Conservative period of office began in 1957 when the Parliamentary Select Committee on Estimates established a sub-committee to investigate the matter of Treasury control of expenditure. While not all the subsequent findings were negative, criticism was directed at the Treasury in its role as lay-critic of policy proposals. In response to this committee, the Treasury recommended the appointment of another one, this time comprised of experts. Under the auspices of Plowden (now Lord Plowden), recalled to administrative service again, the resulting body of three businessmen and five anonymous civil servants met and produced reports between 1959 and 1961.

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81 Roy Harrod, *The Prof*, p.258.
82 MacDougall, *Don and Mandarin*, pp82-3.
The Prime Minister during the Plowden era was the Conservative, Harold Macmillan, whose term of office covered the years 1957-63. He had an affinity for counsellors drawn from beyond Whitehall, some of whom performed very personal roles. John Wyndham, for example, served, unpaid, in the Prime Minister’s Office from May 1957. As Macmillan put it, ‘[o]n and off he [Wyndham] has helped me with his friendship and advice for a period of over twenty years.’ Sir Derek Mitchell, the Prime Minister’s Principal Private Secretary from 1964-6, recalls that Wyndham was able to work alongside permanent bureaucrats effectively and amicably.

Macmillan’s outlook was informally influenced by the Cambridge economist Sir Roy Harrod. Macmillan considered Harrod to be a ‘man of considerable genius. He is often wrong; but then he is often right.’

Partly spurred by Plowden, Macmillan and the Chancellor he appointed in 1960, Selwyn Lloyd, oversaw a number of significant innovations. In 1961, the Treasury was given a second representative at Cabinet in the form of the Chief Secretary, responsible for expenditure, while the Chancellor concentrated on strategy. On 1 October 1962 a large reorganisation of the Treasury was implemented, whereby it was divided into two ‘Sides.’ These

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90 Sir Derek Mitchell in conversation with Andrew Blick.
were ‘Pay and Management’ and ‘Finance and Economic.’ Furthermore, divisions within these Sides were no longer allocated specific departments to deal with. They now handled particular functions, for example expenditure, which cut across departments. This approach, described as ‘functionalism’ by Bridges, could be seen as a move towards specialisation, but only in terms of the division of responsibility within the existing bureaucracy.

Two 1961 creations were designed to plan, respectively, spending and growth. The first was the Public Expenditure Survey Committee (PESC), devised by Richard ‘Otto’ Clarke, and a product of the Plowden committee of which Clarke was a key member. Clarke was a permanent Treasury official and, in this sense, PESC was an ‘in house’ Treasury operation. The second was the National Economic Development Council (NEDC). Its tripartite approach was modelled on that of the French four-year plan. ‘Neddy’, as it became known, concerned itself with planning for growth. However, it was staffed by professional economists drawn from outside Whitehall. The man recruited to head the NEDC’s economic section was Donald MacDougall (by this time Knighted), who had been back at Oxford since 1953. Like Plowden,

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97 Peter Barberis, *The Elite of the Elite*, p.212.
100 MacDougall, *Don and Mandarin*, p.137.
102 Ibid, p.331.
104 Ibid, p.137.
MacDougall followed a yo-yoing career path, in and out of Whitehall. The development of the NEDC was certainly influenced by perceived relative national decline.\(^{105}\) Wilson later argued that the NEDC provided a precedent for his use of temporary bureaucrats. Shortly before becoming Prime Minister, questioned by the academic Norman Hunt regarding his intentions to recruit from beyond Whitehall, Wilson said ‘[w]ell, they had to bring in people from outside to staff Neddy, didn’t they?’\(^{106}\)

The Civil Service itself did show some willingness to change prior to 1964. Writing shortly after the event, Brittan applauds the Treasury for opening the Centre for Administrative Studies (CAS),\(^ {107}\) established in 1963, according to Hennessy, with a view to ‘making Whitehall’s assistant principals more numerate and economically literate.’\(^ {108}\) However, the CAS did not offer the level or duration of training available from, for example, the ENA in Paris and is described by Hennessy as a ‘gesture.’\(^ {109}\) Furthermore, during the early 1960s, as their arrangements came under increasing scrutiny, leading Treasury spokesmen adopted a contorted posture. The generalist principle was defended. Yet at the same time the Treasury boasted of an increasing level of economic knowledge amongst its officials.\(^ {110}\) There was also a tendency on the part of the Treasury to exaggerate the proportion of its staff in possession

\(^{105}\) Ibid, p.136.
\(^{106}\) *Whitehall and Beyond*, p.14.
\(^{109}\) Ibid.
of genuine training in this field. For example, one such supposed expert merely 'held a minor post in a bank branch office before the war.'

**Labour and Technocracy**

As has been shown, a perceived need for greater expertise within the bureaucracy existed immediately prior to the creation of the special adviser in 1964. Such concerns, brought to the fore by the post-Suez decline vogue were, however, by no means entirely novel. The Labour Party has a long technocratic tradition, associated in particular with its intellectual wing, the Fabian Society. The Fabians began as an 1884 splinter from a religious social reform group, established the previous year, the Fellowship of the New Life. Significant figures in the development of Fabianism included the playwright George Bernard Shaw, the novelist H.G. Wells and the social scientists Beatrice and Sidney Webb. The Webbs were particularly important to the technocratic aspects of Fabian influence upon Labour. As Theakston states, their 'socialism had an unmistakable centralist and bureaucratic flavour. A major role in bringing about and then governing a socialist society would be played by a selfless, dedicated, unassuming and public-spirited elite of expert bureaucrats.'

In their 1920 work *A Constitution for the Socialist Commonwealth of Great Britain*, the Webbs suggested that, following the nationalisation of key

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industries, '[i]t will be clearly be necessary to train, for the control
departments, a Civil Service of a new kind; to set these officers to develop a
new administrative technique; and to enable them to study on the spot, the
various devices by which other nations, and other forms of organisation in our
own country, are coping with analogous problems.'\textsuperscript{116} Another prominent
Fabian, Harold Laski, was an agitator for bureaucratic change.\textsuperscript{117} In 1925, he
suggested that government should 'develop the habit of special appointments
to a small number of technical posts.'\textsuperscript{118}

During 1932, the New Fabian Research Bureau, a branch of the Fabian
Society, investigated the Civil Service. The trades union leader and future
Labour Foreign Secretary Ernest Bevin and his colleague, Colin G. Clark,
produced a memorandum proposing 'that an administrative Department should
be built up consisting of Civil Servants directly responsible to the Prime
Minister for the purpose of assisting him in his own special tasks', usurping
the authority of the over-mighty Treasury. This innovation, they argued,
should be combined with the establishment of a 'National Economic Planning
Department...staffed by full time experts whose function it would be to
prepare, revise, and advise on the execution of a general plan for the whole
country.'\textsuperscript{119} Kingsley B. Smellie, a political scientist, also made proposals. A
critic of the generalism fostered by the competitive examination, he advocated

\textsuperscript{116} Sidney and Beatrice Webb, \textit{A Constitution for the Socialist Commonwealth of Great Britain}
\textsuperscript{117} Theakston, \textit{The Labour Party and Whitehall}, p.83.
\textsuperscript{119} Fabian Society Collection, J 38/2 'New Fabian Research Bureau', 'Memoranda on
Parliament, the Government and electoral reform 1932-35', 'REORGANISATION OF
GOVERNMENT DEPARTMENTS AND MINISTERIAL FUNCTIONS', Ernest Bevin and
Colin G. Clark, 21 January 1932.
greater post-recruitment training. With a particularly interesting choice of words he also called for ‘a special advisory body within the Treasury’ to provide the administration with technical expertise.\textsuperscript{120} It will be shown that such notions were central to the Wilson programme which included the creation of the special adviser.

Fabian proposals for bureaucratic reform were tempered by a genuine respect for the calibre of existing civil servants\textsuperscript{121} and drew back from a full embrace of the concept of technocracy. In 1931, Laski authored a Fabian pamphlet entitled \textit{The Limitations of the Expert}, stressing the fact that ‘it is one thing to urge the need for expert consultation at every stage in making policy; it is another thing, and a very different thing, to insist that the expert’s judgement must be final.’\textsuperscript{122} A similar admiration for permanent civil servants has also been ascribed to a later would-be reformer, Harold Wilson.\textsuperscript{123} Moreover, Laski was concerned that the ‘special appointments’ he called for should not become ‘merely a reservoir of ministerial patronage’ and should be subject to approval by the official machine.\textsuperscript{124}

As has been shown, Trevelyan’s generalist Civil Service was deliberately conceived as a haven for graduates from Cambridge and Oxford. During the twentieth century, this bureaucratic duopoly was challenged by a Fabian-founded, London-based, educational institution. Henry Hunt Hutchinson, a

\textsuperscript{120} Ibid, J 38/3, ‘Civil Service’, ‘Memorandum on the Civil Service’, Kingsley Smellie, 5 November 1932.
\textsuperscript{121} Webb and Webb, \textit{A Constitution for the Socialist Commonwealth of Great Britain}, p.67.
\textsuperscript{123} See, for example: Ben Pimlott, \textit{Harold Wilson}, p.347.
\textsuperscript{124} Laski, \textit{A Grammar of Politics}, p.405.
wealthy Fabian, committed suicide on 26 July 1894, bequeathing his £20,000 fortune to the Society. Sidney Webb determined that a large portion of this windfall should be used to establish the London School of Economics and Political Science (LSE). Foreign influences were important here, with the examples of educational institutions such as Columbia College, New York and the Parisian École Libre des Sciences Politiques being followed. The LSE’s formative years coincided with the emergence of the previously described National Efficiency movement. As the distinguished academic Ralph Dahrendorf puts it, '[i]n this climate of change, the Webbs and their friends...dreamt of an organized, well-run society...[and] of the hegemony of well-trained benevolent experts.' The School placed particular emphasis upon ‘the concrete facts of industrial life and the actual working of economic and political relations.' Over subsequent decades, many individuals significant to this study were closely associated with the LSE, for example Beveridge, Laski, Nicholas Kaldor and Brian Abel-Smith.

It is possible to detect the reoccurrence of ideas associated with the Fabians in the approach adopted by Harold Wilson following his 1963 attainment of the

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126 Dahrendorf, *LSE*, pp3-5.
129 *The London School of Economics and Political Science*, p.2.
Labour leadership. In a prophetic novel, *The Shape of Things to Come*, written during 1932-3, the former Fabian and Co-efficient, H.G. Wells, predicted a socialist revolutionary movement founded on an emergent new class of worker. Wells wrote that ‘by the third decade of the twentieth century two-thirds of the technicians, scientific workers and able business organizers were talking active revolution... [a] revolution in revolutionary ideas had occurred. The protean spirit of Revolution had cut its hair, put on blue overalls, made blue prints for itself, created a New Model, and settled down to work in a systematic fashion.’ Wells labelled this new type of socialist the ‘Technical Revolutionary.’ Three decades later, Wilson concerned himself with similar ideas. Famously, at the 1963 Labour Party Conference in Scarborough, he described how ‘we are re-defining and we are re-stating our Socialism in terms of the scientific revolution’ and referred to ‘[t]he Britain that is going to be forged in the white heat of this revolution.’ The following year, still in opposition, in a BBC interview, he made it clear that in order to achieve his modernising agenda, outsiders would be recruited into the Civil Service.

Wilson’s own background as a ‘sparkling temporary civil servant in wartime Whitehall’ was an important influence on his plans to use advisers from beyond Whitehall. Shortly before becoming Prime Minister, when discussing

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137 Peter Hennessy, *The Prime Minister*, p.287.
his intentions with Hunt, Wilson referred to the time ‘when I was a member of the Cabinet Secretariat.’ Another important figure in this study, the left-Labour intellectual Richard Crossman, a close ally of Wilson, held Cabinet posts throughout the 1964-70 period. As Leader of the Opposition, Wilson gave Crossman the science brief. In an article entitled ‘Scientists in Whitehall’, based on a Fabian lecture given in autumn 1963, Crossman asserted that ‘between 1940 and 1945, Britain was probably the best-governed country in the world’ with a successful ‘centrally planned economy’. This was made possible through the introduction into Whitehall of ‘an army of outsiders, uninhibited by civil service procedures.’ Therefore, suggested Crossman, ‘[i]n the technological revolution to which we are now committed…we shall permanently need the marriage of established civil service and outside expertise that we developed as a temporary expedient in World War I and perfected in World War II.’

Technocratic ideals were, therefore, an element in the development of the special adviser. However, there were other motivating factors. Continental, in particular French, influences on this bureaucratic innovation have already been discussed. Nicholas Kaldor, an economist imported to the Treasury in 1964, later stated that ‘Tommy Balogh and myself…were brought in under the ticket…that it would be a good idea to move towards the French system in

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138 Whitehall and Beyond, p.20.
139 Pimlott, Harold Wilson, p.177.
140 Ibid, p.274.
142 Ibid, p.145.
143 Ibid.
which ministers should have a Chef du [sic] Cabinet, or their own advisers.\textsuperscript{144} The influence of the US spoils system has also been mentioned. To some, the comparison between the use of special advisers and the US approach, in particular that of 1961-3 Democrat President John F. Kennedy, was clear.\textsuperscript{145} Wilson himself felt this to be the case.\textsuperscript{146} Cairncross described Robert Neild's post as Economic Adviser to the Treasury as similar to that of Walter Heller, who was Chairman of the Council of Economic Advisers in the US from 1961-4.\textsuperscript{147}

The fact of Labour's long spell in opposition was important. The task of the co-ordination of Labour policy fell to Peter Shore (later Lord Shore), head of the Labour Party Research Department from 1959-64. To Shore, the creation of the special adviser was attributable to the feeling within Labour that, after 13 years of Conservative government, the Civil Service might have difficulty adjusting to a change in approach. Special advisers were to be 'guardians of the manifesto.' It was their task, remembered Shore, to ensure that 'habits of mind and surmountable obstacles [within Whitehall] should not prevent the working out' of Labour policy pledges.\textsuperscript{148} Conservatism with a small 'c', then, was an enemy. Nicholas Kaldor, an aide at the Treasury from 1964, stated that special advisers were introduced in order to conduct Labour ministers' 'battles with the Civil Service', a necessity since 'the Civil Service gradually develops

\footnotesize{\textsuperscript{144} A.P. Thirlwall (ed.), Keynes as a Policy Adviser, p.175.  
\textsuperscript{145} As noted by Crossman. Richard Crossman, The Diaries of a Cabinet Minister, Vol. 1, p.36, diary entry for 29 October 1964.  
\textsuperscript{146} Whitehall and Beyond, p.19.  
\textsuperscript{147} Alec Cairncross, The Wilson Years, p.7, diary entry for 19 October 1964 and fn.  
\textsuperscript{148} Lord Shore of Stepney in conversation with Andrew Blick.}
its own set of views and is an autonomous body, which is on the whole naturally conservative.'149

Neild emphasises the prevalence of the idea that ministers should have their own aides of Labour persuasion so as not to be 'run by the Treasury.' Moreover, members of the Labour government wished to be seen to have outside advisers 'so as to protect themselves against the accusation of being too much in the hands of the regulars.'150 Inside Labour, the view that partisan aides were required to implement the party's programme had precedence. For example, following the experience of office in 1924, there was pressure from within Labour for a large clearout of Foreign Office staff by a future administration, designed to enable the pursuance of a socialist foreign policy. However, a wary Ramsay MacDonald saw to it that this did not take place.151 George Lansbury, who became acting Labour leader in 1931, argued that 'when a Labour government comes to power it will need as its leading men in all departments men who accept Labour's policy and are whole-heartedly determined to make it successful.'152 For Lansbury, partisan commitment was more important than expertise, which, he felt, the 'early Fabians' had overrated.153 There was also a long-held belief within Labour that career officials were not suited to the proactive presentation of policy. At a Fabian conference in February 1948 held to discuss 'The British Government's Public Relations Information Services', the view emerged that

149 Thirlwall (ed.), Keynes as a Policy Adviser, p.175.
150 Neild in conversation with Blick.
153 Ibid, p.147.
temporary civil servants who were formerly journalists are much better as
Press Officers than permanent civil servants.\textsuperscript{154}

Significantly, certain individuals who participated in the development and
presentation of Labour policy in the period leading up to the 1964 election
went on to become special advisers.\textsuperscript{155} Owing to the limited financial
resources available to Shore, he was the grateful recipient of intellectual
assistance offered on a voluntary basis. This was one reason why the likes of
Balogh were able to exert considerable influence over Labour’s plans prior to
the 1964 election.\textsuperscript{156} Furthermore, Balogh had long been close to Wilson.\textsuperscript{157}

As Theakston states, ‘Balogh’s access to the Labour leadership gave his ideas
a special importance.’\textsuperscript{158} In a 1963 Fabian pamphlet, Balogh advocated a
centrally planned ‘increase in the rate of...economic growth’ in order to
achieve greater social equality at home, and provide assistance to nations
within the developing world.\textsuperscript{159} He suggested that this should be brought
about by a ‘central office of control – though not necessarily within the
Treasury.’\textsuperscript{160} In May 1963, Balogh produced a document for Wilson, at the
Labour leader’s request, which laid out his proposals for this economic
planning ministry.\textsuperscript{161}

\textsuperscript{154} Fabian Society Collection, J 62/4, ‘International and Commonwealth Bureau’, ‘Buscot Park
Conference on “The British Government’s Public Relations Information Services”’, 13-15
February 1948.
\textsuperscript{155} For example, Kaldor. Dell, \textit{The Chancellors}, p.305.
\textsuperscript{156} Lord Shore in conversation with Blick.
\textsuperscript{158} Theakston, \textit{The Labour Party and Whitehall}, p.115.
\textsuperscript{159} Balogh, \textit{Planning for Progress}, pp47-8.
\textsuperscript{160} Ibid, p.34.
\textsuperscript{161} Tony Benn, \textit{Out of the Wilderness}, p.25, diary entry for 25 May 1963.
Upon Labour’s 1964 election victory, Wilson established the Department of Economic Affairs (DEA), deliberately conceived as a rival to the Treasury, charged with the co-ordination of economic expansion. Should the DEA be credited to Balogh? Brittan is not convinced of this, pointing out that at the time of its creation, many were claiming credit for the DEA, but upon its demise, none were accepting the blame. Shore, close to Wilson at the time, would only go as far as to say that Balogh was ‘important’ to the genesis of the DEA. George Brown, Secretary of State at the DEA from 1964-6 suggested that the department resulted from a broad movement within Labour, rather than the work of one individual. Nevertheless, in Brown’s account, Balogh’s close intellectual association with the instigation of the DEA is clear. Even before his appointment as a special adviser, then, Balogh’s influence was great.

Balogh used every means at his disposal to force other aspects of his bureaucratic reform programme firmly onto the agenda of his party whilst it was in opposition. As with the DEA, Balogh’s views on the appointment of temporary civil servants were not unique within Labour, but there is no doubt he was a forceful advocate. Balogh was a member of the committee, formed in the summer of 1962, which produced the 1964 Fabian pamphlet *The Administrators*. In the chair was Robert Neild, also a special adviser-to-be.

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163 Brittan in conversation with Blick.
164 Lord Shore in conversation with Blick.
166 Ibid., p.91.
168 Ibid., p.115.
169 Ibid., pp115-6.
This body foreshadowed the major committee of inquiry into the Civil Service which Wilson announced in February 1966, under the chairmanship of Lord Fulton, of which Neild was again a member.\textsuperscript{170} Fulton’s work will be explored further in Chapter VIII.

The influence of another future special adviser, Kaldor, can be detected in the 1964 Labour manifesto, in the form of its promises of major tax reforms.\textsuperscript{171} He had been involved in party policy formation for many years.\textsuperscript{172} Labour’s bid for power in 1964 also required assistance of a non-academic type, for example speech writing and the formation of campaign strategy. To this end, two more future special advisers, John Allen and John Harris, proved extremely useful.\textsuperscript{173} It is arguably possible here to discern a distinction between types of adviser, namely the policy expert, into which category Balogh and Kaldor fell, and the political aide, a term which could be applied to Allen and Harris. However, as will be shown later, these categories were not watertight.

Wilson’s embracing of administrative reform was not as wholehearted as some would have wished. Benn described an animated conversation which took place between himself and Balogh in May 1963. The topic of discussion was the political/scientific take-over of the Civil Service which both men believed

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\item \textsuperscript{170} Ibid, pp122-3.
\item \textsuperscript{171} ‘Let’s Go with Labour for the new Britain’, F. W. S. Craig (ed.), \textit{British General Election Manifestos 1900-1974}, pp262-3. For Kaldor’s pre-election activities, see, for example: Douglas Jay, \textit{Change and Fortune}, p.313.
\item \textsuperscript{172} See: Kaldor Papers NK 11/1, “‘Labour Party working party on taxation’: Minutes, reports and memoranda.” 1959-67; NK 11/4 “‘Labour Party Finance and Economic Policy Subcommittee’: correspondence, minutes and policy documents.” 1959-82.
\item \textsuperscript{173} Lord Shore in conversation with Blick; and Peter Shore, \textit{Leading the Left}, p.89.
\end{enumerate}
\end{footnotesize}
would follow a Labour election victory.\textsuperscript{174} As has been shown, later that month, Wilson solicited a document from Balogh laying out the latter’s conception of a radically restructured Civil Service.\textsuperscript{175} Two proposals were central to Balogh’s plan. Firstly, a department for economic planning was to be instigated and the functions of the Treasury cut back to those of a finance ministry. Secondly, the role of the Prime Minister’s Office would be enhanced, absorbing the NEDC and assuming responsibility for the resolution of disputes between the Treasury and the new economic department.\textsuperscript{176} Over the summer of 1963, Balogh, Shore and Crossman discussed floating various ideas to Wilson, including Balogh’s proposal that Ministers of State responsible for Home, Foreign and Information policy should be installed at Number 10.\textsuperscript{177} These, if implemented, would have meant the emergence of something resembling a Prime Minister’s department. As will be shown, Balogh envisaged special advisers playing an important role within such a body.

With his speech to the Labour Party Conference in September, Wilson publicly indicated that while he was in agreement with the first aspect of Balogh’s programme, the second had not found favour with him.\textsuperscript{178} Additionally, Wilson rejected the notion that the ministerial cabinet should be introduced to British government. As he told Hunt, ‘I’m rather hesitant about this...[t]here is a danger that you get a false division between his [the minister’s] political cabinet...and the civil servants. My own experience, having tried as a minister

\textsuperscript{174} Benn, \textit{Out of the Wilderness}, p.13, diary entry for 2 May 1963.
\textsuperscript{175} Ibid, p.25, diary entry for 25 May 1963.
\textsuperscript{176} Ibid.
\textsuperscript{177} Ibid, p.33, diary entry for 19 June 1963.
\textsuperscript{178} Ibid, pp65-6, diary entry for 30 September 1963.
to bring in one or two outside experts with the right political approach, was that I did far better when I relied on loyal civil servants who knew what I wanted, in my private office, and who saw to it that the rest of the department knew what I wanted.\textsuperscript{179}

The rejection of the formal cabinet was a crucial decision. The Administrators had recommended the instigation of 'something akin to the Continental system of ministerial cabinets...a Minister would be able to make a number of appointments in his private office – up to, say, three or four – as assistants in his private office.'\textsuperscript{180} As Samuel Brittan, who served inside the DEA from 1964-6, noted in his diary on 9 November 1964, '[R]eflection. Machine works through Private Office.'\textsuperscript{181} The Fabian scheme would have comprised a greater challenge to the permanent bureaucracy than the one ultimately put into practice.

Wilson did, however, tell Hunt that he would bring in 'a small number' of specialists to the 'Cabinet Secretariat.'\textsuperscript{182} As this statement suggested, Wilson initially 'considered that perhaps he should concentrate his senior advisers in the Cabinet office.'\textsuperscript{183} Had he done so, this would have represented a considerable bolstering of the prime ministerial centre. Ultimately, however, as will be shown, the first wave of special advisers was split between Cabinet Office and Treasury.\textsuperscript{184} Wilson's rejection of certain bureaucratic reform

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\item \textsuperscript{179} Whitehall and Beyond, pp17-8.
\item \textsuperscript{180} The Administrators, p.40.
\item \textsuperscript{181} Samuel Brittan Collection (LSE, London), p.6, diary entry for 9 November 1964.
\item \textsuperscript{182} Whitehall and Beyond, p.19.
\item \textsuperscript{183} Cairncross, The Wilson Years, p.12, diary entry for 25 October 1964.
\item \textsuperscript{184} Ibid, p.12, diary entry for 25 October 1964.
\end{itemize}
proposals before Labour came to power may have resulted, at least in part, from a brief consultation the Leader of the Opposition had with the former Head of the Home Civil Service, Lord Normanbrook (Norman Brook).

Naturally, Normanbrook was opposed to reform.\(^{185}\)

Wilson’s plans for administrative change, then, were, in certain respects, fairly mild. This did not prevent elements on the political right from engaging in scare mongering. Aims of Industry was a pressure group dedicated to opposing what its supporters saw as the scourges of organised labour and state intervention in society.\(^{186}\) In the run up to the 1964 election, Aims of Industry published a pamphlet, entitled *Advice – And Dissent, Two Men of Influence*, dealing with the subject of Balogh and Kaldor as senior Labour advisers.\(^{187}\)

*Advice – And Dissent* suggested that Wilson’s take-over of Labour had resulted in its already existing ‘enthusiasm for controls’ to come to the fore.\(^{188}\) The pamphlet also drew attention to proposals for the creation of a planning department and Civil Service reform.\(^{189}\) It insinuated, incorrectly, that a Wilson government might embark upon a massive Balogh-inspired nationalisation programme.\(^{190}\)

What were the views of non-Labour politicians? Enoch Powell, the former Conservative Health Minister, in a 1964 conversation with Hunt, rejected the


\(^{186}\) For example, an early Aims of Industry pamphlet from August 1944 questioning the principles lying behind the movement for legally enforceable equal pay for men and women. *Equal Pay, What it is and What it Means* (London: Aims of Industry, 1944).

\(^{187}\) Christopher George and Simon Bewlay, *Advice- And Dissent*.

\(^{188}\) Ibid, p.8.

\(^{189}\) Ibid, pp6-7.

\(^{190}\) Ibid, p.6.
notion of there being a need for the introduction of the ministerial cabinet.\textsuperscript{191} He suggested that the Civil Service did not act as a ‘resistant material’ towards ministerial policy initiatives.\textsuperscript{192} Furthermore, on the subject of specialism versus generalism, Powell, himself a classical scholar, was of the view that ‘[t]he minister who has got to take the ultimate layman’s decision requires the administrative lay mind applied to his problems…[t]he professional advice should be in a sense subordinate to the administrative advice.’\textsuperscript{193} While Wilson and Powell did not support the formal introduction of the cabinet in 1964, Jo Grimond, the Liberal leader, did. Grimond also advocated greater specialisation at the summit of the Civil Service, as well as increased interchange with the outside world and the introduction of business expertise into the bureaucracy.\textsuperscript{194}

Hunt’s interviews were published in 1964 under the title \textit{Whitehall and Beyond} and included a response from Edward Bridges, now in retirement, but still acting as an unofficial spokesman for career Whitehall. On the subject of the cabinet, Bridges argued that ‘[i]t is significant that one wants to use the French pronunciation here. It is an idea foreign to us, with political overtones. I dislike the idea a good deal. It implies that a department is unable or unwilling to serve all ministers loyally and effectively, irrespective of party.’ He was also concerned that Wilson’s planned introduction of outsiders into the Cabinet Office ‘could make for difficulties.’\textsuperscript{195} While not opposed to the use of

\textsuperscript{191} However, on this occasion, both Hunt and Powell seem to be under the misapprehension that the cabinet is comprised of junior ministers. \textit{Whitehall and Beyond}, p.47.
\textsuperscript{192} Ibid, p.50.
\textsuperscript{193} Ibid, p.52.
\textsuperscript{194} Ibid, p.33.
\textsuperscript{195} Ibid, p.68.
temporary civil servants *per se*,\(^{196}\) he did not favour their being 'charged with executive duties.'\(^ {197}\) The significance of these views will become apparent in subsequent chapters.

**Wilson: style and substance**

Labour took office in October 1964 with a parliamentary majority of four.\(^ {198}\) Few retrospective judgements, from across the political spectrum or by academics, of Wilson's subsequent approach to the premiership have been generous, save for tributes that have been paid to his undeniable tactical skill and manoeuvrability,\(^ {199}\) which was directed most effectively towards significant electoral success\(^ {200}\) and the preservation of party unity\(^ {201}\) for Labour. The central criticism levelled at Wilson is that he was an opportunist, lacking in long-term strategy.\(^ {202}\) Writing in 1966, Crossman suggested that Wilson, who set out to create a government driven from 10 Downing Street, failed as Prime Minister to supply the 'central coherent purpose' that this required.\(^ {203}\) It should be noted that the case against Wilson, which is described below, is to some extent reliant on the testimony of less successful colleagues and rivals.

\(^{196}\) Ibid, p.63.
\(^{197}\) Ibid, p.70.
\(^{198}\) Hennessy, *The Prime Minister*, p.287.
\(^{199}\) Ibid, p.293.
\(^{200}\) Ibid, p.358.
\(^{201}\) Ibid, p.289.
\(^{202}\) For example: Denis Healey, *The Time of My Life*, pp330-1 and MacDougall in conversation with Blick.
According to Theakston, under Wilson, Labour, for all its sloganeering, had little idea how such measures as economic planning were to be implemented. Subsequent difficulties, Theakston argues, were attributable to this shortcoming, rather than permanent Civil Service obstruction.\footnote{Theakston, \textit{The Labour Party and Whitehall}, pp64-5.} It has been argued that as a result of an absence of readiness, the incoming administration was forced to rely upon existing Treasury briefs proposing measures to counteract the existing balance of payments crisis.\footnote{Dell, \textit{The Chancellors}, p.310.} Wilson, it seems, was also a poor chairman, allowing discussions to drift aimlessly,\footnote{Hennessy, \textit{The Prime Minister}, p.289.} sometimes adding rambling monologues of his own.\footnote{See, for example: Cairncross, \textit{The Wilson Years}, p.52, diary entry for 22 May 1965.} Healey, Secretary of State for Defence from 1964-70, suggested that Wilson’s leadership combined the worst of both worlds, lacking in direction but coloured by a tendency towards interference in the business of other departments.\footnote{Healey, \textit{The Time of My Life}, p.331.} The disorganisation said to have reigned during the first Wilson administration leads Hennessy to suggest that he was possibly ‘the untidiest of all the postwar premiers in administrative terms.’\footnote{Hennessy, \textit{The Prime Minister}, p.310.} The Labour politician and academic Edmund Dell argued that the division of economic policy formation responsibilities between ministries was a recipe for disharmony.\footnote{Dell, \textit{The Chancellors}, pp306-9.}

The extent to which the special adviser experiment can be considered tainted by Wilson’s supposed flaws must be considered. According to George Brown, First Secretary of State and Minister of Economic Affairs, ‘there were too
many of us advising and counter-advising one another. The accusation of lack of preparedness is supported by the suggestion that Balogh knew little of the Whitehall official committee system prior to his appointment to the Civil Service. Moreover, Kaldor, a taxation specialist, was unaware who Sir Alec Johnston, Chairman of the Board of Inland Revenue, was. Balogh, furthermore, had long displayed a degree of naivety regarding the ease with which permanent civil servants could be replaced.

An aspect of Wilson’s weakness in the chair was reflected in his handling of Balogh at a Number Ten gathering on 1 December 1964. On this occasion, whenever Balogh and Alec Cairncross, Head of the Government Economic Service, disagreed with each other over facts relating to a particular subject, Wilson, in Cairncross’s account, simply moved on to another topic. In one observer’s account, at a Cabinet meeting in early 1967, Wilson failed to support Callaghan sufficiently against a proposal relating to benefit policy, emanating in part from Kaldor, to which the Chancellor of the Exchequer was hostile. As to the characterisation of Wilson as a dabbler, Balogh arguably mirrored these tendencies, prompting Hennessy’s description of him as Wilson’s ‘in-house gadfly.’ Wilson’s participation in Cabinet discussions

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211 Brown, In My Way, p.93.
217 Hennessy, The Prime Minister, p.305.
suggested that he sometimes failed to pay sufficient attention to his special
advisers' briefings.\textsuperscript{218}

Confusion surrounded the exact nature of the role of the new tier of temporary
appointments, in particular Neild, in relation to the existing Treasury
Economic Section staff.\textsuperscript{219} Brown's memoir suggested that he was slightly
surprised that, when appointed to the Civil Service, Balogh was attached not to
the DEA but the Prime Minister.\textsuperscript{220} Wilson's active involvement in the DEA's
development of the National Plan was minimal.\textsuperscript{221} As Wilson's adviser,
Balogh was, therefore, cut off from the department he helped instigate and the
economic plan he had long advocated. Moreover, he did not, in his own
expression, 'click' with Sir Eric Roll, Permanent Secretary to the DEA. On 9
May 1966, Balogh wrote to Roll, complaining that 'you have not answered my
letters of April 20\textsuperscript{th}, 26\textsuperscript{th}, 29\textsuperscript{th}, two letters of May 4\textsuperscript{th} and one letter of May
5\textsuperscript{th} ...If you could spare a minute, perhaps you might telephone at least.'\textsuperscript{222} As
a result, it is harder to blame Balogh for the excessively optimistic growth
targets set by the DEA.\textsuperscript{223} In fact, he wrote to Wilson on 3 February 1965
warning that 'I should be very surprised if we got more than 3 to 3 ½ per cent
this year', although he believed that after a slow start, growth would
accelerate.\textsuperscript{224}

\textsuperscript{218} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 2, p.174, diary entry for 20 December
1966.
\textsuperscript{219} Cairncross, \textit{The Wilson Years}, p.2..
\textsuperscript{220} Brown, \textit{In My Way}, p.93.
\textsuperscript{221} Hennessy, \textit{The Prime Minister}, p.303.
\textsuperscript{222} PRO CAB 147/14, 1965, Balogh to Roll, 9 May 1966.
\textsuperscript{223} Projected at 25% over the period 1964-70. MacDougall, \textit{Don and Mandarin}, p.157.
\textsuperscript{224} Wigg Collection, 4/56, Balogh to Wilson, 3 February 1965.
Nevertheless, it could be argued that, on occasion, Balogh encouraged blind optimism on the part of Wilson. Balogh's dubious belief that the Sterling Area could be built into a dynamic economic bloc will be discussed in Chapter VI. There was also the broad bureaucratic and economic experiment of which Balogh's appointment was a part. In a 1965 note to the Prime Minister, Balogh stated, rather prematurely, that 'your decision to bring in outside experts and to partition the Treasury has proven a brilliant success. The monolithic supremacy of the Treasury is now balanced inter-departmentally (as it should be) by an organisation dedicated to expansion.'\textsuperscript{225} However, in May 1966, the Prime Minister's senior special adviser did warn him that 'we might get into difficulties in the summer.'\textsuperscript{226} As will be shown, this was correct. Moreover, Balogh also attempted to impress upon Wilson the view that Britain's continued posturing as a global military power could not be reconciled with economic realities. As he wrote in August 1966, 'the whole level of [defence] expenditure both in Germany and East of Suez is of an ostentatious standard not at all in keeping with our present problems.'\textsuperscript{227}

Closely related to Wilson's supposed shortcomings in terms of style were his administrations' policy failures. Ironically, these were concentrated in the realm of economics,\textsuperscript{228} the personal area of expertise both for Wilson\textsuperscript{229} and, as will be shown, most special advisers during 1964-70. Arguably, Wilson's

\textsuperscript{225} PRO PREM 13/360, 'Note on the experiences with the Government machine', Balogh to Wilson, 25 February 1965.
\textsuperscript{226} PRO CAB 147/12, 'Domestic economic strategy', 1965-8, 'Economic Strategy and Tactics', Balogh to Wilson, 12 May 1966.
\textsuperscript{227} PRO CAB 147/155, 'Foreign currency defence expenditure', 1965-8, Balogh to Wilson, 9 August 1966.
\textsuperscript{228} Dell, The Chancellors, p.306.
\textsuperscript{229} Hennessy, The Prime Minister, p.302.
greatest mistake was made immediately following Labour’s narrow election victory, on 17 October 1964. The ‘economic triumvirate’ of Wilson, Brown and the Chancellor of the Exchequer, James Callaghan, took the decision, in the face of a balance of payments crisis, not to devalue sterling from its existing fixed rate of $2.80. The economist and future special adviser, Wilfred Beckerman, was not alone amongst Labour supporters in his dismay at this. In his view the objective of higher growth was dependent upon increased exports, for which a correction in what he saw as the overvaluation of sterling was a prerequisite. It has been argued that the British economy met the criteria of ‘fundamental disequilibrium’ required for a ‘legal’ readjustment within the Bretton Woods agreement.

In Wilson, Brown and Callaghan’s defence, the precarious parliamentary position of the Government made the alternative course of action a difficult one to contemplate. There was also the international context. A decision not to maintain the parity of the pound may have brought the dollar under extreme pressure, thereby damaging Anglo-US relations and Britain’s international status. Furthermore, countries with sterling reserves, many of them located in the developing world, would have suffered an immediate reduction in the value of their holdings. There was a threat that the potential benefits would be negated by a series of competitive devaluations by other countries.

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231 Dell, The Chancellors, p.310.
232 Pimlott, Harold Wilson, p.350.
236 For a first-hand account of decision Wilson faced, see: Lord Wigg, George Wigg, p.309.
Labour leadership also wished to avoid maintaining the popular and market perception of their party as historically associated with the abandonment of parity.\footnote{MacDougall in conversation with Blick.}

In the words of Hennessy, '[t]hereafter, until the rate finally went three years and one month later, the Wilson governments were locked in a titanic and near continuous struggle to reconcile the three incompatible aims of economic growth, a balance of payments surplus and a currency worth $2.80 to the pound.'\footnote{Hennessy, \textit{The Prime Minister}, p.289.} MacDougall, who was appointed Director General of the DEA in 1964\footnote{MacDougall, \textit{Don and Mandarin}, p.149.} later argued that '[t]he first great mistake of the new Government was not to devalue at once. In my view this dominated – and distorted – economic policy for the next four years.'\footnote{Ibid, p.152.} In July 1966, crucially, the desperate defence of sterling entailed the introduction of deflationary measures which killed off the notion of planned growth.\footnote{Hennessy, \textit{The Prime Minister}, p.288.}

Richard Pryke, a special adviser recruited in May 1966 and working under Balogh, resigned from the government in protest over the failure to abandon the parity at this point.\footnote{See: Samuel Brittan, 'The Irregulars', pp334-5. Brittan writes that Pryke was employed from 1965, but other sources, as will be shown, suggest May 1966. For Pryke’s subsequent critique of economic policy during the first Wilson administrations, see: Richard Pryke, \textit{Though Cowards Finch, An Alternative Economic Policy} (London, Reading and Fakenham: MacGibbon and Kee, 1967).} MacDougall subsequently suggested that the adjustment in the exchange rate which finally took place on 18 November 1967 came 'at least three years too late.'\footnote{MacDougall, \textit{Don and Mandarin}, p.173.} A successful devaluation,
however, was never an easy option, since it necessitated accompanying deflationary measures.\textsuperscript{245} To combine this with the growth Labour had promised would have been, as Lord Croham, the Treasury Permanent Secretary during 1968-74, gently puts it, ‘tricky.’\textsuperscript{246} Nevertheless, the futility of the course pursued by the Wilson administration suggests that the appointment of special advisers certainly did not result in better policy formation in this key area. However, it will be shown that, throughout, they had mostly advised in favour of devaluation. The exact role of special advisers in relation to sterling will be considered later.

The central thesis under examination in this work is that special advisers are best understood in terms of their attachment to a particular minister. In this context, it will be shown that certain Wilson aides were members of the entourage which was associated with him. In September 1965, writing of the group surrounding Wilson, Benn employed the phrase ‘the court of King Harold.’\textsuperscript{247} Wilson was far too skilful a politician to rely on one single counsellor. Rather he had a ‘most extraordinary unconventional collection of personal advisers.’\textsuperscript{248} They were all kept, again in the words of Benn, ‘at arm’s length’\textsuperscript{249} and could be played off against one another.\textsuperscript{250} An individual and collective examination of those involved, with particular attention to the special adviser, follows.

\textsuperscript{245} Dell, \textit{The Chancellors}, pp311-2.
\textsuperscript{246} Lord Croham in conversation with Andrew Blick, 5 July 2001.
\textsuperscript{247} Benn, \textit{Out of the Wilderness}, p.319, diary entry for 13 September 1965.
\textsuperscript{249} Benn, \textit{Out of the Wilderness}, p.41, diary entry for 15 July 1963.
In a diary entry from September 1965, Benn referred to Balogh as being one of Wilson’s ‘three favourites’, the other two being George Wigg and Marcia Williams. Wigg was given the post of Paymaster General following Wilson’s 1964 election success and was responsible for security and intelligence matters, as well performing the role of all-round aide. He was initially allocated a room in Number 10 in 1964. Williams was Wilson’s Private and Political Secretary, also with an office in Downing Street proper. As personal allies, both Wigg and Williams were closer to the Prime Minister than Balogh, at least in Crossman’s account. In early 1965, Crossman noted that while Balogh’s influence was in doubt, Wigg ‘really sees Harold four or five times a day and is virtually living with him.’ Similarly, later that year, the same prolific diarist observed that ‘Marcia...is still the most influential person in Harold’s life, far more influential I should say than Tommy Balogh.’ Balogh was not housed in Number 10 proper until after the 1966 election, having to settle for a room in the Cabinet Office building in 70 Whitehall.

It seems that relations between Balogh and Wigg were strained from the outset of Wilson’s first premiership. Wigg took it upon himself to act as Wilson’s personal filter, on occasions attempting to distance the Prime Minister from

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251 Benn, Out of the Wilderness, p.319, diary entry for 13 September 1965.  
252 Pimlott, Harold Wilson, pp339-40 and Lord Wigg, George Wigg, p.308.  
253 Lord Wigg, George Wigg, p.317.  
254 Pimlott, Harold Wilson, p.339.  
257 Marcia Williams, Inside Number 10, pp140-1 and 320-1 and Mitchell in conversation with Blick.  
some of his own allies, Balogh included. Mutual jealousy was compounded
by disagreements over policy, particularly in relation to the possible
devaluation of sterling, which Balogh soon came to support and Wigg
opposed. Wigg’s influence, however, declined from early 1967. Balogh
appears to have enjoyed better, although perhaps not entirely smooth, relations
with Williams than with Wigg. Wigg and Williams seemingly shared
mutual animosity.

Another figure, this time drawn from the permanent Civil Service, should not
be overlooked as a key Wilson adviser, namely Sir Burke Trend, Secretary of
the Cabinet. Trend’s importance to this study is derived from the fact that
he represented the career bureaucracy rather than the Prime Minister’s
personal entourage. Over the course of 1964-7 and beyond, Trend’s influence
increased as Wilson lost touch with what Crossman called the ‘vague
leftism which he [Wilson] brought with him to the job.’ In October 1965,
Crossman referred to the ‘battle for the attention of the Prime Minister which
the Civil Service has been winning’, spearheaded by Trend. Kavanagh and
Seldon argue that ‘[t]he Civil Service took increasing control over Wilson’s
time from 1966 and the political staff gradually retreated into a defensive

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259 Benn, Out of the Wilderness, p.463, diary entry for 2 August 1966.
260 See, for example: Crossman, The Diaries of a Cabinet Minister, Vol. 1, p.305, diary entry
for 5 August 1965.
261 Lord Wigg, George Wigg, p.309.
263 Mitchell in conversation with Blick. For Williams’s tactful tribute to Balogh as a special
adviser, see: Williams, Inside Number 10, pp320-1.
264 Lord Wigg, George Wigg, p.312 and pp315-6.
265 Ziegler, Wilson, pp184-5.
266 Pimlott, Harold Wilson, p.347.
circle around him.\textsuperscript{269} In spring 1967, Trend and Balogh engaged in a 'terrible struggle for...the ear of the P.M.',\textsuperscript{270} which will be discussed later.

Balogh, therefore, provided an example of a special adviser who, as an individual, possessed close personal proximity to the Prime Minister. Temporary bureaucrats were also members of the informal group of political allies which surrounded Wilson, popularly known as the 'Kitchen Cabinet.'\textsuperscript{271} In the words of Pimlott, '[s]uch a body never existed, but there was certainly a group of advisers who were closer to Wilson, much of the time, than many of his officials or Cabinet ministers.'\textsuperscript{272} A nebulous entity, the Kitchen Cabinet was frequently referred to by Crossman as the 'little group'\textsuperscript{273} or the 'old gang.'\textsuperscript{274} Its key members included Shore, Balogh, Crossman, Benn, future Paymaster General Judith Hart, Barbara Castle, who was made Minister for Overseas Development in 1964, Gerald Kaufman, who became Wilson's political press officer in 1965 and, at the centre, Williams.\textsuperscript{275}

The Kitchen Cabinet's ancestry lay in the early 1950s and the associates of Aneurin Bevan, then leader of the Labour left.\textsuperscript{276} Within this, Crossman and Wilson came to comprise 'a left-of-centre sub-group, well to the right of the devotees.'\textsuperscript{277} Other Bevanites who went on to become members of the

\textsuperscript{269} Dennis Kavanagh and Anthony Seldon, \textit{The Powers Behind the Prime Minister}, p.69.
\textsuperscript{271} For a description of the Kitchen Cabinet, see, for example: Ziegler, \textit{Wilson}, p.183.
\textsuperscript{273} For example, Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.363, diary entry for 26 October 1965.
\textsuperscript{275} Hennessy, \textit{The Prime Minister}, p.295.
\textsuperscript{276} For an account of Wilson and Bevanism, see: Pimlott, \textit{Harold Wilson}, pp154-91.
\textsuperscript{277} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.12.
Kitchen Cabinet included Castle and Balogh.\textsuperscript{278} Owing to these origins, the Kitchen Cabinet was, in part, an ideological entity, which served, in theory, to ‘keep Harold in contact with his left-wingers’\textsuperscript{279} once he became Prime Minister. The group began to crystallise around Wilson while he was Leader of the Opposition.\textsuperscript{280} Balogh, along with Crossman, Benn and Shore planned the Labour Leader’s approach to the 1964 election,\textsuperscript{281} occasionally discussing matters with Wilson himself.\textsuperscript{282} As the poll approached, meetings expanded to include Wigg, Williams and, significantly, two future special advisers, John Allen and John Harris, although the latter was from the Labour right and never a Kitchen Cabinet member.\textsuperscript{283}

Balogh was an important figure within the fully formed Kitchen Cabinet, a fact underlined by the manner in which he functioned as a two-way channel for communications between members of the entourage and the Prime Minister.\textsuperscript{284} Balogh’s regular visits to Chequers, the Prime Minister’s official country residence, were envied by at least one fellow Kitchen Cabinet member.\textsuperscript{285} Another prime ministerial special adviser, John Allen, was a stalwart of the Kitchen Cabinet during 1964-5, lunching with Wilson on a daily basis.\textsuperscript{286} He attempted to ensure that regular meetings of the group took place.\textsuperscript{287}

\textsuperscript{278} Pimlott, \textit{Harold Wilson}, p.166 and p.177.
\textsuperscript{280} Lord Shore in conversation with Blick.
\textsuperscript{281} Benn, \textit{Out of the Wilderness}, p.121, diary entry for 19 June 1964.
\textsuperscript{282} Ibid, p.133, diary entry for 21 July 1964.
\textsuperscript{283} See, for example: Ibid, p.140, diary entry for 13 September 1964.
\textsuperscript{284} See, for example: Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.275, diary entry for 17 July 1965 and p.570, diary entry for 17 July 1966.
\textsuperscript{285} Ibid, pp245-6, diary entry for 13 June, 1965.
\textsuperscript{286} Benn, \textit{Out of the Wilderness}, p.172, diary entry for 25 October 1964.
\textsuperscript{287} Ibid, p.172, diary entry for 25 October 1964.
Upon his attainment of power, Wilson allotted the highest offices of state to rivals within Labour, a course he was committed to by the party’s balance of power. Nevertheless, employment was found for Wilson’s allies in a variety of different Government posts. In 1967, Wilson appeared to assume responsibility for the entire economy, with the assistance of members of his group. Benn and Shore were placed respectively as heads of the Ministry of Technology and the DEA, where they were to be advised by Balogh. In August 1967, Balogh wrote to Shore, expressing his pleasure at the idea of closer co-operation with the DEA. Balogh also influenced Kitchen Cabinet members in their choice of aides, such as Christopher Foster, an economist and associate of his from Oxford, whom Castle employed in early 1966 when she became Minister of Transport.

As Hennessy suggests, significant collective Kitchen Cabinet influence upon the major decisions taken during the first two Wilson administrations was difficult to detect. This fact serves to minimise the significance of those special advisers who operated within Wilson’s immediate ambit. Kitchen

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288 See, for example: Lord Wigg, George Wigg, p.308.
289 Pimlott, Harold Wilson, pp327-8.
294 Hennessy, The Prime Minister, p.295.
Cabinet members, including Balogh, did, however, draft the 1966 manifesto. Labour officials, based at Transport House, were under the impression that they were responsible for the authorship of election programmes and for this reason the Kitchen Cabinet carried out the process in secret. Shore, however, downplayed the importance of this, pointing out that he had recently occupied a senior post at Transport House. A 'strong anti-Common Market flavour' could be detected in the Kitchen Cabinet, to which Balogh was an important contributory element. However, as will be discussed, Wilson eventually succumbed to European integrationist urges. Crucially, there was strong support from intellectual Kitchen Cabinet members for the abandonment of the sterling parity, but elements within the group who shared this belief failed to persuade Wilson of their case. Often, Wilson's group was engaged in little more than crisis management. For example, when devaluation came in late 1967, Kitchen Cabinet members, including Balogh, drafted Wilson's statement on the retrenchment package which followed.

In his evocative book *The Neophiliacs*, the journalist Christopher Booker attempts to relate radical cultural developments of the 1960s to such post-war trends as the growth of affluence and consumerism, the decline of British

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297 Lord Shore in conversation with Blick.
299 For example, when Cabinet discussed devaluation on 19 July 1966, Benn, Castle and Crossman all argued in favour, but were outnumbered. James Callaghan, *Time and Chance*, p.199.
status as a world power and the erosion of deference.\textsuperscript{301} He suggests that, by the mid-1960s, social, economic and political upheaval during the preceding decade had engendered a mood of 'frantic euphoria'\textsuperscript{302} amongst large sections of the British populace. Influenced by an hysterical media, the electorate, Booker argues, was susceptible to the presentational skills possessed by Wilson.\textsuperscript{303} To Booker, the appointment of special advisers was one of a series of administrative gimmicks which Wilson indulged in upon taking office.\textsuperscript{304} It was the case that, as Prime Minister, Wilson had an eye for public relations ploys in which special advisers were sometimes enlisted. For example, according to Cairncross, in March 1965, Kaldor supported Wilson's proposal for a tax on business entertainment, to be rebated for exports, on the grounds that 'people must be given something they can approve and understand.' Cairncross dismissed Wilson's idea as a 'gimmick.'\textsuperscript{305}

Booker and those who share his view of Wilson would no doubt find further confirmation in a scheme the Prime Minister devised in July 1965. Wilson intended to flush the perpetrators of the notorious 1963 Great Train Robbery into the open by removing all pound notes from circulation and issuing ones of a new design.\textsuperscript{306} The robbery and its sequels were great media events in their own right, a fact which surely encouraged Wilson's interest.\textsuperscript{307} He instructed

\textsuperscript{301} Christopher Booker, \textit{The Neophiliacs}.
\textsuperscript{302} Ibid, p.18.
\textsuperscript{304} Booker, \textit{The Neophiliacs}, p.254.
\textsuperscript{305} Cairncross, \textit{The Wilson Years}, p.43, diary entry for 8 March 1965.
\textsuperscript{306} See: PRO PREM 13/284. 'Investment in real estate in non-sterling area by UK residents. Moves to frustrate train robbers: cost of re-issuing bank notes.' 1965.
one of his special advisers, the economist Michael Stewart, to contact the Treasury regarding the viability of this proposal.\(^{308}\) In so doing, Stewart managed to contravene Whitehall etiquette, prompting the Prime Minister’s Principal Private Secretary, Derek Mitchell to write to him requesting that ‘if any information is sought from a Department “on behalf of the Prime Minister” we prefer that the Prime Minister’s Office should be the channel; failing that we would at least like to know that the request has been made.’\(^{309}\)

By November, Callaghan had become convinced that Wilson’s scheme was impracticable.\(^{310}\) Even Wilson, it seems, was not certain of the viability of his own plan, since he failed to raise the matter at two meetings with the Chancellor in early December. The idea appears to have then been dropped.\(^{311}\)

Policy notions of this type are arguably supportive of Booker’s assessment of Wilson as deliberately projecting an often shallow image of himself as the dynamic leader of a modern administration. However, it will be shown that the creation of the special adviser was more than a mere novelty, and had lasting constitutional implications. Moreover, Wilson was not entirely comfortable with the possibility that he might be perceived as surrounded by a team of advisers. As Tony Benn, who was, at the time, a close ally of Wilson,\(^{312}\) noted in his diary during the 1964 election campaign, ‘[t]he fact is that Harold doesn’t want any people to know that anyone helps him at all. He wants it all to be his show and Dick [Crossman] and Tommy [Balogh] and I

\(^{308}\) PRO PREM 13/284, Ian Bancroft, Principal Private Secretary to the Chancellor of the Exchequer, to Derek Mitchell, Principal Private Secretary to the Prime Minister, 22 July 1965.

\(^{309}\) Ibid, Mitchell to Stewart, 26 July 1965.


have to pretend we don’t exist. Kennedy never minded it being known that he
had speech writers and advisers, but Harold does. Questioned on the
subject of advisers shortly before becoming Prime Minister, Wilson’s response
was suggestive of unease. He was insistent that ‘I’m rather against the idea of
bringing in a series of eminences grises or Rasputins or court favourites to
advise a Prime Minister.’ Outside advisers, he said, should be ‘properly
dovetailed into the administrative machine – on an organization chart, not
floating around in an irresponsible way.’ As Prime Minister, Wilson was
concerned with the negative media attention directed towards special advisers,
particularly Balogh and Kaldor.

An important theme of this work is that of prime ministerial power.
Interestingly, during the period under examination, a high-profile academic
debate was taking place as to whether the Prime Minister was becoming
increasingly powerful in relation to the rest of the Cabinet. One participant
in this, who believed that a dominant premier was a reality, was Crossman.

It has been shown that Wilson resisted the creation of what would have
amounted to a prime ministerial department. Nevertheless, from 1964, as will
be discussed, a small personal team of temporary aides was attached to the
premier. Balogh, as head of this group, persisted in his efforts to persuade
Wilson to bolster the centre. In a 1965 note to Wilson, Balogh proposed the
creation of a ‘high-level and very small Cabinet Committee, chaired by the

313 Benn, Out of the Wilderness, p.146, diary entry for 23 September 1964.
314 Whitehall and Beyond, p.18.
315 Cairncross, The Wilson Years, p.61, diary entry for 13 June 1965.
Prime Minister' in order to 'initiate and carry through decision-making on questions of intricate economic planning.' In order to make this work, Balogh argued, 'the Cabinet Secretariat needs further strengthening', possibly with additions to Balogh's own team. During late 1967, Balogh and Crossman tried to persuade Wilson of the need to create an inner cabinet to provide the government with central direction. As will be shown, Wilson took steps that were probably influenced by this advice, along with similar recommendations from Castle and others.

Shortly before his election victory, in his interview with Hunt, Wilson said that 'I am very worried about what I feel is the amateurism of the central direction of Government.' Bringing in aides 'from outside', Wilson said, was intended as one means of correcting this problem. The Cabinet Office was to be expanded, partly through recruitment from beyond Whitehall, in order to enable it to 'do much more in the way of briefing the Prime Minister, not only briefing him on the machinery of Government and briefing him on the work of any cabinet committee, but also providing a briefing agency, so that he is right up to date and on top of the job in respect of all [the] major departments of state. My conception of the Prime Minister is that if he's not managing director, he is at any rate and should be very much a full-time executive chairman'.

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318 PRO PREM 13/360, 'Note on the experiences with the Government machine', Balogh to Wilson, 25 February 1965.
319 Ibid.
321 Hennessy, The Prime Minister, p.322.
322 Whitehall and Beyond, p.18.
323 Ibid, p.20.
For Wilson, then, special advisers were, to some extent, a means of leading from the centre. They engaged, for example, in activities related to the implementation of election programmes. Writing in 1965, Crossman described how Wilson 'is always getting...Balogh to try and convince him that of the seventy-three promises in the manifesto, fifty-two are already being carried out.' As will be shown, Wilson used John Allen, a special adviser, to scrutinise departmental proposals from the party political perspective and follow-up on prime ministerial policy recommendations. Balogh engaged in redrafting departmental White Papers. He also lobbied for the establishment of 'a form of possible machinery for chasing up progress on important decisions made by the Cabinet and Ministerial meetings.'

Another concept useful to an understanding of the special adviser within the first Wilson administration is that of 'presidentialisation.' Put forward in its most sophisticated and eloquent form by the academic Michael Foley, this thesis suggests that British party leaders have taken on some of the characteristics adhered to by their US near-counterparts. Foley describes the presidential-style leader as possessing 'distance, and occasionally detachment' from government and party, appealing directly to the public. This development has been fuelled in Britain by, amongst other factors, the

328 Ibid, p.264.
mass media, in particular the rise of television, and the decline of traditional social hierarchies.329

Significantly, Foley suggests that ‘[i]t was Harold Wilson who really gave rise to the comparisons between British politics and the American presidency.’330 Examples of Wilson’s presidential tendencies, according to Foley, included his centralisation of control over the 1964 election campaign and, during the course of this, his emphasis on the importance of television broadcasts, inspired by Kennedy’s achievements within this medium.331 There is substance to Foley’s arguments, some of which are similar to Booker’s in their portrayal of changing public perceptions. The attachment of a personal staff to the Prime Minister, partly comprised of special advisers, arguably at the expense of the influence of Cabinet members, certainly fits with Foley’s presidential model. Interestingly, in relation to his plans for the use of Civil Service outsiders, Wilson told Hunt that ‘I think one can learn from the Kennedy experience...he [brought] into the White House a number of top people from universities, one or two top scientists, top administrators.’332 Other ministers began to acquire their own aides, arguably suggestive of their own potentially presidential tendencies. A great deal of suspicion was engendered within the Wilson camp by the Home Secretary, and later the Chancellor of the Exchequer, Roy Jenkins’s employment of John Harris as a special adviser.333 Wilson, however, was never entirely comfortable with certain aspects of the role of presidential-style leader. In September 1965,

332 Whitehall and Beyond, p.19.
333 Lord Harris of Greenwich in conversation with Andrew Blick, 6 March 2001.
Balogh encouraged the Prime Minister to increase his tally of special advisers.

Wilson rejected the suggestion, on the grounds that such an act would constitute the creation of a 'presidential staff.'

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Chapter IV

The First Wave

In this chapter, an overview will be given of the first group of special advisers appointed in 1964. For chapters IV–VI, the end of 1967 has been selected as a cut-off point, since, in November of that year, the devaluation of sterling, arguably the defining event of Wilson's first premiership, was carried out. As well as its consequences for policy, the adjustment in parity was associated with shifts in the balance of power within the administration. These had important implications for the subject at hand, which should, along with subsequent developments, be considered separately. The aides under examination in this Chapter will be John Allen, Thomas Balogh, Nicholas Kaldor, Robert Neild and Michael Stewart. The case of John Harris, who was also recruited in 1964, initially counselling the Foreign Secretary, Patrick Gordon-Walker, will be examined in Chapter VI, since his prominence grew in the post-devaluation period, as will be shown.

In Chapter III, Wilson's stated intention that special advisers would be 'dovetailed' into the administrative machine was described. In this context, there will be an examination of considerations relating to the employment of special advisers, including their job-titles, pay, their physical location, their access to ministers and papers, and the committees they attended. An

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1 For an account of this, see: Peter Hennessy, *The Prime Minister*, pp314-6.
2 Most importantly, Roy Jenkins was appointed Chancellor of the Exchequer. Ben Pimlott, *Harold Wilson*, p.485.
3 See, for example: Marcia Williams, *Inside Number 10*, p.31.
overview will then be provided of their activities as a group, rather than as individuals, which be the subject of Chapter V. Possible theoretical interpretations of the initiation of the special adviser will be discussed.

Finally, a high degree of press attention, focused in particular on Balogh and Kaldor, was attracted by the use of partisan, temporary civil servants. This will be described, along with an investigation of the two economists’ supposed partnership.

Inside the machine

The international origins of special adviser as a governmental term are not entirely clear, but it certainly gained prominence in the US during the first half of the twentieth century. A search of the British Library’s computerised catalogue reveals that it was already in use there by 1924. The Library of Congress Online Catalogue contains references to Presidential special advisers dating back to the 1930s. The title occurs in British Public Record Office files pre-dating October 1964, often used to describe aides to foreign diplomats. In May 1957, Harold Macmillan appointed Admiral Sir Matthew Slattery as a ‘special adviser on the transport of Middle East oil.’ It will become apparent that, from 1964, the designation took on a distinctive new meaning.

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4 See: Federal Reclamation by Irrigation. Message from the President of the United States transmitting a report submitted to the Secretary of the Interior by the Committee of Special Advisers on Reclamation (Washington: Department of the Interior, 1924).
5 See, for example: Letter to the President on foreign trade from George N. Peek, Special Adviser to the President on Foreign Trade (Washington: US Government Print Office, 1934).
6 See, for example, discussion within the Colonial Office of the special advisers who will be accompanying delegates attending a Kenya Constitutional Conference at Lancaster House in 1960. PRO CO 822/2355, ‘Special advisers.’ 1960.
7 For details of this appointment, see: PRO T 199/706, ‘Appointment of special Adviser on Middle East Oil Supplies (Admiral Sir Matthew Slattery).’ 1957-60.
For the purposes of this chapter, five special advisers, all of whom were appointed immediately upon Labour's election victory, have been selected. They were temporary civil servants of party political association, drawn from beyond the Civil Service but employed within it, subject to the patronage of individual ministers. For this reason the official 1964 listing of Solly Zuckerman, already a long serving formal supplier of counsel on defence matters,\(^8\) as a special adviser\(^9\) must be taken as anomalous. A number of new ministries were created during the first Wilson administration,\(^10\) inevitably resulting in a large influx of outsiders to Whitehall.\(^11\) In order to avoid dilution of the topic, only temporary newcomers employed in already existing offices of government have been included for examination.\(^12\) Four of the five individuals selected are listed in the 1965 *Imperial Calendar* (the name of the *Civil Service Yearbook* in a less politically correct past) as special advisers.\(^13\) The fifth appointment was labelled differently,\(^14\) for reasons which will be explained.

On the first day of the Labour administration, Balogh told Derek Mitchell, the Prime Minister's Principal Private Secretary, that he did not have a title yet. In his account, Mitchell's quick-witted response, not appreciated by Balogh, was that these were not bestowed until departure from government.\(^15\) In the 1965

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\(^8\) PRO CAB 160/1, 'Dr Thomas Balogh', 1964-6, 'Press Notice', 28 October 1964.
\(^9\) *The British Imperial Calendar and Civil Service List 1965*, p.18.
\(^12\) Three special advisers were attached to the Cabinet Office (working for the Prime Minister) and two to the Treasury.
\(^13\) *Imperial Calendar 1965*, p.18 and p.23.
\(^14\) Robert Neild is described simply as 'Economic Adviser to the Treasury.' Ibid, p.23.
\(^15\) Sir Derek Mitchell in conversation with Andrew Blick.
edition of the Imperial Calendar, Balogh, John Allen and Michael Stewart were grouped as Cabinet Office temporaries under the general heading of ‘Special Advisers.’ Balogh was described as ‘Adviser on Economic Affairs.’\textsuperscript{16} In addition to the three Cabinet Office appointments, the remaining two aides studied here were recruited to the Treasury. The Imperial Calendar described Nicholas Kaldor as ‘Special Adviser (part-time) to the Chancellor of the Exchequer on the Social and Economic Aspects of Taxation Policy.’\textsuperscript{17} This convoluted job-title came about as a result of concern within Whitehall that his description should not appear to ‘usurp’ the Treasury and the Boards of Inland Revenue and Customs and Excise, who were the ‘official advisers of the Chancellor on taxation policy.’\textsuperscript{18} This was an early indication of concern amongst career officials that special advisers posed a threat.

Neild was referred to in the Imperial Calendar as ‘Economic Adviser to the Treasury’,\textsuperscript{19} not a special adviser. A probable reason for this was the fact that Sir Laurence Helsby, Joint Permanent Secretary of the Treasury and Head of the Home Civil Service, was anxious to present Neild’s appointment as non-party-political.\textsuperscript{20} While Neild had previously served a Conservative administration, as a member of the Economic Section from 1951-56, his links to Labour and the Chancellor of the Exchequer, Callaghan, were clear.\textsuperscript{21} Initially, it was anticipated that Neild’s appointment might entail his wrestling of control of the Economic Section from its existing Director, Alec

\textsuperscript{16} Imperial Calendar 1965, p.18.
\textsuperscript{17} Ibid, p.23.
\textsuperscript{18} PRO T 199/1164, ‘Mr Kaldor’, 23 October 1964.
\textsuperscript{19} Imperial Calendar 1965, p.23.
\textsuperscript{20} Alec Cairncross, The Wilson Years, A Treasury Diary, p.7, diary entry for 19 October 1964.
\textsuperscript{21} Robert Neild in conversation with Andrew Blick; and James Callaghan, Time and Chance, p.153.
Cairncross. In Kaldor’s account, a chance series of events led to Callaghan’s acquisition of Neild as an adviser and the development of the misunderstanding that Cairncross was ready to leave Whitehall and become the senior Treasury representative in Washington. The problem of placing a politically appointed bureaucrat in charge of neutral civil servants was intractable. Brittan recorded Cairncross stating that ‘the Labour Party would have to make up its mind whether to sack him and introduce the spoil system.’

A satisfactory resolution, however, first proposed to Callaghan by William Armstrong, Joint Permanent Secretary of the Secretary, on 23 October 1964, was eventually reached. Armstrong’s suggestion was that ‘[b]roadly speaking Mr. Cairncross would be in charge of the economic analysis of forecasting operations and also the Treasury’s man on the recruitment, training and posting of career economists in the Government service. Mr. Neild will...have a remit which will be somewhat wider and also more personal to you. He will be particularly useful in keeping in touch with you about how your mind is working on policy.’ Here then, the importance of the link between special adviser and minister was clear. Eventually, Neild and Cairncross achieved a mutually harmonious division of responsibilities whereby the former provided advice while the latter ran the machine. Aside from the threat to his own

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25 Samuel Brittan Collection, p.6, diary entry for 9 November 1964.
27 Neild in conversation with Blick; and Cairncross, The Wilson Years, p.2.
position, Cairncross was also concerned that he was not being consulted over temporary appointments and that the exact status of these in relation to the career bureaucracy was unclear.\textsuperscript{28} The decision to appoint special advisers to the Cabinet Office was also taken without prior consultation with the Treasury Establishment Officer, Elsie Abbot.\textsuperscript{29}

The question of remuneration was a contentious one. In the Commons, on 10 November 1964, the Conservative MP, Simon Wingfield Digby, asked how the salaries of incoming advisers, including Balogh, Kaldor and Neild were worked out.\textsuperscript{30} In fact, there was no precise formula. The problem was that matching special advisers to Civil Service grades was extremely difficult, as the example of Allen and Stewart, who both worked under Balogh, demonstrated. Allen (32 years old at the time) requested payment at Principal scale.\textsuperscript{31} Stewart (31), who, like Neild, had previously served in the Economic Section (from 1957 to 1962) suggested that the calculation of his salary should take into account the fact that he had less job security than during his previous bureaucratic stint.\textsuperscript{32} In relation to attempts to try and determine Stewart’s and Allen’s salaries, in October 1964, Andrew Collier, a Treasury Assistant Secretary, remarked to David Heaton, the Principal Establishment Officer at the Cabinet Office, that ‘I fear we may run into difficulties in the long run if we try to equate either of these people to any particular point in an existing

\textsuperscript{29} PRO CAB 160/1 Heaton to Elsie Abbot, Establishment Officer, Third Secretary, Treasury, 23 October 1964.
\textsuperscript{30} House of Commons Debates, 10 November 1964, Col. 812.
\textsuperscript{31} PRO CAB 160/1, David Heaton, Principal Establishment Officer, Cabinet Office, to Sir Burke Trend, Secretary of the Cabinet, 19 October 1965.
\textsuperscript{32} Ibid.
scale; it doesn’t really fit.’ 33 Allen’s and Stewart’s grades, were, therefore, officially deemed as ones for which ‘no national scale or rate exists.’ 34 The figure arrived at for both was £2,500 per annum. 35

Eventually, Stewart’s pay level was set at that of the newly-created grade of Economic Adviser. In early 1967, Balogh attempted to get Stewart promoted to the level of Senior Economic Adviser. From the point of view of the official machine, which possessed no appropriate yardstick, determining whether this elevation was merited was a difficult task. Furthermore, there were suspicions that Balogh was merely attempting to obtain a pay-rise for Stewart by other means. 36 Neild was asked to conduct an assessment of Stewart’s role and in his report remarked that ‘[i]n “irregular” work of this kind the work depends on the people i.e. on how the Minister, the Chief Adviser [meaning, in this instance, Balogh] and his right hand man [Stewart] actually conduct their operations.’ 37 As Louis Petch, a Treasury Second Secretary, put it to Armstrong two days later, ‘the job tends to be what the man makes it.’ 38 Stewart was promoted by a formal board in April 1967. 39

Sir Burke Trend, the Cabinet Secretary, wrote to both the Vice Chancellor at Oxford and the Master of Balliol College in order to secure unpaid leave-of-

33 PRO T 199/1063, Andrew Collier, Assistant Secretary, Treasury, to Heaton, 29 October 1964.
34 Imperial Calendar 1965, p.18.
36 PRO T 199/1063, Collier to Louis Petch, Second Secretary, Treasury, 14 February 1967.
37 Ibid, Neild to Petch, 7 March 1967.
39 PRO T 199/1063, Heaton to Collier, 17 April 1967.
absence for Balogh (58). As with Allen and Stewart, there was officially 'no national scale or rate' for Balogh's salary. Balogh's grade upon joining the Civil Service on 17 October 1964 was described as 'Special Adviser to the Prime Minister.' Balogh told Heaton that he was not 'concerned with money as such, but with the status a salary implies and confers.' Balogh suggested 'a salary...somewhere between Cairncross and Sir Donald MacDougall [ie: above Cairncross and below MacDougall]. Heaton initially proposed to Trend that Balogh receive £7,200. Ultimately, Balogh's starting salary was £6,500, compared to Cairncross's £6,750. This was a curtain-raiser to much frisson between the two economists, as will be shown. In April 1966, Balogh requested an increase in his salary, drawing attention to the disparity between his and Cairncross's respective levels. Wilson was prompted to issue a 'dictat that Mr. Balogh should be on a salary £100 less than Mr. Cairncross's.' Balogh regularly lobbied for the salaries of his staff to be increased. Indeed, this matter was one of many sources of resentment towards the permanent Civil Service for him. As he wrote to Petch in February 1967, 'I am not at all satisfied with the way in which my staff is being treated from the point of view of pay.'

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40 PRO CAB 160/1, Trend to The Master, Balliol College and the Vice Chancellor, Oxford University, 27 October 1964.
41 Imperial Calendar 1965, p.18.
43 Ibid, Heaton to Trend, 19 October 1965.
44 Ibid.
45 Ibid.
46 Imperial Calendar 1965, p.18.
48 PRO CAB 160/1, Balogh to Heaton, 25 April 1966.
49 PRO T 199/1164, Abbot to Armstrong, 24 June 1966.
50 PRO T 199/1063, Balogh to Petch, 13 February 1967.
Neild (40) initially received £6,100. Kaldor (56), as a part-time employee, was awarded £4,000.\textsuperscript{51} Kaldor somehow managed to compress his weekly Cambridge duties into the whole of Monday and Tuesday morning, making himself available to the government from Tuesday afternoon onwards.\textsuperscript{52} When Kaldor became full-time, his salary was worked out, as from November 1965, at £6,300, lower than that being earned by Balogh and Neild by this point. This caused Kaldor to complain, remarking to Abbot that ‘he was a Cambridge Professor and neither Mr. Balogh nor Mr. Neild would get anywhere near such eminence in the University World.’\textsuperscript{53} In comparison, in 1964, the Joint Permanent Secretaries of the Treasury, Sir Laurence Helsby and Sir William Armstrong, were paid £8,800,\textsuperscript{54} as was Sir Burke Trend, Secretary of the Cabinet.\textsuperscript{55}

Special advisers were entitled to certain Civil Service benefits. Balogh, for example, was employed by the Cabinet Office as a ‘temporary adviser’, receiving ‘sick and annual leave allowances’, superannuation and a pay review after 2 years. Resignation or removal from office required one month’s written notice on either side.\textsuperscript{56} Naturally, there was no security of tenure beyond this. In the run-up to the 1966 election, Balogh gave advance notice of his immediate departure from the Civil Service, in the event of a Labour defeat.\textsuperscript{57} Lord Croham, who, as Douglas Allen, was Permanent Secretary of the Treasury from 1968-74, recalls that the five special advisers described here

\textsuperscript{51} *Imperial Calendar 1965*, p.23.
\textsuperscript{52} PRO T 199/1164, ‘Note for the Record’, Abbot, 23 October 1964.
\textsuperscript{53} Ibid, ‘Professor Kaldor’, Abbot to Collier, 22 June 1966. In fact, Neild did reach this level.
\textsuperscript{54} *Imperial Calendar, 1965*, p.22.
\textsuperscript{55} Ibid, p.18.
\textsuperscript{56} PRO CAB 160/1, Heaton to Balogh, 9 November 1964.
\textsuperscript{57} Ibid, Balogh to Heaton, 21 March 1966.
were recruited on terms already in place for the temporary employment of economists.\textsuperscript{58}

Shortly after the appointment of the first group of special advisers, the First Division Association (FDA), the union representing senior career officials, approached the Treasury in order to voice concerns regarding this development.\textsuperscript{59} On 2 March 1965, Collier wrote to Abbot summarising FDA anxieties. These centred on ‘the way the Treasury has seemed to acquiesce in a rush of appointments, at high salaries, of people with political connections.’ This, the union felt, had negative implications for the career prospects of neutral permanent officials. Such fears were very difficult to placate.\textsuperscript{60} The FDA was also worried that special advisers might be given access to the papers of previous administrations. The concern was that politically appointed bureaucrats might not exercise discretion in the public discussion of advice tendered by FDA members in the past.\textsuperscript{61} Wilson, following a request for a ruling from the Cabinet Office, determined that Balogh should not have access to the papers of previous administrations. The position of Kaldor in this respect is not clear. Neild, however, was granted this right. In the words of Collier, Neild ‘can more reasonably be regarded as a civil servant, albeit temporary.’\textsuperscript{62} This description of Neild was probably inspired by the fact of his previous employment in the Economic Section.

\textsuperscript{58} Lord Croham in conversation with Andrew Blick.
\textsuperscript{59} PRO T 199/891, Ken Couzens, Chairman, First Division Association, Treasury Branch, to Collier, 18 November 1964.
\textsuperscript{60} Ibid, Collier to Abbot, 2 March 1965.
\textsuperscript{61} Ibid.
\textsuperscript{62} Ibid.
On 19 October 1964, in a letter to Trend, Heaton referred to ‘general principles which the Treasury may be formulating for temporary Civil Servants brought in at the instance of the new Government.’ Heaton was possibly alluding purely to a method of determining pay, rather than a broader set of rules relating to matters such as propriety. Whichever it was, no clear guidelines of any type materialised. As far as Croham (Douglas Allen) recalls knowing, no official code governing the conduct of special advisers existed during 1964-70. None was found in the PRO during the course of research for this work.

Although formal regulation was lacking, there was an understanding that special advisers would not compromise the neutrality of permanent officials or involve themselves in exclusively party political activities. In June 1965, Mitchell cautioned Balogh against habitually approaching Peter Jay, a Principal in the Treasury, when making Treasury-related inquiries. Jay, the son of Douglas and son-in-law of Callaghan, was particularly concerned that he should not come to be regarded as partisan. Kaldor’s personal papers show that not only did he devote a substantial quantity of his own time to activities such as drafting Labour pamphlets, but he also enlisted career officials in this.

When the 1966 general election loomed, Wilson, prompted by Trend, reminded Balogh that ‘he is a temporary civil servant and should so comport himself during the period of the Election.’ Cabinet Office staff were warned

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63 CAB 160/1, Heaton to Trend, 19 October 1964.
64 Lord Croham in conversation with Blick.
65 PRO PREM 13/518, ‘Research assistance for Dr Balogh: use of Peter Jay; Private Secretary wrote to Prime Minister’, 1965, Mitchell to Wilson, 17 June 1965.
that '[i]f there is any reason to suppose that he is failing to heed this injunction, Sir Burke Trend should be informed at once.' In the 1966 poll, Stewart contested, and lost, East Croydon for Labour. An agreement was arrived at before the contest that, were he unsuccessful in his bid to enter Parliament, he would be re-employed as a civil servant. However, in a meeting with Wilson, Trend emphasised the 'difficulty of so doing.' The decision caused 'quite a bit of anguish' for career bureaucrats. Furthermore, Balogh, to the disgust of career Whitehall, suggested that Stewart should come back at a higher salary. As Collier put it to Abbot at the time, 'if we are to avoid the impression of the Civil Service providing a convenience for political candidates between Elections, it is particularly important that the individuals concerned should at least not benefit financially from their resignation and re-employment.'

Further propriety questions related to the outside business contacts, additional occupations and financial activities of special advisers. Upon his recruitment, Kaldor decided to leave the Investment Advisory Board of his College, since inside Treasury knowledge would make his position awkward. He also had to relinquish his directorship of four investment trusts, worth £2,000 a year in total, as well as 'odd jobs with U.N., B.B.C., and journalism.' Balogh, Crossman and Paul Streeter, an economist who Balogh had helped place at the Ministry of Overseas Development, were Trustees of family funds for their

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67 PRO CAB 160/1, Note, 3 March 1966.
68 PRO T 199/1063, Collier to Abbot, 4 April 1966.
69 Ibid, Collier to Petch, 14 February 1967.
70 Ibid, Collier to Abbot, 4 April 1966.
71 PRO PREM 13/15, 'Press interest in recruitment of Dr Balogh and Mr Kaldor', 1964, 'Note', 4 November 1964.
72 PRO T 199/1164, 'Note for the Record', Abbot, 23 October 1964.
various children.\footnote{73} Changes in investments were potentially awkward, given the positions of the Trustees within the government. Balogh wrote to Trend in April 1965 to enquire whether it would be satisfactory to hand over decision-making responsibilities to a broker.\footnote{74} Trend raised this with Mitchell, who in turn approached Wilson. Wilson’s hand-written response was ‘[y]es, can’t stop these fellows’ tax dodging activities.’\footnote{75}

In November 1964, attempts were made from the Conservative benches in the Commons to raise security concerns related to Labour’s administrative innovation.\footnote{76} Balogh\footnote{77} and Kaldor\footnote{78} were both required to sign the Official Secrets Act, as all special advisers must have been. The two aides were both subject to positive security vetting, entailing active enquiry into an individual’s past and personal details.\footnote{79} A form from Balogh’s Cabinet Office personal file has a tick next to ‘M.I.5’ (ie: the internal Security Service), although ‘Yard’ (presumably meaning the Special Branch of the police) has a line through it.\footnote{80} Balogh’s referees for the personal vetting process were Wigg and MacDougall. The latter had to be chased to return the relevant form. ‘Field investigations’ were also a requirement.\footnote{81} Employment as a permanent civil servant was permitted for anyone who was a British subject and had resided in the country for five of the previous eight years.\footnote{82} Balogh and Kaldor, although both born

\footnote{73 See: PRO PREM 13/168, ‘Doctor Balogh’s family trust’, April-May 1965.}
\footnote{74 Ibid, Balogh to Trend, 14 April 1965.}
\footnote{75 Ibid, Trend to Mitchell, 3 May 1965.}
\footnote{76 House of Commons (HC) Debates, 10 November 1964, Cols 811-2.}
\footnote{78 PRO T 199/1164, ‘Note for the Record, Abbot, 23 October 1964.’}
\footnote{79 PRO PREM 13/15, ‘Nationality Rules: Dr. Balogh and Mr. Kaldor’, 3 November 1964.}
\footnote{80 PRO CAB 160/1, ‘Action Sheet – On Joining’, 17 October 1964.}
\footnote{81 Ibid, Heaton to Trend, 3 November 1964.}
\footnote{82 PRO PREM 13/15, ‘Nationality Rules: Dr. Balogh and Mr. Kaldor’, 3 November 1964.}

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in Hungary, fulfilled these requirements. However, the Cabinet Office, but not the Treasury, normally required its staff to be born in the Commonwealth, along with both their parents, although ministers could overrule this. Anyway, these regulations did not apply to temporary staff.

As well as Balogh and Kaldor, John Allen and Michael Stewart received basic, negative security clearance immediately upon their appointment, followed by positive vetting and it can be assumed that Neild did, too. The first wave of special advisers received a 'memorandum which sets out the policy of H.M. Government on membership of the Communist Party', which was given to all civil servants, permanent or temporary, upon their appointment.

Channels of communication and physical access to ministers were of great importance to special advisers. Throughout his time in Whitehall, Balogh sent Wilson a large amount of written material, discussed below, and saw him regularly. Mitchell, horrified by Balogh's assumption that he could call on the Prime Minister in the Cabinet room at any time, saw to it that Balogh was housed in 70 Whitehall. The Prime Minister's Principal Private Secretary also ensured that Balogh was not given a key to the permanently locked connecting door. Balogh therefore faced the indignity of having to ring a bell every time he wished to visit Wilson. A colleague recalls that Balogh was euphoric

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83 Ibid.
84 PRO PREM 13/15, 'Nationality Rules: Dr. Balogh and Mr. Kaldor', 3 November 1964.
85 PRO CAB 160/1, Heaton to Trend, 19 October 1964.
86 Ibid, Heaton to Balogh, 9 November 1964.
87 See, for example: Williams, Inside Number 10, pp81-2.
88 Mitchell in conversation with Blick.
upon moving into an office in Number 10 proper following the 1966
election, although, as will be shown, he was ultimately disappointed.

Cairncross suggested that Neild had a direct line of contact with the
Chancellor, fulfilling the role of personal aide to a greater extent than Kaldor.
Following the initial confusion regarding his role, Armstrong found Neild an
office, next to his own, on the second floor on the inner circle of the Treasury
building, Great George Street. Effectively, he could call in on Callaghan or
Armstrong whenever he wanted. However, Neild recollects that, ultimately,
he spent less time with Callaghan than Kaldor did, since the Chancellor of the
Exchequer devoted so much attention to taxation policy.

Like Balogh, Kaldor was not initially allocated a room in his desired location.
From the outset, Kaldor was, according to Abbot, 'very anxious to have a
room in' the main Treasury building. However, there was supposedly no
space, and he was housed in the Inland Revenue premises at Somerset
House. This was not satisfactory to him. In November 1964, he
complained to Armstrong that it was 'very difficult' to provide effective
general advice 'without having a room in the Treasury.' Eventually, in the
autumn of 1965, he moved there, taking up full-time employment at the same

89 Sir Christopher Foster in conversation with Andrew Blick, 3 April 2001.
91 Neild in conversation with Blick. Sir Kenneth Berrill, a Treasury adviser from 1967-9,
draws attention to the importance of being located in this part of the building. Sir Kenneth
92 Neild in conversation with Blick.
93 PRO T 199/1164, 'Note for the Record', Abbot, 23 October 1964.
94 Cairncross, The Wilson Years, p.6, diary entry for 19 October 1964.
95 PRO T 199/1164, 'NOTE FOR THE RECORD', Armstrong, 4 November 1964.
time. According to his biographer, Kaldor had immediate access to William Armstrong, but not Callaghan. However, as will be shown, he did send numerous papers directly to the Chancellor of the Exchequer. Inside Balogh’s small team, Allen had ‘direct access to the Prime Minister’, a privilege not afforded to Stewart. It will be demonstrated that informal contact with ministers was also important.

It is necessary to examine the extent of special advisers’ inclusion on Whitehall circulation lists and their attendance at official committees. On 22 October 1964, a ‘meeting of [Permanent] Secretaries’ was held in Trend’s office. At this, it was determined that Balogh should receive all papers and minutes of Economic Committees, Social Committees, (with the exception of the Home Affairs Committee) and the Queen’s Speech Committee. According to Shore, Balogh saw inclusion on key circulation lists as the most important prerequisite to the effective performance of special advisory duties. He coveted, but seemingly was never formally granted, access to the Prime Minister’s box, before it was sent to Wilson, in order that he could insert his own comments on the papers it contained. Balogh continually struggled to ensure that he was copied all of Wilson’s instructions ‘on the economic side’ as well as all of Trend’s similar minutes to the Prime Minister. In March 1967, Balogh complained to Wilson that this was not taking place.

96 Thirlwall, Nicholas Kaldor, p.231.
98 PRO CAB 160/1 Heaton to Abbot, 23 October 1964.
99 Ibid, Note by William McIndoe, Private Secretary, Cabinet Office, 23 October 1964.
100 Lord Shore of Stepney in conversation with Andrew Blick.
101 PRO PREM 13/3094, Balogh to Wilson, 2 March 1967.
102 Ibid.
At the October 1964 meeting in Trend’s room, the decision was also taken that Balogh was only to receive Top Secret papers when permission was given by the relevant permanent secretary. Defence related papers, which he had said he did not want, anyway, would not be available. Requests for Treasury or DEA materials were to be made by Balogh himself. It was assumed that Allen and Stewart would see all the papers received by Balogh, but they would not automatically be sent their own copies.¹⁰³ It seems there was an understanding that the materials made available to Balogh would tend towards technical rather than political discussions. In a letter to Halls from February 1967, Balogh referred to how it was deemed that some ‘general political talk is not fit for my young eyes.’¹⁰⁴ Balogh was never content with arrangements, suspecting that, as a result of permanent Civil Service conspiracy, he was not being made privy to all the information he needed.¹⁰⁵ Mitchell suggests that repeated failures to supply Balogh with certain papers may have been as much a product of the desire of ministers associated with the policy area concerned to keep Balogh at bay as Whitehall subterfuge.¹⁰⁶

In particular, Balogh sought to expand his access rights to include papers produced within the Treasury ambit. In November 1964, Armstrong resisted Balogh’s demands to be sent materials normally exclusively within the circle of the Chancellor of the Exchequer, on the grounds that that the Prime Minister was happy to deal with the matters that these related to orally.¹⁰⁷ In February 1966, Balogh requested access to materials produced by Treasury Committees

¹⁰³ PRO CAB 160/1, Note made by McIndoe, 23 October 1964.
¹⁰⁴ PRO PREM 13/3094, Balogh to Halls, 6 February 1967.
¹⁰⁵ See, for example: Williams, Inside Number 10, pp357-8.
¹⁰⁶ Mitchell in conversation with Blick.
¹⁰⁷ PRO CAB 21/5248, Armstrong to Trend, 6 November 1964.
dealing with 'capital balance...export incentives...[and] new taxes.' The Treasury response was to deny that these bodies existed. This scenario was sometimes reversed, with regular Whitehall feeling that it was being kept in the dark as to the activities of special advisers. Cairncross did not appreciate Kaldor's habit of initiating discussions on tables and papers which had not been circulated in advance.

Balogh sat on a variety of official committees, including, for example, the Public Expenditure Survey Committee (PESC), which he was invited to join in October 1965. When an Official Steering Committee on Prices and Incomes Policy was established in May 1966, Balogh was placed on the circulation list and asked to attend. However, Balogh still complained of being excluded from committees held under Treasury auspices. A document from March 1967 described Balogh as being 'free to roam around Cabinet Office Economic Committees' as he saw fit, even those he did not formally belong to. Balogh and his staff, it seems, between them either attended or were members of 'the whole field of Official Committees dealing with economic policy.' At this point, Kaldor was a member of the 'Statistical Policy Committee' and, along with Neild, the 'Official Committee on the Economic Implications of Entering Europe.' Kaldor occasionally appeared at the 'Export

108 PRO PREM 13/1955, 'Attendance of Economic Advisers at meetings of Cabinet committees: refusal of Chancellor of the Exchequer to allow Doctor Balogh, Prime Minister's adviser to see some papers', 'Treasury Committees', 1964-8, Balogh to Wilson, 1 February 1966.
111 PRO CAB 147/75, Balogh to Sir Richard Clarke, Second Secretary, Treasury, 21 October 1965.
114 Ibid, Stewart to Balogh, 6 March 1967.
Policy Committee.' Neild attended 'Possible International Economic Arrangements' meetings.\textsuperscript{116} It will be shown in Chapter VI that Balogh and Kaldor were excluded from one very important, highly secret, Treasury committee.

The Economic Advisers, according to MacDougall, was an unofficial body, initially consisting of Balogh, Neild, Kaldor, John Jukes (MacDougall's Deputy at the DEA), Cairncross and MacDougall, who normally took the chair.\textsuperscript{117} A formal status for this entity would have posed a greater challenge to the influence of the permanent machine, but did not come about. No doubt with this in mind, in an April 1966 submission to Wilson, Balogh proposed the establishment of a 'committee...under the Chancellor's chairmanship, and containing the Economic Advisers apart from the Permanent Secretaries.'\textsuperscript{118} While ministers often consulted the Economic Advisers on important macro-economic issues such as forecasts and assessments, MacDougall subsequently wrote that they were sometimes sidelined into 'specific questions like state pension schemes and even fisheries...to keep us too busy to have mischievous thoughts about things like the exchange rate.'\textsuperscript{119} The uncertain nature of this body is underlined by the fact that Neild does not recall its existence.\textsuperscript{120}

\textsuperscript{116} Ibid.
\textsuperscript{117} MacDougall, \textit{Don and Mandarin}, p.151.
\textsuperscript{119} MacDougall, \textit{Don and Mandarin}, p.151.
\textsuperscript{120} Neild in conversation with Blick.
MacDougall, Balogh, Kaldor and Neild also met, even more informally, without Cairncross present.\textsuperscript{121} Balogh, Kaldor and Neild sometimes participated in bilateral discussions held between the Chancellor of the Exchequer and other ministers\textsuperscript{122} or officials such as Sir Alexander Johnston, Chairman of the Board of Inland Revenue.\textsuperscript{123} They also attended, in an ex officio capacity, informal suppers that Wilson held at Number 10 for senior ministers and advisers.\textsuperscript{124} In this kind of company, special advisers tended to be more vocal and assertive than permanent officials.\textsuperscript{125} Temporary bureaucrats also often dominated discussion at meetings held in conjunction with regular civil servants, sometimes, at least in Cairncross's account, to the irritation of the latter.\textsuperscript{126} Of course, this did not necessarily mean they were more influential than their less outspoken colleagues.

Overview

The commitment possessed by special advisers to the existing administration was important. Their deliberations often centred on the party political merits of particular proposals.\textsuperscript{127} Aides were concerned particularly with the ideological content of government policy. In late 1966, for example, Kaldor and Balogh took interest in the potential effects of wage freeze proposals upon

\textsuperscript{121} Sir Donald MacDougall in conversation with Andrew Blick.
\textsuperscript{123} Cairncross, \textit{The Wilson Years}, p.46, diary entry for 5 April 1965.
\textsuperscript{124} Ibid, p.54, diary entry for 22 May 1965.
\textsuperscript{125} See, for example: Ibid, p.80, diary entry for 14 September 1965.
\textsuperscript{126} For an example of how Kaldor's loquacity was, for once, subdued, see: Ibid, p.210, diary entry for 13 May 1967.
\textsuperscript{127} For example: Ibid, p.102, diary entry for 12 December 1965.
productivity agreements and the low paid. Kaldor, in conjunction with the LSE-based social scientist Brian Abel-Smith, who later became a special adviser at the Department of Health and Social Security (DHSS) in 1968, developed proposals for increased family benefits to be subsidised through taxation of the better-off recipients, known as ‘claw-back.’ When measures had to be taken to defend sterling in autumn 1966, Kaldor and Abel-Smith’s ideas were championed by those within the Cabinet who wanted to be able to show that ‘our [Labour’s] deflation differs from Tory deflation because it doesn’t affect our social-service programme.’

Balogh conceived special advisers as bureaucratic antagonists, challenging established elements and practices within the Treasury-dominated Civil Service. As will be shown in the next chapter, once Balogh was employed within the administration, his theories of Whitehall incompetence and conspiracy were confirmed, in his own mind at least. However, frisson between insiders and outsiders was not inevitable. Cairncross found Neild a valuable colleague. Neild says that, following the initial difficulties surrounding his appointment, it was Armstrong who found him a role at the Treasury. For this reason, he ultimately felt more loyal to his permanent secretary than to his minister, Callaghan.
As far as policy was concerned, certainly, there were some disputes between permanent and temporary bureaucrats. It has been argued that the interventionist programme with which the latter were associated ran 'against the whole grain of thought' of Whitehall. Special advisers often favoured lower levels of unemployment than established elements within the bureaucracy, particularly the Treasury. Further divergence between special advisers and career civil servants, in relation to sterling and Selective Employment Tax (SET), will be discussed below. However, for Kaldor at least, the Treasury did not turn out to be quite the Whiggish institution of repute. In March 1967, he expressed the view to Cairncross that 'he had never expected to find the Treasury such a hotbed of Keynesians.' Balogh's problems with Treasury officials and other permanent civil servants were, in Cairncross's view, derived not exclusively from disagreements related to policy or organisation, but also from personality clashes.

During the course of 1964-7, battle-lines were not always clearly drawn between permanent bureaucracy and party political elements. Firstly, shared ideological goals did not automatically mean agreement over the means of achieving them. In early 1966, for example, Kaldor entered into a dispute with Crossman over how to provide mortgage subsidies for those whose earnings were too low for them to pay income tax. Secondly, disagreements over policy between temporary economists and permanent Treasury bureaucrats

138 See, for example: Ibid, p.1 fn.
were often related to struggles at Cabinet level. In late 1965, Callaghan asked his permanent officials to ‘arm him with answers to all the things [Balogh and Stewart]...had put the P.M. up to saying’ on the subject of deflationary cuts in public expenditure.\textsuperscript{140}

Kaldor’s family allowance claw-back proposal, referred to above, served to pit him against his own employer. In late 1966, a tremendous battle was fought between ministers over this matter. Initially, Callaghan refused to consider claw-back in conjunction with his proposed cuts on the grounds that the Budget should be devised in secret and its contents should not be dictated to him by other ministers. However, Callaghan then began to soften and on 20 December a paper on the subject, which Balogh helped prepare, was discussed by the Cabinet.\textsuperscript{141} This course of events provided evidence for the view that special advisers were actors in their own rights. Aides were sometimes entrusted with specific tasks by ministers.\textsuperscript{142} For example, in November 1964, Neild and Balogh were required to produce a paper on exchange controls, working alongside Cairncross.\textsuperscript{143} However, Cairncross detected reluctance on the part of some aides to produce merely “diagnostic” papers and these tended to lapse into discussions of ‘what should be done.’\textsuperscript{144}

A variety of personal difficulties arose from the appointment of special advisers. Crossman described how on one occasion during July 1965, the fact

\begin{itemize}
\item \textsuperscript{140} Cairncross, \textit{The Wilson Years}, p.98, diary entry for 1 December 1965.
\item \textsuperscript{141} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 2, p.173, diary entry for 20 December 1966.
\item \textsuperscript{142} See: Donald MacDougall, \textit{Don and Mandarin}, p.151.
\item \textsuperscript{143} Cairncross, \textit{The Wilson Years}, p.16, diary entry for 24 November 1964.
\item \textsuperscript{144} Ibid, p.102, diary entry for 12 December 1965.
\end{itemize}
that he and Balogh were privy to mutually exclusive sets of confidential material produced a 'curious hitch in our relationship... [n]either of us was informed about each other's sector and neither was sure how much the other knew. This meant that our conversation was inhibited."145 MacDougall writes that, at meetings of the Economic Advisers, Kaldor could 'at times be a problem', since he 'had a habit of going to sleep while everyone else was talking, and then waking up to make a long speech, sometimes – even more maddening – as if he had heard all that had been said.'146 As already discussed, the appointment of high-ranking special advisers could cause disquiet amongst career bureaucrats.147

Observers of British politics have drawn attention to the problem of 'overload', arguing that the enlarged post-war role of the state has imposed an unbearable burden upon the administrative machine, resulting in a decline in the quality of government.148 Special advisers helped tackle this problem, in a variety of ways. Their party political commitment and the specialist skills some of them possessed gave them particular value in this respect. Kaldor's economic expertise, Crosland and Crossman both agreed, made him 'immensely useful.'149 As Minister of Housing and Local Government, Crossman sometimes sent papers to a 'brains trust which includes...Neild at

146 MacDougall, Don and Mandarin, p.152.
147 See, for example: Cairncross, The Wilson Years, p.7, diary entry for 19 October.
the Treasury and Tommy Balogh. The likes of Stewart helped supply party political and ideological content for speeches.

Special advisers also created the possibility of more meaningful participation in Cabinet discussions. Writing in 1965, Crossman described how '[m]y successful interventions in Cabinet Committees and at Cabinet are largely occasioned by a talk beforehand with a few people who have access to all the Cabinet papers – Nicky Kaldor, Tommy Balogh...and who want to have a certain view put forward. Because most Ministers aren't briefed in this way our discussions are lifeless.' However, some special adviser activity increased the load on government. Balogh created work for officials through querying assumptions and practices, and showered the Prime Minister with memoranda and correspondence. He attempted to enlist Wilson in his struggle for the receipt of official papers. Balogh's association with personal tension within the Prime Minister's Office, was, Mitchell recalls, an unwelcome distraction from more serious concerns. As will be shown, Balogh's activities also served to exacerbate disagreements over Europe, a

154 Evidence of this is contained in PRO CAB 147 'Cabinet Office: Economic Adviser to the Prime Minister: Records', PREM 13/3094 and assorted other PREM 13 files.
155 See, for example: PRO PREM 13/1955, 'Treasury Committees', Balogh to Wilson, 1 February 1966.
156 Mitchell in conversation with Blick.
policy area which Hennessy describes as ‘the great stress creator of late-twentieth-century Cabinets.’\footnote{157

An important theme in this study is that of special advisers as participants in the political process on their own accounts. Here, attention should be drawn to ‘core executive’ theory.\footnote{158} This portrays government as a process of interaction between officials and ministers, where outcomes are a product of the exchange of resources, such as information and authority, between these agents.\footnote{159} The core executive is the body of institutions and practices within which these activities take place.\footnote{160} It has already been suggested that special advisers, rather than being mere tools of their employers, were actors in their own rights. This idea is in keeping with core executive theory, which rejects the command model of government.\footnote{161} It could be argued that, for special advisers, the exchange of resources described by core executive theorists took place when, as well as carrying out tasks entrusted to them, they were able to obtain ministerial support for their own ideas.

The use of aides must also be considered in relation to the idea of political consensus. From the late 1960s, a number of historians began to argue that, at some point during the 1940s or early 1950s, a ‘broad agreement’ emerged at élite political level ‘over certain fundamentals of government policy’ including ‘Britain’s world role, the welfare state, the mixed economy, and the goal of

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157 Hennessy, The Prime Minister, p.311.
158 For a summary of core executive theory, see: Martin J. Smith, The Core Executive in Britain, pp1-8.
160 Ibid, pp4-8.
full employment. The consensus, according to those who believe it existed, broke down in the 1970s, particularly following the establishment of Margaret Thatcher’s Conservative administration in 1979. Since the late 1980s, the idea has been portrayed, by some, as a myth.

The 1960s have been depicted as a decade in which, while agreement over goals still existed, the consensus was under strain because it was seen to be failing. This led to a search for new methods which might make it work again. In particular, as a result of low growth rates, Keynesian demand management gave way to more hands-on intervention. The introduction of special advisers, then, might be portrayed as one aspect of the broad attempt to save the consensus through the use of dirigiste economic management. However, the recruitment of aides of marked party political commitment could be taken as contradicting the notion of there being a high level of agreement between senior politicians and civil servants. If there was a consensus, it could be argued, why was there a need for partisan counsellors? Nevertheless, in this context, it is interesting to note that, as will be shown in Chapter IX, a rapid growth in numbers of special advisers took place during the 1970s, coinciding with the break-down in the supposed settlement.

‘The Terrible Twins’

There was much contemporary media interest in the special adviser experiment, focusing in particular on Balogh and Kaldor, whose appointments were front-page news.\textsuperscript{165} This extended beyond the broad-sheets\textsuperscript{166} to include newspapers not generally associated with the in-depth treatment of bureaucratic matters. For example, the pro-Conservative \textit{Daily Express} found space for the two ‘experts from Budapest’ alongside its more typical society profiles and human-interest stories.\textsuperscript{167} This high level of attention was felt by some insiders to be out of all proportion with the actual influence exercised on ministers by Balogh and Kaldor.\textsuperscript{168} The victims of thinly-veiled racial abuse in the Press, dwelling on their foreign origins and left-wing views,\textsuperscript{169} Balogh and Kaldor were frequently referred to by journalists as the ‘terrible twins’,\textsuperscript{170} the ‘Hungarian Mafia’,\textsuperscript{171} ‘B and K’ (after Bulgarian and Kruschev, the Soviet leaders)\textsuperscript{172} and ‘Buda and Pest.’\textsuperscript{173} Hungarian (and no doubt Jewish) origins were portrayed by some on as indicative of an intention to implement Soviet-style communism.\textsuperscript{174} The level of negative press attention they received

\textsuperscript{165} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.36, 29 October 1964.
\textsuperscript{166} See, for example: ‘Economic Adviser’, \textit{Daily Telegraph}, 29 October 1964.
\textsuperscript{167} See, for example: ‘Callaghan calls in tax expert’, \textit{Daily Express}, 30 October 1964.
\textsuperscript{168} Cairncross, \textit{The Wilson Years}, p.23, diary entry for 10 December 1964.
\textsuperscript{169} Thirlwall, \textit{Nicholas Kaldor}, pp230-1. See, for example: ‘Callaghan calls in tax expert.’
\textsuperscript{170} Barbara Castle, \textit{The Castle Diaries 1964-70}, p.27, fn.
\textsuperscript{171} Thirlwall, \textit{Nicholas Kaldor}, pp230-1.
\textsuperscript{172} Ibid, p.231.
\textsuperscript{174} Thirlwall, \textit{Nicholas Kaldor}, p.230.
possibly undermined their positions inside the government. Journalists from the Express Group, including Chapman Pincher, pursued a particular vendetta against the two economists. In November 1964, Pincher suggested that their appointments breached regulations governing the recruitment of foreigners into the Civil Service. Even Kaldor's 82-year-old mother was subject to journalistic harassment.

The notion of the special adviser as member of an alternative establishment is important to this study. It is possible to make a strong case for Balogh and Kaldor as social outsiders drawn into a traditional administrative environment. During the Second World War, although both naturalised subjects by this point, as ‘aliens’, Balogh and Kaldor were not allowed to serve as temporary civil servants, surely a frustrating outcome for both men. Prejudice against the two economists went to the highest levels in British society. Keynes, enraged by their opposition to the Bretton Woods agreement, once expressed the view, privately, that they, ‘like many Jews, are either Nazi or Communist at heart.’ Gaitskell recorded Alan Lennox-Boyd, the Conservative Colonial Secretary from 1954-9, referring disparagingly to Balogh as ‘that Hungarian Jew.’

As Prime Minister, in March 1963, provoked by Kaldor’s public support for floating sterling, Macmillan sent his Chancellor of the Exchequer, Reginald

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176 Details of this press campaign are contained in: PRO PREM 13/15.
177 Thirlwall, Nicholas Kaldor, p.76 and MacDougall, Don and Mandarin, p.35 and p.61.
178 Keynes was certainly referring to Balogh here and probably Kaldor as well. Robert Skidelsky, John Maynard Keynes, Vol. 3, p.445.
Maudling, a minute which stated that ‘I am afraid that the Budapest Group – B. and K. – Balogh and Kaldor are not valuable immigrants.’ Maudling’s reply was that ‘I am afraid B. and K. does not appear to be a happy combination of initials.’ In November 1964, Conservative MP Wingfield Digby asked in the Commons whether it was ‘wise...to pay outside economists of foreign extraction to create chaos in Britain?’ Shortly after his appointment as a special adviser, Balogh claimed to have received a letter from a man he considered a friend, Lord Boothby, recommending that he ‘should go back to Hungary “where there was much work to be done.”’

Such attitudes were to some extent present inside Labour as well. Recording a visit to Cambridge in March 1951, Dalton’s diary reads ‘[d]ined in Hall in King’s with Kaldor. Oh, but against that tremendous background of my old college, physical, spiritual and memorial, he seems an in-comer – a small, slightly displaced person!’ Balogh and Kaldor were often lazily referred to as an item, even by supposed allies. In August 1965, Wigg, for example, provoked by their support for devaluation, denounced them as ‘Hungarian traitors.’ The aforementioned Aims of Industry pamphlet dwelt upon superficial similarities between the two, as did sections of the press. The fact that two Hungarians, born within a street of each other in Budapest, and

182 HC Debates, 10 November 1964, Col. 812.
183 PRO CAB 160/1, Heaton to Mclndoe, 13 November 1964.
184 Ben Pimlott (ed.), The Political Diary of Hugh Dalton, p.508, diary entry for 2-4 March 1951.
186 Christopher George and Simon Bewlay, Advice- And Dissent, p.2.
187 See, for example: ‘Callahgan calls in tax expert.’
who had attended the same school (the Minta Gymnasium, founded by
Balogh’s great uncle), had simultaneously become senior advisers to a British
government was certainly remarkable.188 However, the portrayal of Balogh
and Kaldor as of a piece was facile. They ‘were the closest of friends…but
equally the greatest of competitors.’189 There were clear personal and
theoretical distinctions between them.190 As the Financial Times put it,
‘Balogh…is often shaky on theory and woolly on statistics: his interests are
essentially worldly and political…Kaldor…essentially unworldly…is happiest
in the remoter reaches of theoretical abstraction.’191 As this description
suggests, Balogh was a political animal. Indeed, he was often taunted by the
other Economic Advisers, Neild recollects, for his opportunism.192 Kaldor was
generally more well-liked than Balogh.193

Wilfred Beckerman, an economist and colleague of both men in academia and
government, suggests that, as an economist, Kaldor was a great believer in
models, which Balogh mistrusted, preferring to rely on his instincts. In
Beckerman’s view, however, Balogh’s judgements, although arrived at by
obscure means, were often more sound than Kaldor’s theoretical deductions.194
A task which often fell to Neild was the establishment of agreement between
the senior outside economists when they combined to make joint
recommendations to their ministers, notably about devaluation. This, Neild
recalls, was made particularly difficult by Balogh and Kaldor’s tendency to

189 Ibid, p.197.
190 Wilfred Beckerman in conversation with Andrew Blick.
192 Neild in conversation with Blick.
193 ‘Mr Wilson’s S.C.R.’
194 Beckerman in conversation with Blick.
break out into personal quarrels. In policy terms, broadly speaking, Balogh put his faith in economic controls, while Kaldor believed in the use of fiscal measures and the floating of sterling, as will be shown.

195 Neild in conversation with Blick.
Chapter V

Biographies

Theakston has drawn attention to the lack of literature in the area of Civil Service "group biography" – the mapping of the networks, connections and career linkages of an elite group.¹ It is one aim of this work to help fill the gap described by Theakston, as far as special advisers are concerned. As has been shown, unlike permanent civil servants, special advisers were recruited as individuals with particular qualities. This heightens the value of personal studies of them. The three special advisers selected for profiles are Allen, Balogh and Kaldor. Allen's inclusion results from the fact that he was a non-expert, political special adviser. Kaldor was a particularly notable academic, and became an important policy aide. Extended space has been given to Balogh, for a number of reasons. His importance as an instigator of the special adviser has been discussed. He was the most high-powered of the first batch of this new type of temporary adviser, particularly close in his relationship with Wilson.² Balogh was a significant figure, often portrayed as a difficult personality. From a more practical point of view, the large quantity of primary material generated by and referring to him warrants a full-scale investigation. Nevertheless, throughout this work, consideration has been given to the need to avoid over-representation of Balogh.

¹ Kevin Theakston, Leadership in Whitehall, p.3.
² A selection of letters from Balogh to Wilson can be found in PRO PREM 13/3094, 'Miscellaneous correspondence on economic matters between Thomas Balogh and Prime Minister', 1964-70.
John Allen

John Allen’s significance was a consequence not so much of great personal achievement on his part, but of the fact that he was an early example of a non-expert, political, special adviser, the type of which became more common in later years, as will be shown. The nature of both his role and his departure related to his involvement in the group of allies, centring on the person of Wilson. Allen worked ‘in association with Mr. Balogh, but not, essentially, on economic matters’, possessing direct access to the Prime Minister.\(^3\) The son of Sidney Scholefield Allen QC, the Labour MP for Crewe from 1945-74,\(^4\) he was close to Shore, for whom he worked at the Labour Research Department\(^5\) for five years prior to 1964.\(^6\) Involved at leadership level in the organisation of the bid for power, Allen travelled with Wilson during the 1964 campaign.\(^7\) In this sense his appointment was an outcome of the division of the spoils of victory.

Employed as a special adviser in the Cabinet Office, Allen served on Balogh’s staff,\(^8\) although as has been shown, he had direct access to Wilson. He was one of the small group present with Wilson at the Adelphi Hotel, Liverpool, when the first constituency results of the 1964 election were announced.\(^9\) Allen therefore possessed personal and physical proximity to the leadership, before and after Labour’s success at the polls. While, after October 1964,

\(^3\) PRO CAB 160 1 Heaton to Abbot, 23 October 1964.
\(^5\) Lord Shore in conversation with Andrew Blick.
\(^6\) PRO CAB 160 1, Heaton to Trend, 19 October 1965.
\(^7\) Tony Benn, *Out of the Wilderness*, p.149, diary entry for 4 October 1964.
Allen had been imported into the bureaucracy, he remained a member of Wilson's inner circle, now known as the Kitchen Cabinet. He took it upon himself to ensure that regular meetings of this group took place.

According to Mitchell, Allen's role was unclear to all concerned, except in so far as he was supposed to 'help Marcia [Williams]. One of his functions was to facilitate communication between the party political components of the administration. For example, following his 1964 appointment as Postmaster General, Benn felt isolated from Wilson's inner circle. In Allen he saw 'an excellent channel...to the P.M.' As he had done before the election, as a special adviser, Allen contributed to the development of general political strategy. Wilson used Allen to scrutinise the party political implications of policy proposals, and to follow up prime ministerial suggestions to departments. This could be an awkward business for Allen if it involved dealing with Labour colleagues on a now transformed basis. As a partisan element within the bureaucracy, Allen was suspicious of representatives of the permanent Civil Service. For instance, in Benn's account, he felt that the women employed in the Number 10 secretary pool 'were deb types and he wouldn't trust any of them.'

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12 Sir Derek Mitchell in conversation with Andrew Blick.
Allen was not a great success as a special adviser. Joe Haines, who, as Wilson’s press secretary, in and out of office, from 1969-76, had various dealings with Allen, regards him as a lightweight figure. Allen left his post in May 1965, for reasons unclear to Shore. According to Pimlott, during 1964, Allen engaged in a ‘brief, doomed, affair’ with Marcia Williams. Williams barely makes any reference to Allen in her memoir of the 1964-70 administration, beyond the statement, made twice, that he ‘had been with us in 1964’. According to a well-placed source, as well as the liaison with Williams, whatever he may have told Benn about the ‘deb types’ of the Downing Street secretarial pool, Allen formed similar relations with a number of them as well. The extent of his impropriety forced his departure from Downing Street.

Nicholas Kaldor

Born in Budapest in 1908, Nicholas Kaldor came to London in 1927 to study at the LSE. Lionel Robbins describes him as one of a particularly good batch of staff appointments to the School’s Economics Department from the 1930s. In 1940, Kaldor, along with the rest of the LSE, was evacuated to Cambridge, where he elected to live permanently in 1945, in 1949 accepting a Fellowship

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19 Joseph Haines in conversation with Andrew Blick, 11 July 2002.
20 Lord Shore in conversation with Blick.
21 Pimlott, Harold Wilson, p.347. This has been corroborated by others. Private information.
22 Marcia Williams, Inside Number 10, p.325 and p.332.
23 Private information.
24 Ibid.
25 Anthony P. Thirlwall, Nicholas Kaldor, p.15.
26 Ibid, p.18.
at King’s College. He was a long-term friend of Hugh Gaitskell and, in appointing Kaldor as a special adviser, Callaghan was honouring the deceased Labour leader’s pledge to employ the economist in a future administration.

In February 1959 Gaitskell told Robert Hall that he wanted ‘to bring N. Kaldor in to advise on tax questions.’ This does not mean that Kaldor should be regarded as a member of the Gaitskellite faction, rather he was, in the words of Shore, ‘his own man.’

Cairncross described Kaldor as ‘a highly ingenious, fertile and knowledgeable economist with great faith in the power of taxation to make the economy work better; entertaining but rarely stopped talking.’ His party affiliations were clear, and his wife, Clarissa, was a Labour councillor in Cambridge. As an aide, he devoted considerable attention to drafting Labour pamphlets, briefing ministers for public debates with Conservative politicians and continued his participation in party policy committees. According to Thirlwall, Kaldor was ‘a professed and committed Socialist’ who sought to achieve his ends not through revolution, but fiscal innovation. Kaldor’s particular role was to advise the Chancellor of the Exchequer on taxation, although, as will be shown, he expanded his brief far beyond this. During his time as a special

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28 Thirlwall, Nicholas Kaldor, p.76, p.100 and pp110-1.
29 Ibid, p.228.
31 Lord Shore in conversation with Blick.
34 See: Kaldor Papers, NK 10/5.
adviser during the 1960s, Kaldor held the view that fiscal measures could provide a solution to almost any problem.37

In Brittan’s opinion, of all the special advisers appointed during 1964-70, Kaldor was clearly the intellectual heavyweight.38 However, unlike, for example, Keynes, whose *General Theory* is regarded a definitive theoretical treatise, Kaldor produced no single masterpiece of this type. For this reason, interpretations of his total body of work are subject to greatly varying emphases. What is not in doubt, however, is Kaldor’s significance as an economist.39 While this is not the place for a full analysis of his thought, it is necessary to investigate the background to the policy approach Kaldor took from 1964. Sir Douglas Wass, who was Permanent Secretary to the Treasury during Kaldor’s second, 1974-6 spell as a special adviser, was personally and professionally very close to Kaldor, whom he describes as a fervent Keynesian, with his own particular slant on the doctrine. For as well as believing in broad macro-economic demand management, Kaldor held that certain particular forms of beneficial economic behaviour could be strongly encouraged by the state, particularly through the use of fiscal innovation.40 Similarly, Neild describes Kaldor as an inventor of ‘gadgets’ designed to achieve ends deemed desirable, such as the more equal distribution of wealth, or accelerated economic growth. Intended to deliver the latter, SET, which

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38 Sir Samuel Brittan in conversation with Andrew Blick.
will be examined in the following chapter, was perhaps the best example of this kind of endeavour.41

In the late 1920s and early 1930s, Kaldor's outlook was orthodox, influenced by liberals such as Robbins and F. A. Hayek.42 However, during the mid-1930s, he was converted to the ideas of Keynes. Douglas Jay refers to how, by this time, Kaldor had developed an interest in the use of taxation for the social benefit of lower unemployment.43 Another early influence was Allyn Young, who lectured at the LSE in the late 1920s. Young was a great believer in increasing returns to scale in manufacturing industry.44 The significance of this will become apparent in Chapter VI's study of SET. Kaldor's 1951-4 participation in the Royal Commission on the Taxation of Profits and Income 'turned him into one of the world's leading experts on tax theory and policy.' During this period, in the interests of social equality, Kaldor advocated the introduction of levies on capital gains as well as the separation of personal and company taxation.45 Another significant development in Kaldor's thought was his support, dating back as least as far as 1952, for a floating rate for sterling, as a means of obtaining balance of payments equilibrium and export-led growth. This was, he felt, a better means of adjustment the than use of devaluation within a fixed-rate system.46

41 Robert Neild in conversation with Andrew Blick.
42 Lawson, Palma and Sender (eds), Kaldor's Political Economy, p.2.
43 Douglas Jay, Change and Fortune, p.51.
44 John Hicks, 'The assumption of constant returns to scale' in Lawson, Palma and Sender (eds), Kaldor's Political Economy, p.9.
45 Thirlwall, 'Kaldor as a policy adviser', pp128-9.
From 1964, Kaldor's contribution to policy was considerable. For example, he was closely involved with the taxation aspects of the 1965 Budget, which Crossman attributed to him. These consisted of two major new measures, Corporation Tax and Capital Gains Tax. Both were the product of a long dialogue within the Labour movement dating back to the 1950s. Corporation Tax, described by Callaghan as 'a new landmark in our fiscal history', formally separated taxation on individuals from that levied on companies. Since it was to be imposed on distributed as well as undistributed profits, in theory, the result would be an increase in the incentive for corporations to invest rather than pay out dividends. The tax was designed in such a way as to discourage foreign investment. This latter aspect brought about strong resistance from the Bank of England. Critics had long argued that such a measure entailed the introduction of 'double taxation' on company profits. Cairncross gives an account of how Kaldor's skilled advocacy guided this through the official committee phase. Kaldor also briefed Treasury ministers for the public defence of Corporation Tax.

The development of Capital Gains Tax involved the formation of an alliance between Kaldor and Inland Revenue officials, who believed in the taxation of

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47 For a list of his papers from this period, see: Kaldor Papers, NK 10/2, ‘6 Treasury Memoranda by NK’, 1965-7, ‘Memoranda by Professor Kaldor.’
50 For evidence of Kaldor's contribution to this, see PRO T 171/806, 'Corporation tax', 1965.
51 HC Debates, 6 April 1965, Cols 254-5.
52 PRO T 171/806, Sir Alexander Johnston, Chairman of the Board of Inland Revenue, to Callaghan, 6 November 1964; and HC Debates, 6 April 1965, Cols 265-9.
54 Ibid, 6 April 1965, Cols 254-5.
55 See, for example, Cairncross, *The Wilson Years*, p.36, diary entry for 2 February 1965.
56 PRO T 171/806, ‘Corporation Tax’, Brief for the Financial Secretary by Kaldor, 8 April 1965.

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gains from gilt-edged securities, against the Treasury. Its objective was to achieve greater equality between wage earners and those whose incomes were based on ‘gains realised on assets’, which were previously immune from taxation. By this means, the potential for tax avoidance could be reduced and greater goodwill obtained from the trades union movement towards the development of an incomes policy. The Economist was sceptical regarding both Capital Gains Tax and Corporation Tax, stating that ‘[t]he best that might be said of the claimed economic advantages [of both] is that these are something about which informed opinion might easily disagree.’ An area in which Kaldor failed to achieve a long-term objective was the establishment of greater fiscal equality between the self-employed, who were able to offset expenses against income, and employees, who were not. No progress was made in terms of his ambitious plan for an expenditure tax.

Kaldor’s powerful presence probably resulted in an overrepresentation of fiscal innovation in government policy during 1964-7, a fact which had political and cultural resonance. Wigg felt that the 1965 Budget was over-complicated. The 1966 Conservative manifesto complained of how ‘[c]omplicated tax penalties are sapping individual enterprise.’ The policies Kaldor helped develop received the ultimate backhanded compliment when, in

58 Thirlwall, Nicholas Kaldor, p.239. For Kaldor’s considerable contribution in this area, see: PRO T 171/805, ‘Capital Gains Tax’, 1965.
59 HC Debates, 6 April 1965, Col. 245.
60 ‘Is Virtue Enough?’, The Economist (10-6 April, 1965).
63 Lord Wigg, George Wigg, p.321.
1966, they became the subject of a (critical) song written by George Harrison of the Beatles.65

Kaldor’s relations with his ministerial employer were not always good. A former Inland Revenue officer, Callaghan may have shared with Kaldor an interest in fiscal matters,66 but in fact the Chancellor was not very patient with his special adviser.67 Indeed, partly because of this friction, during 1965, it appeared that Kaldor might be moved to the Ministry of Housing and Local Government.68 In one account, Cabinet support for Abel-Smith and Kaldor’s previously mentioned claw-back scheme forced a highly sceptical Chancellor of the Exchequer to consider resignation in early 1967.69 Nevertheless Kaldor understood the importance of his relationship with his employer. His papers suggest that he produced 110 memoranda during 1964-8. Of those where a recipient is indicated, nineteen are marked ‘Chancellor.’70

Kaldor’s early difficulties in finding a room inside the Treasury have been discussed. These related to a more general dissatisfaction he initially experienced. In late 1964, obviously feeling out of the loop, he ‘mentioned to the Chancellor that he feels he would be more useful if he were brought in at a rather earlier stage in the formation of policy and drafting of memoranda.’71

70 Kaldor Papers, NK 10/2, ‘Memoranda by Professor Kaldor.’
71 PRO T 171/805, ‘Capital gains tax’, 1965, Ian Bancroft, Principal Private Secretary to the Chancellor of the Exchequer, to Sir Alexander Johnston, Chairman of the Board of Inland Revenue, 18 December 1964, 18 December 1964.
Ultimately, however, as suggested, he was able to achieve great influence.

Participation in the Radcliffe Commission afforded Kaldor an insight into the workings of the Civil Service, assisting him in the conduct of relations with career bureaucrats from 1964. He could, however, be difficult. Kaldor had certain exasperating tendencies, for example being prone to falling asleep during meetings, as previously mentioned. He was ‘very inconsistent at times’, for example regarding the matter of how much deflation was required from the 1965 Budget. A number of colleagues have noted his obstinacy, although it seems if he could be shown to his own intellectual satisfaction that he was wrong over an issue, he reversed his position without fuss.

The transition from academia to bureaucracy was not entirely smooth. Kaldor could be ‘too theoretical.’ He did not, it seemed, enjoy the restrictions on freedom of speech that employment in the Civil Service entailed, surely a problem shared with many special advisers. There was a certain stigma attached to him as being an adviser with a track record for ‘getting governments overthrown.’ Critics from the right gleefully drew attention to the fact that, in 1961, severe rioting had erupted in Ghana following the introduction of a Budget the taxation aspects of which he had advised on. There were supposedly other examples, internationally, of Kaldor provoking

72 Thirlwall, Nicholas Kaldor, p.232.
74 Including Croham. Lord Croham in conversation with Andrew Blick.
75 Wilfred Beckerman in conversation with Blick; and Sir Donald MacDougall in conversation with Blick.
76 MacDougall in conversation with Blick.
77 Thirlwall, Nicholas Kaldor, p.246.
79 See, for example: Christopher George and Simon Bewlay, Advice- And Dissent, p.5; and HC Debates, 10 November 1964, Col. 812.
civil unrest. In April 1965, when Kaldor attempted to suggest to Callaghan how public opinion might be effected by the forthcoming Budget, Callaghan replied "[w]ell we haven't had a revolution yet! And if we do, I'll see to it that you get pushed in front of the crowd."81

Thomas Balogh

Thomas Balogh was born in Budapest in 1905.82 Having studied at Budapest, Berlin and Harvard, he arrived in Great Britain in 1930 and began lecturing at Balliol College, Oxford in 1940.83 Prior to 1964, he provided economic advice to a number of governments including those of India, Malta, Mauritius and Greece.84 He was a Fellow of Balliol College, Oxford from 1945-73.85

Balogh, as previously discussed, made a significant contribution to Labour's official 1964 policy objectives. While Kaldor was a Keynesian, Balogh rejected the macro-economic methods advocated by disciples of this school, favouring dirigiste, hands-on intervention. In February 1965 he wrote that 'o[n]e of the great failures of economic policy in recent years was the belief that changes in taxes and interest rates could secure economic objectives. We must deal in a much more direct and physical way with particular variables.'86

Owing to the importance of his role, the origins of Balogh’s central principles

82 PRO CAB 160/1, ‘Mr. T. Balogh – Biographical Note’, October 1964.
83 CAB 160/1, ‘Mr. T. Balogh – Biographical Note.’
84 Ibid.
85 Ibid., p.1, fn.
and the way these manifested themselves during his spell in Whitehall merit examination.

During the 1920s, Hungary battled against financial, budgetary and balance of payments difficulties.\textsuperscript{87} This may help explain why, as with Kaldor, Balogh’s initial views as an economist, dating from the late 1920s, were conventional for their time, conditioned by the belief that the restraint of inflation ought to be the primary concern of policy-makers. However, the worldwide slump of the early 1930s prompted a change in his outlook.\textsuperscript{88} This was the beginning of Balogh’s conversion to socialism. In the late 1920s, he was awarded a series of traineeships at central banks, including the US Federal Reserve and the German Reichsbank.\textsuperscript{89} At the Reichsbank, Balogh worked under its President, Hjalmar Schacht, a man of whom Balogh was already an admirer, who served as Hitler’s Minister of Economic Affairs from 1934-7.\textsuperscript{90}

While, at this stage, neither Balogh nor Schacht subscribed to the unorthodoxies with which they later became associated,\textsuperscript{91} the intellectual development of the former was influenced by the practical activities of the latter, as will be shown. Balogh later wrote that, by the mid-1930s, ‘it was obvious to all who did not want to be blind that the economic systems of the West, based on decentralised decision-making, were confronted with a planned

\textsuperscript{88} Thomas Balogh, \textit{Unequal Partners}, Vol. 2, pp1-3.
giant [Nazi Germany] dedicated to destructive dominance and of increasingly superior economic and military strength.\textsuperscript{92} Healey noted that, at Oxford in the late 1930s, Balogh ‘warned us not to imagine that the Nazi’s economic policies would fail in their objectives.’\textsuperscript{93}

Residing in Britain from 1930, Balogh was taken under the wing of the leading radical economist of the time, Keynes.\textsuperscript{94} Douglas Jay’s memoir describes how, during 1933, Balogh was ‘working in the City as a protégé of Keynes.’\textsuperscript{95} However, Balogh’s relationship with his mentor was to end in acrimony.

During the course of the Second World War, Balogh became a leading opponent of the emergent post-war settlement between Britain and the US, as encapsulated in accords such as the Bretton Woods agreement.\textsuperscript{96} His motive was an objection to the US agenda for ‘making trade and payments as free as possible and...restoring currency convertibility at an early date’ on the grounds that this did not serve Britain’s interests.\textsuperscript{97}

Again, this view related to the perceived successes of Schacht, who built up a system of bilateral trade with a group of mainly Balkan and Latin American states during the 1930s.\textsuperscript{98} Through this, Germany was able to achieve full

\textsuperscript{92} Balogh, Unequal Partners, Vol. 2, p.4.
\textsuperscript{93} Healey, The Time of My Life, p.30.
\textsuperscript{94} Balogh, Unequal Partners, Vol. 2, p.2.
\textsuperscript{95} Jay, Change and Fortune, p.51.
employment without balance of payments problems. Moreover, the
countries with which Germany traded, Balogh argued, also benefited from this
arrangement. He was not, of course, a supporter of the political objectives
and warlike tendencies of the Nazis. In the 1940s, Balogh was united in his
bilateralist views with the Oxford economist and estranged Keynes colleague,
Hubert Henderson, in opposition to Robbins, James Meade of the Economic
Section, and, most significantly, Keynes. As a result, Balogh, who was, as
he put it, ‘under no illusions about the vigour of the wrath to come’, was
permanently ostracised by his former patron.

At a rare social engagement between the two men in 1965, Balogh told
Cairncross that ‘[h]is hero was [Hubert] Henderson.’ Although not a
socialist, some of Henderson’s activities and ideas prefigured Balogh’s. As
Assistant Secretary and then Joint Secretary to the Economic Advisory
Council from 1930-4, he was ‘[Ramsay] MacDonald’s personal economic
adviser…for the first time in British history, the prime minister had an
economic adviser, working within the Government machine yet independently
of the Treasury.’ The parallels with Balogh’s career are clear. As a
temporary Treasury recruit during the Second World War, Henderson
participated in discussions regarding the form that expert advice might take in
peacetime. He argued that, rather than neutral technicians, politicians required

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102 See, for example: Alec Cairncross (ed.), *The Robert Hall Diaries, 1947-53* (London: Unwin
partisan aides. The result would be clear-outs in personnel upon changes of party administration. It is likely that Balogh's demands for measures which resulted in the instigation of the special adviser, were influenced by Henderson's outlook.

Balogh's objectives in the 1960s reflected the long-held ideas described above. As a socialist he sought '[t]he supremacy of social over private interest.' He saw the Soviet Union of the 1960s as a threat to the democratic world, of even greater magnitude than the Nazi one had been, for the same reason, namely the superiority of centralised organisation. The only way to meet this menace, Balogh argued, was to concentrate more economic power in the centre, without adopting the brutality which often characterised Communism. This explains his advocacy of indicative planning, to be carried out by a department created for that specific purpose, the DEA. By this time, Balogh was a leading representative of what was known as the structuralist view of British economic weakness. He argued that the attainment of growth without inflation required the successful implementation of an incomes policy. This was to be conducted in the broader context of a national economic plan. Balogh had been convinced of the need for an 'incomes policy based on social consensus' at least as far back as 1941.

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106 PRO CAB 87/72, Sir Hubert Henderson to Thomas Padmore, 4 February 1943.
109 Ibid, p.47.
Another important theme for Balogh for much of his career was the problem of lack of international liquidity, which he felt hampered the pursuance of full-employment policies. As a prime ministerial aide, he ensured that Wilson was briefed to raise the matter at meetings with international leaders. Balogh hoped that international monetary reform of this type might also benefit developing world countries. Related to this, he proposed that Wilson seek the funding of sterling balances by an international agency such as the International Monetary Fund (IMF). This would end the status of sterling as an international reserve currency. Such an outcome was desirable in Balogh's view since, as he informed Callaghan in December 1964, 'the passionate attachment of past Governments (and the Bank) to the key-currency system...has prevented us, and still prevents us, from pursuing an independent domestic policy.'

An important element in the balance of payments problem was, for Balogh, the long-term British tendency towards 'large investment overseas.' As a special adviser he regularly sought 'tightening of the existing exchange control machinery' as well as use of 'the tax system to affect the relative attractiveness of domestic and foreign investment.' Such measures, for the time being, would not apply to the Sterling Area, the group of countries, based largely

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113 See, for example: Lord Balogh, 'Keynes and the International Monetary Fund', pp75-7.
114 See, for example: PRO PREM 13/31, 'Radical international monetary reform: Dr Balogh reported conversation with Arthur Schlesinger', 1964, 'Brief for Washington', Balogh to Wilson, 4 December 1964.
115 See for example: PRO PREM 13/250, 'UK economic situation: maintenance of international liquidity; Doctor Balogh's proposals on funding sterling balances', 1964-5, Balogh to Wilson, 13 November 1964.
116 Ibid, Balogh to Wilson, 1 December 1964.
on the Commonwealth, excluding Canada, which held their reserves in sterling, in London.\(^{119}\) He had other plans for this, which are described in Chapter VI. It will be shown that the 1965 Budget represented a victory for Balogh on this front. As discussed elsewhere, Balogh was reluctant to regard the devaluation of sterling as a panacea, but came to the conclusion that it was a necessity. However, he hoped that, rather than a unilateral devaluation on the part of Britain, a general international realignment of currencies could be agreed upon.\(^{120}\)

Balogh was a very wide-ranging adviser, but certain key areas of interest and involvement can be identified. The press notice announcing Balogh’s appointment stated that he would ‘advise on economic affairs, with particular reference to questions of external economic policy.’\(^{121}\) This area of his advice has been considered. In September 1966 he listed the minutes directed to the Prime Minister he wanted copied to him. The subject areas included ‘Monetary affairs…Economic planning…Employment and income…Mergers, monopolies and prices…Balance of trade…Foreign expenditure [and] Public expenditure programmes.’\(^{122}\) Balogh’s Cabinet Office files suggested particular interest in matters including the co-ordination of economic policy, energy, statistics, prices and incomes and trade figures.\(^{123}\) As this list suggests,


\(^{120}\) PRO PREM 13/250, ‘Brief for Washington’, Balogh to Wilson, 4 December 1964.


\(^{122}\) PRO CAB 147/75, Balogh to Halls, 22 September 1966.

\(^{123}\) Found in PRO CAB 147.
for all his criticism of generalism, Balogh himself was wont to wade into a debate, arguably to then find himself out of his depth.\textsuperscript{124}

Balogh's \textit{modus operandi}, referred to in many sources, must be considered. Firstly there was the relationship with Wilson. He was frequently referred to as 'Economic Adviser to the Cabinet.'\textsuperscript{125} As the \textit{Financial Times} reported upon Balogh's October 1964 introduction into Whitehall, the government emphasised that his appointment did not signify 'an attempt to strengthen the staff of the Prime Minister but...to make certain specialist knowledge available to all Departments.'\textsuperscript{126} However, whatever the protestations to the contrary, Balogh was a prime ministerial aide first and foremost. Prior to 1964, Balogh had long acted as an informal adviser to Wilson.\textsuperscript{127} Balogh's elevation within the hierarchy of Labour advisers was a direct result of the 1963 election of Wilson to the leadership of the party,\textsuperscript{128} which Balogh helped organise.\textsuperscript{129} In this sense he was very much Wilson's creature, his importance derived from his relationship the Prime Minister.

In his capacity as an aide to Wilson, Balogh often provided advice which was very much of a short-term, presentational nature and useful to Wilson individually, rather than the Government as a whole. Following deflationary measures to protect sterling, Balogh wrote to Wilson on 28 July 1965

\textsuperscript{124} See, for example: Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.157, diary entry for 12 February 1965; and Cairncross, \textit{The Wilson Years}, p.28, diary entry for 27 December 1964.
\textsuperscript{125} See, for example: Castle, \textit{The Castle Diaries, 1964-70}, xvi.
\textsuperscript{126} 'Dr Balogh to be adviser in Cabinet Office', \textit{Financial Times}, 29 October 1964.
\textsuperscript{127} See, for example: Cairncross (ed.), \textit{The Robert Hal/Diaries, 1954-61}, p.61, diary entry for 31 January 1956.
\textsuperscript{128} Benn, \textit{Out of the Wilderness}, p.15, diary entry for 7 May 1963.
suggesting that 'you should try to put a distance between yourself and these measures, for which after all the Chancellor is responsible. It is essential that you should build up your image as one who is determined to safeguard full employment.' As Balogh put it in a December 1966 letter to Wilson, 'I am always at your disposal.' Cairncross recalled Robert Hall describing Balogh as "the Prime Minister's spy." Wilson's patronage ensured Balogh’s access to papers and membership of key economic official committees. Balogh saw a prime ministerial intervention as his last resort when attempting to resolve problems to his satisfaction. When assessing the extent of Balogh's influence, the constitutional position of the Prime Minister, whom Balogh advised, should be taken into account. Often, policies were developed at the peripheries, with Number 10 engaging itself in such activities as co-ordination and conflict resolution.

According to a colleague, 'Balogh had met Wilson as early as 1937 when Wilson, then only 21 had become a lecturer in economics at New College, Oxford, and he acted as unofficial adviser throughout Wilson’s’ tenure as President of the Board of Trade. Aside from their professional association, Balogh was a friend of the Wilson family at least as far back as the 1950s.

It has been demonstrated that Balogh was part of the informal group that

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130 Wigg Collection, 4/56, Balogh to Wilson, 28 July 1965.
131 PRO PREM 13/3094, 'Reforming Industrial Structure', Balogh to Wilson, 7 December 1966.
133 Ibid, p.6, diary entry for 19 October 1964.
136 For a job description of the post of Prime Minister, see Hennessy, The Prime Minister, pp53-101.
surrounded Wilson, which became known as the Kitchen Cabinet. While Labour was in opposition, as well as working with Wilson, Balogh collaborated with other members of the Wilson group, for example Castle, whom he advised on international development matters. Balogh was one of a triumvirate of the Prime Minister's closest party political advisers which also included Wigg and Williams, but, as shown, according to Crossman, he was probably the least influential of the three. This may have been as a result of his initial location in 70 Whitehall and because he was less involved in day-to-day arrangements than Wigg and Williams. Nevertheless, during his time as a special adviser, Balogh saw the Prime Minister 'at least three times a week and often met him informally in my [Williams's] room for a drink.' Balogh's proximity to Wilson often made him privy to highly confidential information, for example, in July 1966, a strategic decision on the future of sterling which Wilson had not yet announced to Cabinet.

There is no doubt that Balogh was extremely partisan, for example in February 1965 encouraging Wilson to use organised heckling as a tactic in Parliamentary debates. Balogh was concerned with the way in which policy was presented. He sought to bring about interdepartmental co-ordination of governmental policy statements, claiming in November 1964 that this was the reason he sought access to Treasury papers. '[O]fficial press releases should

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139 Castle, The Castle Diaries, 1964-70, xvi.
140 Williams, Inside Number 10, pp81-2.
143 See, for example, Ibid, p.15, diary entry for 22 February 1965.
144 PRO CAB 21/5248, Balogh to Armstrong, 24 November 1964.
be co-ordinated and directed by a high level committee’, he believed.\textsuperscript{145} Balogh also engaged in such propaganda activities as the costing of the 1966 Conservative manifesto.\textsuperscript{146} He and Wigg sometimes collaborated on press rebuttal exercises\textsuperscript{147} and discussed presentational strategy.\textsuperscript{148} Balogh was involved in the drafting of key Wilson speeches, for example the Prime Minister’s November 1966 Guildhall speech on the EEC.\textsuperscript{149}

Balogh was shameless when arguing for an expansion of his own role. For example, in early 1965, he suggested that his team should be extended in order to service a prime ministerial economic committee, the creation of which he proposed.\textsuperscript{150} This represented a challenge to the Cabinet Secretary, Trend, whose staff had previously monopolised such functions. However, Balogh’s personality could get in the way of his ambition. Long regarded as a ‘bad collaborator’,\textsuperscript{151} he was notoriously troublesome. Wilson rejected a suggestion from his adviser similar to that of early 1965 in July 1966 on the grounds that Balogh was “no good at committees.”\textsuperscript{152} In a 1964 discussion of the use of temporary economists, the ‘Observer’ column in the \textit{Financial Times} noted of Balogh that ‘however many advisers there are he is likely to have the last

\begin{thebibliography}{9}
\bibitem{145} Wigg Collection, 4/14, Balogh to Wilson, 1 February 1965.
\bibitem{146} PRO CAB 147/2, ‘Costing of Conservative Party proposals on economy’, 1965-6, ‘Costing of the Tory Manifesto’, Balogh to Wilson, 7 March 1966.
\bibitem{147} Wigg Collection, 4/14, Balogh to Wigg, undated.
\bibitem{148} Ibid, Balogh to Wigg, undated.
\bibitem{150} PRO PREM 13/360, ‘Note on the experiences with the Government machine’, Balogh to Wilson, 25 February 1965.
\bibitem{152} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol 1, p.595, diary entry for 31 July 1966.
\end{thebibliography}
word. As another Oxford don observed: "There are three kinds of
correspondence: Dialogue, monologue and Balogh."\textsuperscript{153}

Balogh was often, if not always, outspoken and abrasive, willing to direct
criticism and abuse at both officials and ministers, in their presence or
otherwise.\textsuperscript{154} As Andrew Graham, who worked under Balogh from 1966-8,
puts it, 'he said what he thought or what he thought would provoke.'\textsuperscript{155} In
January 1965, Wilson instructed Balogh, via Mitchell, to rewrite a strongly
worded paper criticising Treasury performance in relation to the
implementation of exchange control proposals. The guidance offered was that
'you should as far as possible deal with principles and not castigate
Departmental weaknesses or individuals.'\textsuperscript{156} Nevertheless, Wilson felt he
needed Balogh. Crossman suggested that the Prime Minister employed a
'jarring element' such as Balogh since 'he feels a need to have unconventional
people close to him because he knows his own extremely conventional
nature.'\textsuperscript{157} For permanent bureaucrats, who valued a smooth-running machine,
this was not welcome.\textsuperscript{158}

Balogh's tendency to rant often served to lessen his impact. For example,
according to Cairncross, at one of a series of Downing Street suppers for
economics ministers and advisers on 27 December 1964, Brown and

\textsuperscript{153} 'Mr Wilson's S.C.R.'
\textsuperscript{154} See, for example: Cairncross, \textit{The Wilson Years}, p.211, diary entry for 13 May 1967 and
\textsuperscript{155} Graham, 'Thomas Balogh (1905-1985)', p.194.
\textsuperscript{156} PRO PREM 13/250, 'Treasury Action on the Prime Minister's Suggestions on Exchange
\textsuperscript{158} Mitchell in conversation with Blick.
Callaghan were left unimpressed by a Balogh ‘tirade’ on the subject of uncontrolled capital movements. Cairncross was very critical of Balogh, arguing that his outspoken style could serve to distort discussions, pushing important items ‘into the background.’ Balogh also had what Cairncross found an irritating habit of turning up late to meetings, only to launch himself heatedly into debate. Cairncross nevertheless conceded that Balogh’s judgements were ‘often sound.’ Castle described the best method of benefiting from Balogh’s advice as being to ‘take exciting, stimulating whiffs...while being careful not to inhale.’

Balogh’s commitment to his work was definitely not in doubt. Heart problems meant that death during service as a special adviser was a possibility he took seriously. This devotion was reflected in the phenomenal quantities of memos, notes and papers Balogh produced during his time in Whitehall, which defied ‘filing just as much as comprehension.’ Balogh’s unrelenting drive was too much for Benn at times. While still in opposition, Benn records in his diary that Balogh ‘just pursues people who are in his immediate circle and makes life hell for them by ’phoning and insisting they have lunch and calling round at weekends.’ Wilson was aware of Balogh’s tendencies, but tolerant of them, up to a point. In May 1966, for example, Balogh wrote to the Prime Minister suggesting a committee including ‘social

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164 See, for example: PRO PREM 13/3094, Balogh to Wilson, 7 December 1967.
165 PRO CAB 160/1, Balogh to Heaton, 9 February 1966.
166 Cairncross, *The Wilson Years*, p.73, diary entry for 26 July 1965.
168 Mitchell in conversation with Blick.
scientists, economists...[and] cost efficiency experts’ to investigate defence policy. Wilson scrawled on the top of the first page that ‘[a]lthough this is on predictable lines, there is something in it.’

Wilson was uncomfortable with Balogh’s solo visits abroad, particularly to the US, on the grounds that he might generate controversy. The Prime Minister, presumably influenced by career civil servants, also resisted Balogh’s attempts to accompany him on important foreign missions.

Haines recollects that, by the early 1970s, Wilson’s patience with Balogh was virtually exhausted.

At times, Wilson required Balogh to provide impartial accounts of existing arguments on both sides of a debate, to analyse a particular paper, or report the proceedings of official committees. However, Balogh was reluctant to engage in mere diagnosis. In submissions to Wilson his proposals for action were often prefaced by the phrase ‘in my humble opinion.’ On occasion, Balogh also performed the more menial tasks associated with a political aide, as opposed to a policy expert, for example locating individuals and passing messages to them on Wilson’s behalf. In autumn 1965, when Williams ‘downed tools and walked out’ following a

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170 PRO CAB 160/1, Mitchell to Balogh, 23 December 1964.
171 See, for example: Williams, Inside Number 10, p.92.
172 Haines in conversation with Blick.
174 For examples of this, see: PRO CAB 147/12.
175 PRO PREM 13/836, ‘Progress on steering group: Doctor Balogh reported to Prime Minister; Prime Minister’s comments’, May 1966, ‘Steering Group’, Balogh to Wilson, 16 May 1966.
177 PRO CAB 147/7, ‘Report on first 100 days of Labour administration, 1964-1965; machinery of government; withdrawal of passport facilities from Spain; amendment to 50 year rule on public records following Conservative Party opposition to Labour proposals’, 1965-7, Balogh to Wilson, 5 February 1965.
disagreement with Mitchell, Balogh was despatched to persuade her to return.\textsuperscript{179} Balogh provided the Prime Minister with political intelligence, reporting details of conversations with a wide variety of individuals.\textsuperscript{180} He also acted as a go-between on Wilson’s behalf, for example with ministers such as Brown, often, it seems, on his own initiative.\textsuperscript{181} As has been discussed, the Prime Minister’s senior aide also drafted speeches and prepared briefs for parliamentary debates.\textsuperscript{182} However, Balogh was also prone to providing unsolicited advice and engaging in freelance activities, as his campaign over EEC policy, explored in Chapter VI, demonstrated.

While Balogh primarily served Wilson, he was loaned to other ministers. For example, during 1965, his skills were utilised at the Post Office by Benn,\textsuperscript{183} who unfortunately injured some professional pride amongst permanent officialdom in the process.\textsuperscript{184} Castle described how she found Balogh’s advice to her while she was in office ‘invaluable.’\textsuperscript{185} Balogh also briefed his allies before important Cabinet meetings. In July 1965, Crossman received this type of assistance from Balogh in a bid to secure funds for his housing programme.\textsuperscript{186}

Balogh took a keen interest in personnel matters. He regularly agitated for the appointment of more outside advisers. In September 1965, Balogh encouraged

\textsuperscript{180} See, for example: PRO PREM 13/3094, Balogh to Wilson, 17 January 1967.
\textsuperscript{181} See, for example: Ibid, Balogh to Wilson, (no day) January 1966.
\textsuperscript{183} Benn, \textit{Out of the Wilderness}, p.224, diary entry for 22 February 1965.
\textsuperscript{184} Ibid, p.226, diary entry for 25 February 1965.
\textsuperscript{185} Castle, \textit{The Castle Diaries 1964-70}, xvi.
Wilson to increase his tally of special advisers, the Prime Minister was driven
to reply that 'he couldn’t afford to have more than one Thomas since he
wouldn’t be able to read the stuff.'\textsuperscript{187} As well as demanding that posts be
created for aides, Balogh made a habit of personally recommending people for
these new jobs.\textsuperscript{188} Castle recorded how ‘with the help of Thomas
Balogh...I...built up an Economic Planning Department in the Ministry [for
Overseas Development]’ and that Balogh ‘inspired’ many of her
appointments.\textsuperscript{189} With Balogh’s encouragement, an Oxford colleague of his,
Michael Posner, was employed as Director of Economics at the Ministry of
Power in 1966,\textsuperscript{190} moving across to the Treasury the following year.\textsuperscript{191}
Probably in a bid to move him out of the way, in April 1966, Balogh proposed
Cairncross for the post of Deputy Governor of the Bank of England.\textsuperscript{192}

According to Crossman, in 1964, Balogh went as far as to recommend that
Wilson should displace Helsby as Head of the Home Civil Service.\textsuperscript{193} When
Castle moved to the Ministry of Transport in 1966, Balogh provided moral and
practical support in her failed attempt to remove her permanent secretary, Sir
Thomas Padmore, which met with opposition from, amongst others, Helsby.\textsuperscript{194}

Balogh also sought to involve himself in decisions over ministerial
appointments. During 1966, in Crossman’s account, Balogh tried to place

\textsuperscript{187} Ibid, p.333, diary entry for 23 September 1965.
\textsuperscript{188} Stuart Holland in conversation with Andrew Blick, 15 March 2001.
\textsuperscript{189} Castle, \textit{The Castle Diaries}, xvi.
\textsuperscript{190} See: PRO CAB 147/18, ‘North Sea Gas’, Balogh to Wilson, 18 April 1966.
\textsuperscript{191} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 2, p.151, diary entry for 5 December
1967.
\textsuperscript{192} PRO CAB 147/4, ‘Advice and recommendations for appointments outside Civil Service’,
\textsuperscript{193} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.92, diary entry for 9 December
1964.
\textsuperscript{194} See: Castle, \textit{The Castle Diaries 1964-70}, p.91, diary entry for 5 January 1966; and p.117,
diary entry for 21 April 1966; and Kevin Theaskton, \textit{The Labour Party and Whitehall}, p.54.
Crossman in the Ministry of Technology\textsuperscript{195} and argued that Brown should be given a role covering all industry.\textsuperscript{196} Influencing the structure of central government was another regular concern. In December 1965, Wilson transferred responsibility for engineering from the Board of Trade to the Ministry of Technology, ‘no doubt egged on by [Balogh]’, as Cairncross put it.\textsuperscript{197} As he had done in opposition, Balogh continued to lobby for expansion at the prime ministerial centre. In February 1965 he wrote to Wilson, stating that ‘the central staff of the Cabinet, which cannot act as yet in an advisory capacity to you, ought to be strengthened.’\textsuperscript{198} Other objectives of this nature included the division of the Treasury into long-range and short-range bodies.\textsuperscript{199}

Balogh was a formidable, but not always reliable, gossip, long practised in the art of priming journalists.\textsuperscript{200} He acquired a reputation for being a source of leaks. As Haines puts it, ‘Tommy Balogh would have made a colander look waterproof.’\textsuperscript{201} Greatly skilled at ferreting out information,\textsuperscript{202} Balogh was willing to go further than most to this end. In March 1967, Burke Trend presented a dossier of Balogh misdemeanours to Wilson. According to Crossman, Balogh was accused of ‘going into the Cabinet offices and reading documents. In particular…Thomas makes a practice of looking into the box prepared for the Prime Minister late at night and seeing what briefing Burke

\textsuperscript{195} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.566, diary entry for 10 July 1966.
\textsuperscript{196} Ibid, p.492 diary entry for 3 April 1966.
\textsuperscript{197} Cairncross, \textit{The Wilson Years}, p.99, diary entry for 5 December 1965.
\textsuperscript{198} PRO CAB 147 7, Balogh to Wilson, 5 February 1965.
\textsuperscript{201} Haines in conversation with Blick.
\textsuperscript{202} Cairncross, \textit{The Wilson Years}, p.102, diary entry for 12 December 1965.
Trend has provided so that he, Thomas, can insert a memorandum giving a reply to it.\textsuperscript{203} As discussed, Balogh had consciously challenged Trend's position and the Cabinet Secretary was probably not enamoured with the special adviser. Nevertheless, there was substance to Trend's complaints. During 1964-7, Neild instructed his secretary not to leave Balogh on his own in Neild's office while any documents were visible.\textsuperscript{204} On the subject of Balogh's reading papers not intended for his eyes, Sir Michael Palliser, Wilson's Foreign Affairs Private Secretary from 1966-9, remarks that 'he used to do these things surreptitiously, but everyone knew he was doing them.' In Palliser's account, Balogh sometimes referred to materials he was not supposed to have seen in his own circulated papers.\textsuperscript{205}

Having received Trend's dossier on Balogh in April 1967, Wilson finally decided that the problems created by his aide could no longer be tolerated. The Prime Minister took steps to persuade him that it was time to return to academia, talking at length to Balogh as well as Balogh's wife, Penny.\textsuperscript{206} On 9 May, Balogh told Benn of his intended departure. Balogh claimed that he was motivated in part by the fact that his university position could not be held open for longer than three years.\textsuperscript{207} It is doubtful whether Balogh fooled himself or anyone else with this attempt at a brave face. Balogh was being removed from office against his will and both he and those around him knew it. The process of departure was extremely protracted and Balogh was reportedly 'miserable' in July 1968, upon finally giving up his post, despite the fact that he was


\textsuperscript{204} Neild in conversation with Blick.

\textsuperscript{205} Sir Michael Palliser in conversation with Andrew Blick, 12 July 2001.


entering the Lords and being taken on as Crossman’s aide at the Department of Health and Social Security.\textsuperscript{208} Towards the end of 1967, there were signs of a decline in Balogh’s status. For example, in December 1967, the new Chancellor of the Exchequer, Jenkins, drew up proposals for a retrenchment package in the wake of the devaluation of sterling. Balogh, to his fury, was left off the circulation list.\textsuperscript{209} The story of Balogh as a special adviser was not over, however, and will be continued in the next chapter.

Balogh’s obsession with the alleged skulduggery and incompetence of the permanent Civil Service must be examined. Unsurprisingly, shortly after his entry into the bureaucracy, Balogh was complaining of the ‘lack of expertise in the Treasury and the failure of other departments to have skilled people operating round the Minister.’\textsuperscript{210} Graham notes a certain contradiction in the fact that ‘he denounced administrators in general (and the British Civil Service in particular) with the same passion that he advocated administrative controls.’\textsuperscript{211} From the outset, Balogh also felt he was being spied on by Treasury minions.\textsuperscript{212} He suspected Cairncross of leaking anti-special adviser stories to the press.\textsuperscript{213} Furthermore, it was his view that the initiatives he attempted to implement, even when backed by the Prime Minister, were being resisted within Whitehall.\textsuperscript{214} Balogh’s doubts as to whether he was being circulated with all the papers he required have already been discussed. As he

\textsuperscript{208} Tony Benn, \textit{Office without Power}, p.90, diary entry for 12 July 1968.
\textsuperscript{209} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 2, pp605-6, diary entry for 16 December 1967.
\textsuperscript{210} Benn, \textit{Out of the Wilderness}, p.187, diary entry for 14 November 1964.
\textsuperscript{212} See, for example: Benn, \textit{Out of the Wilderness}, pp186-7, diary entry for 14 November 1964.
\textsuperscript{213} Wigg Collection, 4/56, Balogh to Wigg, 27 January 1966.
\textsuperscript{214} See, for example: PREM 13/3094, Balogh to Trend, 8 February 1967.
stated in a letter to Wilson from March 1967, ‘[a]ll this gravely impairs my usefulness and makes me feel intensely frustrated. Nor do I like to look a fool to my colleagues in other Departments who are astonished when I do not know about communications which they receive on matters in my field from Burke or from downstairs.’¹²¹⁵

Cairncross commented on how Balogh ‘turns up at a critical meeting and how forcefully he puts his points.’¹²¹⁶ But how influential, as a special adviser, was he? Broadly, he was a long-term believer in economic controls. Therefore, the abandonment of planning was a failure for Balogh. Graham writes that ‘he was far too optimistic about how much could be planned and controlled in a non-wartime economy…[h]e never really allowed for the complexity that would be involved.’¹²¹⁷ However, as was the case with Wilson, although influencing its instigation, there was little evidence to suggest that Balogh’s involvement with the DEA, once it had been established, was hands-on.²¹⁸ Graham suggests that Balogh undermined his own potential for success by engaging in ‘too much activity.’ Furthermore, adds Graham, Balogh’s interventionist economic programme ‘made the problem with his spread of activity worse. In his interaction with the Whitehall machine he was, in many ways, running against the whole grain of thought – “pissing into the wind” as he would have described it.’²¹¹⁹ Similarly, June Morris, Balogh’s biographer, writes that ‘he might have been more effective had he been more selective in his advice and moderated the extremity of his criticisms and the language in

²¹⁵ Ibid, Balogh to Wilson, 8 March 1967.
²¹⁸ Lord Croham confirms this. Lord Croham in conversation with Blick.
which they were couched, but that was never his style." Although at times
dependent upon him as a trusted ally, there is doubt as to the extent of
Wilson's faith in Balogh, particularly when it came to the latter's proposals for
action. Robert Hall, who knew both Balogh and Wilson, told Cairncross that
Balogh was 'not somebody the PM felt any need to turn to for advice.'

The controls on foreign investment included in the 1965 Budget were, in
Crossman's view, the product of Balogh's lobbying of Wilson and
represented what was arguably the high tide for his economic programme, both
in terms of influence and acclaim. The Economist, for example, found much
favour with these measures. The establishment of the Economic Policy
Steering Committee (SEP) an inner economic Cabinet Committee, was
probably partly influenced by Balogh's previously discussed encouragement
that a body of this type be set up. Balogh's role in relation to the
devaluation of sterling will be considered below. Crossman judged Balogh's
campaign on oil and gas to have been a success, resulting eventually in a
revision of the arrangements for exploitation of the North Sea fields.

Michael Posner, an economist at the Ministry of Power from 1966-7, agrees
with this assessment, as do Graham and Morris. Balogh was concerned
over the balance of payments implications posed by the fact that most of the

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222 See: HC Debates, 6 April 1965, Cols 269-73.
224 'Is Virtue Enough?'
225 For Crossman on SEP, see: Crossman, The Diaries of a Cabinet Minister, Vol. 2, p.39,
diary entry for 16 September 1966.
226 Ibid, p.150-1, fn.
229 See: Morris, 'Thomas Balogh and the Fight for North Sea Revenue.'
profits reaped by the oil companies profits would be remitted outside the country. He argued that the ‘cost of exploration and investment’ should be established, in order that the level of profit obtained could be regulated. The excess could be acquired by the state, through a means such as taxation.\textsuperscript{230}

Richard Marsh, the 1966-8 Minister of Power, however, who had previously been unaware of the existence of the ‘two horrible Hungarians’ did not appreciate what he saw as interference in his policy area.\textsuperscript{231}

Following Labour’s success at the polls at the end of March 1966, Balogh was given a room inside the Number 10 building proper,\textsuperscript{232} but an increase in his importance following this development is difficult to detect. As will be discussed in Chapter VI, in the area of European policy, Balogh failed to achieve his objectives, with the Government making an application for EEC membership in 1967.\textsuperscript{233} Neild makes the point that Balogh was better at demolishing other people’s arguments than producing solid proposals of his own.\textsuperscript{234} In this sense positive influence upon policy was unlikely. It seems that Balogh was sucked into day-to-day management, a fact of which he was painfully aware, once commenting to a gathering at the Croslands’ that ‘I thought an adviser could influence timing: I realised too late that he can only influence the next seven days; beyond that it’s too complicated.’\textsuperscript{235} In the long-term, Balogh’s opposition to the US international economic liberalisation programme, which would now be labelled ‘anti-globalisation’, retains

\textsuperscript{231} Lord Marsh in conversation with Andrew Blick, 3 July 2001.
\textsuperscript{232} Williams, \textit{Inside Number 10}, pp140-1.
\textsuperscript{233} Hennessy, \textit{The Prime Minister}, pp311-2.
\textsuperscript{234} Neild in conversation with Blick.
\textsuperscript{235} Susan Crosland, \textit{Tony Crosland}, p.135.
relevance. Indeed, during the 1970s, Stuart Holland and Richard Pryke, both former assistants to Balogh during his time as a special adviser, were leading figures in the development of Labour's 'Alternative Economic Strategy', which followed in this tradition. Moreover, as the clearest advocate of special advisers who were not only expert and partisan but also loyal to the particular appointing minister, Balogh's influence and intuitive judgement was great.

Chapter VI

Policy

An overview of the first wave of special advisers and illustrative biographies have now been provided. In this chapter, there will be detailed examinations of the performance of certain aides in relation to three specific policy areas during 1964-7. Firstly, government attempts at the maintenance of the $2.80 sterling parity will be discussed. The question of conflict between the temporary and permanent bureaucracy will be of importance here, as well as the extent of the influence of special advisers and the nature of the proposals they made. Secondly, there will be an examination of the development of Selective Employment Tax (SET), with which Kaldor was closely associated. This will serve as a case study of the implementation of a particularly unusual measure. Thirdly, there will be a description of the attempts made by Balogh to encourage the establishment of a Commonwealth trading bloc as an alternative to EEC membership. In this objective, he met with opposition from a member of his own team, Stuart Holland. Finally, rounding of the period, the chapter will close with a summary of the additional special adviser appointments during 1964-7, with brief descriptions of their functions.

Special advisers and sterling

As has been shown, although the political circumstances made it a difficult option, the decision not to devalue immediately following Labour's 1964
election victory has been judged by many as the worst mistake made during the course of the Wilson administrations. Wilson, Brown and Callaghan selected this path on 17 October 1964 without officials, temporary or permanent, present.1 Balogh, who wrote in 1963 that '[d]evaluation or a (downward) floating exchange rate do not provide a panacea'2, convinced Wilson, according to MacDougall, that socialist planning was the means of overcoming current difficulties and would render the sterling question irrelevant.3 This was probably one of Balogh's most significant policy contributions as a special adviser. Kaldor and Neild, on the other hand, had already made it clear to Callaghan that they favoured an immediate devaluation.4 Kaldor was a veteran of this type of campaign, having engaged in attempts to persuade members of the Labour government of the need to devalue in 1949.5 Balogh rapidly came to agree with his two fellow special advisers.6 On 9 December 1964, Brittan recorded that 'Dr. B. now believes in devaluation.'7 This change of outlook was probably brought about by a realisation of the enormity of the balance of payments problems and the 'ferocious...reconsideration of policies' which defence of the rate would therefore entail.8 He was, however, never as enthusiastic about abandonment of the parity as, for example, Kaldor.9

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1 Ben Pimlott, Harold Wilson, p.350.
2 Thomas Balogh, Planning for Progress, pp24-5.
3 Donald MacDougall, Don and Mandarin, p.153.
4 James Callaghan, Time and Chance, p.159.
6 Susan Crosland, Tony Crosland, p.135.
7 Samuel Brittan Collection, p.23, diary entry for 9 December 1964.
A question begged by support for devaluation was whether the introduction of a floating, or a new, lower, fixed rate ought to follow. Kaldor, who, as discussed, was a long-term advocate of the former, sent Armstrong a note to this effect in July 1965. Entitled ‘Fixed or Flexible Rates’, this was a particularly full expression of an important alternative approach to the one ultimately taken. To Kaldor, the economic benefits which would accrue from floating were clear. Britain’s share of world trade was too small. In order to achieve a sufficient increase, a considerable sterling depreciation was required. If this was enacted in a one-off move, there was the possibility of a threat to the gold parities of other currencies. There might also be problems in maintaining the new fixed rate. The economy could not respond to a shock of this nature, and potential gains would be lost, in the form of inflation. Preferable to this was ‘a gradual downward drift in the rate over a longer period.’

Kaldor advocated floating ‘for a temporary period’ in order that the pound could find a new equilibrium rate, whereupon a new parity would be fixed. He did not, then, favour floating ‘of indefinite or permanent duration.’ On the other hand, he gave no specific deadline for the return to fixed parity, or indeed any indication of timescale. While there would still be official intervention in the markets, this would not be according to an openly publicised strategy. Floating did not necessarily mean the end of the Sterling Area, since its members could tie their currencies to the newly-flexible pound,

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as they had done following the abandonment of the Gold Standard in 1931. Indeed this had marked the emergence of the Sterling Area as a distinct entity.

Importantly, Kaldor dismissed the idea that "price-destabilising" speculation could lead to a plunge in the value of sterling, a major argument against floating, as 'a mirage.' He argued that '[s]ooner or later any speculative trend reverses itself: prices do not fall to zero, or rise to infinity. The important question is how wide the "destabilising zone" is likely to be...it is most unlikely that this range should exceed 5 per cent in either direction from the theoretical "equilibrium price."' Kaldor cautioned, however, that this was dependent upon domestic wage and price stability. Showing his party-political awareness, while acknowledging the view that floating could produce undesirable results in terms of the popularity of the government, he pointed out that '[t]he £ remained "floating" from 1931 to 1939...without any noticeable political repercussions.' Moreover, this could be presented as 'freeing' rather than 'devaluing', which the government had pledged not to do. The list of memoranda in Kaldor’s personal files shows that he sent two more papers on this subject to Armstrong, no doubt both making a similar case to the one already described. The first, dated 19 July 1966 was called 'The Economic Situation – (Re. Devaluation).’ The second bore the title ‘A Fixed or Floating Rate’ and was sent on 13 November 1967, days away from the abandonment of the existing parity.12

12 Kaldor Papers, NK 10/2.
Cairncross’s diary entry for 29 July 1965 described Balogh, Kaldor and Neild as favouring floating, but Neild ‘with qualifications “floating between fixed and floating”’. In an undated paper from 1966, possibly March, Balogh wrote that ‘I favour a floating exchange’, although he was not as optimistic as Kaldor about its potential benefits. Neild says that he was uncertain about whether floating was the best option at the time, and remains so. Wilson subsequently stated that ‘[o]n the technique of devaluation, I favoured floating, rather than a cut to a lower fixed parity.’ However, this would have contravened international regulations and might have proved inflationary. In terms of retrospective judgement, Dell argued that floating was the ‘better option.’ Neild, however, doubts whether there were sufficient resources, in terms of gold and dollar reserves, to pursue Kaldor’s managed float.

In describing the intensive lobbying for devaluation conducted by special advisers, Cairncross suggested that ‘the advice throughout was political, rather than economic: the advisers thought themselves better politicians than their masters.’ By this, he probably meant that aides sought to influence events on their own initiative, rather than merely supply analysis on request, which was the case. Perversely, since Callaghan had made it clear that he had staked his job on the maintenance of parity, the aides were effectively recommending that

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14 PRO CAB 147/14, ‘Economic Strategy.’ It is not clear who, if anyone, this was sent to.
15 Robert Neild in conversation with Andrew Blick.
17 Anthony P. Thirlwall, Nicholas Kaldor, p.283.
20 Neild in conversation with Blick.
Numerous attempts were made by Balogh, Kaldor and Neild, to persuade both the Prime Minister\(^2\) and the Chancellor\(^3\) of their case. MacDougall says he collaborated with them in this endeavour.\(^4\)

During the July 1966 sterling crisis, the three economists became participants in a battle between two senior ministers over this issue. They took the side of Brown, whose views, MacDougall recalls, had moved towards their own,\(^5\) against Callaghan, who advocated pursuance of the traditional approach to balance of payments difficulties, namely deflation through public expenditure cuts.\(^6\) However, at the critical point, Wilson attempted to rally his allies within Cabinet who supported devaluation around his cause, on the grounds of personal loyalty, using Balogh as an intermediary.\(^7\) In this instance, Balogh's commitment to Wilson, then, superseded his economic judgement. In October 1967, Balogh and Kaldor made common cause in their objective with the President of the Board of Trade, Crosland.\(^8\) While Wilson had publicly set his face against the abandonment of parity, Cairncross argued, 'the fact that it had been pressed by the government’s own special advisers was known to the markets and did nothing to help sterling.'\(^9\)

\(^3\) See, for example: Barbara Castle, *The Castle Diaries*, p.330, diary entry for 27 November 1967.
\(^5\) Sir Donald MacDougall in conversation with Andrew Blick.
\(^6\) Ibid.
\(^8\) See, for example: Ibid, p.570, diary entry for 17 July 1966; and Andrew Graham, ‘Thomas Balogh (1905-1985)’, p.205.
\(^10\) Cairncross, ‘Economic Advisers in the United Kingdom.’
MacDougall’s view, the Treasury promoted, in conjunction with the Bank and in particular its Governor, Lord Cromer, an anti-devaluation line.39 On 18 July 1966, when Kaldor told him that he thought the Bank should be instructed to stop defending the rate, Armstrong claimed that this would result in an en masse resignation of the Court of the Bank.40 As late as October 1967, Wilson asked Cromer ‘whether a recommendation to devalue was in his mind. He said flatly it was not.’41 Croham, however, disputes the extent to which the Bank of England was able to influence the Treasury. He also adds that Bank opposition to floating was not inevitable.42

Perhaps the Treasury outlook was best summed up by Cairncross when he stated that ‘I was myself convinced when I rejoined the civil service in 1961 that the pound would have to be devalued at some stage in the 1960s. But I saw no point in devaluing in an overheated economy without the support of stringent deflationary measures which there was no likelihood that the Labour government would adopt.’43 Mitchell believes that, during 1964-7, sterling policy was ultimately attributable to the ministers concerned, rather than civil servants.44 Opposition to an adjustment on the part of officials was probably eroded by the successive crises which took place, particularly during 1966. Crossman recorded being told by Michael Stewart (the economist) in November 1966 that ‘there isn’t really an official in Whitehall today who doesn’t want devaluation and think it inevitable. It’s not only Tommy Balogh

39 MacDougall in conversation with Blick.
42 Lord Croham in conversation with Andrew Blick.
44 Sir Derek Mitchell in conversation with Andrew Blick.
and Nicky Kaldor. The Treasury and DEA are both convinced and only Harold and James, who are somehow personally committed, are holding it up. This suggests that, ultimately, the most important opposition to devaluation came not from the permanent Civil Service, but Wilson and Callaghan. However, as will be shown, in the arguably more important area of how the adjustment was carried out, career civil servants determined the outcome.

Once the decision had been taken to defend the rate, reference to any other course of action in official circles was banned by Wilson. Cairncross’s diary entry from 25 November 1964 described a paper produced by Balogh, Neild and MacDougall that pronounced abandonment of the existing parity inevitable, merely discussing the relative merits of floating and fixed rates. Mitchell says he was entrusted with ensuring that all copies of this were destroyed. In December 1964, when, as part of a more general prime ministerial brief, Balogh referred to the need for an adjustment, Wilson noted that the offending section should ‘be extracted & destroyed.

During the 1966 election campaign, Balogh, Kaldor, Neild and MacDougall took the opportunity afforded by the absence of their political employers to prepare another submission recommending devaluation. Wilson discovered what they were doing and ordered that the exercise should stop and the papers

46 For a description of this political commitment, see: Dell, *The Chancellors*, pp314-5.
48 Mitchell in conversation with Blick. So far, investigations in the PRO suggest Mitchell was successful.
be destroyed. Neild says that this was the 'last straw', leading to his decision to leave the Treasury. He did so the following May, to become the first Director of the Stockholm International Peace Research Institute.50 Wilson’s attempted suppression of discussion of the subject did not deter Balogh, who, on one occasion, according to Cairncross, told a meeting of permanent and temporary civil servants preparing a report on investment that 'we needn’t mention devaluation since he had 15 other ways of saying it.'51 Balogh was particularly creative when it came to such euphemisms. In August 1966, for example, he referred to the need to ‘engineer an export-led expansion.’52 On 14 March 1967 he suggested that the time was right to 'act in a certain direction.'53 According to a member of Balogh’s staff, another code word for adjustment in parity often used by Balogh in submissions to Wilson was ‘dose.’54

Special advisers, therefore, spent three years being ignored over the question of sterling. They were often key figures in desperate attempts to prop up the pound, an activity they felt was ultimately futile.55 Furthermore, all but one of them was excluded from planning for the possibility of a forced abandonment of the exchange rate. The Forever Unmentionable (comically abbreviated to FU56) Committee, probably established early in 1965, met under Armstrong to

50 Neild in conversation with Blick. This paper is referred to in PRO PREM 13/852, Mitchell to Wilson, 29 March 1966.
54 Stuart Holland in conversation with Andrew Blick.
55 See, for example: Cairncross, The Wilson Years, pp151-2, diary entry for 20 July 1966.
56 The humour of this was apparently not lost on those inside the Treasury loop at the time. Michael Posner in conversation with Andrew Blick.
review developments and prepare a War Book for the contingency of ministers deciding to devalue. Neild recollects that the formation of FU was a response to his warning to Armstrong that ‘devaluation is going to happen one day and I trust the Treasury has a contingency plan for it.’ Many of the FU papers are missing and some are still classified. The earliest set still in existence in the PRO is the sixth batch, dating from March 1965. While Neild, along with Cairncross and various permanent Treasury officials, was present on the circulation list, Balogh and Kaldor were not. Neild says that, willingly, he never attended FU meetings and did not look at the papers. However, as will be shown, he did produce at least one submission for the committee.

Matters discussed in FU files include what the new parity should be and the timetable for devaluation. Cairncross described how the question of the required size of the accompanying retrenchment package was also addressed. Given Kaldor’s absence from FU, the consideration of whether to adopt fixed or flexible rates is of particular interest, since he firmly favoured the latter. At an April 1965 meeting of the committee, Armstrong framed the question in terms of ‘whether it was desired to make a significant break with the present

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57 Cairncross, *The Wilson Years*, p.73, diary entry for 26 July 1965 and fn.
58 Neild in conversation with Blick.
59 FU files are in: PRO T 312 ‘Treasury: Finance Overseas and Co-ordination Division and Finance (International Monetary) Division: Registered Files (2F and 2F (IM) Series).
61 Neild in conversation with Blick.
62 PRO T 312/1398, ‘Choice of a new fixed rate’, Note by the Economic Section, 2 April 1965.
63 Ibid, ‘Timetables for measures to be taken before Devaluation.’
international monetary system', while Cairncross suggested that such a move 'was inevitably a gamble which it was hard to contemplate taking.'

One FU report, undated but certainly from mid-1965, stated that 'we cannot recommend the adoption of a floating rate, either as a temporary expedient or as a more permanent arrangement.' This was certainly the view of the Bank of England, which, as mentioned, was understandably protective of the value of sterling, which sent two representatives to FU. The Bank produced a paper for FU 'recommending that any move should be straight to a new fixed rate.'

Neild, who was not opposed to floating in principle, accepted in an April 1965 FU paper that this should not be done from 'a position of weakness.' This meant, Neild conceded, that 'we would not recommend a flexible rate in the kind of emergency that these [FU] briefs are addressed' to. On 16 June 1965, FU concluded that 'the considerations against flexible rates were felt to override those in their favour.' At a meeting of FU in September 1966, Armstrong referred to the 'risk...that...the rate itself would...spiral downwards out of control, producing very serious dislocation of our overseas trading activities and within the home economy.' This was probably the main motive for opposition to a float, one which Kaldor, as has been shown, argued was founded in fallacy. Interestingly, it was generally conceded by FU

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65 PRO T 312/1401, 'Contingency planning for a sterling devaluation: circulated FU minutes of meetings', 1965, 'Note of a Meeting held in Sir William Armstrong's room', 5 April 1965.
66 PRO T 312/1398, 'Guarantees and Compensations.'
68 PRO T 312/1398, 'Fixed or Flexible Rates', note by Neild, 26 April 1965.
69 PRO T 312/1401, 'Note of a Meeting held in Sir William Armstrong's room', 16 June 1965.
70 Ibid, 'Note of a Meeting held in Sir William Armstrong's room', 13 September 1965.
members that, in the long term, floating was a desirable option. As discussed, although he was the closest thing to an advocate inside FU, Neild was not convinced on the question of floating. Kaldor certainly would certainly have put up a harder fight on this issue. As one FU member puts it, ‘we all knew what Nicky thought.’

Having pronounced on the matter, officials then had to ensure that, when the moment arrived, ministers would heed their advice. At the time, to those inside FU, this outcome did not seem inevitable. On 29 July 1965, Armstrong told FU that Wilson ‘was understood to have a firm preference for floating if the need for devaluation arose and several ministers were known to share this view. The Chancellor veered towards it though he was certainly not completely committed.’ This was a cause of concern for Maurice Parsons, the Deputy Governor of the Bank of England and an FU member, who wished to ensure that ‘the Governor and the Bank should have ample opportunity to present their advice to Ministers before precipitate decisions were taken without full consideration.’ Officials, then, had decided to close off floating as a policy option, although the Cabinet, a significant portion of which favoured, or was inclined towards, flexible rates, did not know it yet.

For FU, secrecy was paramount. Frequent references were made in FU papers to those “within the circle”. Members were reminded of the need for

71 See, for example: ibid, ‘Note of a Meeting held in Sir William Armstrong’s room’, 13 April 1965.
72 Posner in conversation with Blick.
74 See, for example: PRO T 312/1398, ‘Procedure’, 23 June 1965.
‘complete discretion at all times.’ MacDougall does not recall knowing anything of FU, the existence of which was of great interest to him when interviewed for this study in 2001. Mitchell, too, says he was unaware of FU, although is not surprised by the level of secrecy which surrounded it. When Kaldor got wind of the existence of FU and sought to attend in July 1965 he was not permitted on the grounds that, as Cairncross put it, ‘we couldn’t have him without Tommy and all.’ He was allowed, however, to produce a paper for the committee, advocating flexible rates. The objection to Kaldor, in Neild’s view, was not his support for floating in itself, but the unrelenting way in which he would have driven his point home. Mitchell suggests that the desire to exclude Balogh was probably motivated by his difficult personality and a widely held feeling that he was prone to gossip.

Ministers were ‘not informed of the existence of’ FU, although Callaghan was shown some papers. Rather shockingly, it appears that even Wilson was kept in the dark about FU, at least initially. In a diary entry for 29 July, Cairncross recorded Armstrong saying that he would ‘put to the Chancellor the need to let the P.M. (and perhaps T.B. [Balogh]) see some of the papers on devaluation.’ It is likely that Wilson was informed verbally of the existence of these contingency plans at some point. However, Wilson probably made no effort to bring Balogh ‘within the circle’ and only showed a serious interest in FU.

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76 MacDougall in conversation with Blick.
77 Mitchell in conversation with Blick.
78 Cairncross, The Wilson Years, p.73, diary entry for 26 July 1965.
79 This is referred to in: PRO T 312/1636, ‘Devaluation Dossier’, 21 February 1966. It may be the one he sent to Armstrong, referred to above.
80 Neild in conversation with Blick.
81 Mitchell in conversation with Blick.
82 Cairncross, The Wilson Years, p.73, diary entry for 26 July 1965 and fn.
materials when he needed them, at the time of devaluation. Michael Posner, as will be discussed below, joined the Treasury in 1967 and became a member of FU. Confidentially, he informed Balogh, an acquaintance from Oxford, of its existence. Balogh did not acknowledge his awareness of FU’s existence until after devaluation had taken place. He had probably seen none of its papers. As will be shown in Chapter VI, following devaluation, the government pursued a policy of deflation which Balogh objected to for its laissez-faire nature. No doubt had he been a member of FU, he would have proposed alternatives to this. On 16 November 1967, now aware that devaluation was imminent, Balogh urged Wilson to ‘strengthen the social content of the announcement.’

The Chancellor of the Exchequer did not accept the advice of his politically appointed aides, but, early in November 1967, when, in the economist’s own account, Cairncross advised him that an immediate devaluation of sterling was necessary, Callaghan finally snapped. The Prime Minister and the Chancellor of the Exchequer first discussed the proposal on 4 November 1967. Wilson gave instructions to Armstrong that both Balogh and Kaldor should not be ‘brought in’ on devaluation, although Kaldor was allowed to attend talks at a late stage. While shut out of discussions, Balogh was informed of the decision by the Prime Minister, probably on 15 November

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84 Posner in conversation with Blick.
85 See: PRO CAB 147/75, Balogh to Armstrong, 28 November 1967.
1967, producing, at Wilson’s request, a technical paper on the likely effects of
the move. Kaldor helped write Callaghan’s immediate post-devaluation
Commons speech, as well as Wilson’s television statement. In both
instances he was forced to attempt to justify a three-year policy he had
opposed.

FU, as has been shown, ruled out the option of floating, despite the fact that
Wilson and others were believed to favour this. One Cabinet member who
supported flexible rates was Crossman. On 13 November, having been
informed that the abandonment of parity was imminent, he wrote to Wilson,
stating that devaluation would only be worthwhile if it meant the introduction
of ‘a floating pound.’ However, three days later, Callaghan, who had by now
no doubt been appraised of the FU and Bank of England line, proposed to
Cabinet that ‘sterling should be devalued... to a new fixed parity of $2.40 to the
pound.’ Floating, the Chancellor argued, ‘would run counter to the basic
philosophy of international exchange rates and would incur the active hostility
of the IMF and the international monetary community... the rate might sink to
an unacceptably low level... the damage to the system of international trade and
payments... could be grave indeed.’ Probably as a result of Kaldor’s briefing,
the idea of a temporary float was raised in discussion, but rejected. The
defence of sterling, then, was resumed at a new rate.

91 PRO PREM 13/1447, Balogh to Wilson, 15 November 1967.
92 Cairncross, The Wilson Years, pp249, diary entry for 17 November 1967. This is indicated
in: Kaldor Papers, NK 10/2.
94 PRO PREM 13/1447, Crossman to Wilson, 13 November 1967.
Selective Employment Tax

Of all the contributions made by special advisers to the 1964-70 Wilson administrations, Selective Employment Tax (SET) was, Shore argued, the most significant. As suggested by Neild’s brief on SET, the ‘[t]he new tax fits in with the broad objectives of the Government’s economic policies. The main objectives are to deal effectively with the immediate balance of payments problem and, in the long term, to achieve a higher rate of economic growth.’ However, SET also bore the stamp of an individual adviser. The fact that Kaldor believed in the potentially redemptive power of taxation has been discussed. SET, which, as Stewart states, ‘represented an attempt to harness market forces to a socially useful end’, matched this approach. Unlike earlier innovations with which Kaldor was associated, such as Capital Gains Tax and Corporation Tax, it was not the product of years of debate within the Labour movement, springing more from his own mind.

Theoretical considerations formed the basis for SET. At a lecture given at Cambridge in November 1966 in which he explained the ideas underpinning the scheme, Kaldor concerned himself with the problem of relatively slow British growth rates. Rather than seek out cultural causes of this malaise, Kaldor attempted to explain the problem in terms of the stage of expansion

96 Lord Shore of Stepney in conversation with Andrew Blick.
reached by the British economy. On a basis of international comparisons, he argued, there was a ‘highly significant relationship between the rate of growth of the G.D.P. and the rate of growth of manufacturing production.’ This empirical association formed the basis of what became known as ‘Verdoorn’s Law’, named after P.J. Verdoorn, whose investigations on this subject first appeared in print in 1949. Cairncross recorded Kaldor engaging in ‘long expositions of his latest theory of growth, Verdoorn’s Law’ at a meeting of the Economic Advisers in March 1966.

For Kaldor, there was a direct correlation between the level of economic growth and the extent to which the rate of increase in manufacturing output exceeded that of the non-manufacturing sectors. This was a result of the increasing productivity of manufacturing, which he believed was brought about through the division of labour, resulting from rises in output. Here, interestingly, Kaldor invoked by name the classical economist Adam Smith, not known as a hero of the left. This irony did not escape Cairncross. Britain’s problem, Kaldor felt, was the fact that, as a result of economic maturity (ie: early industrialisation), the reserve army of workers employed in agriculture who could be transferred to the secondary (manufacturing) sector was virtually exhausted. Consequently, manufacturing suffered from labour shortages.

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106 Ibid, p.287.
Through SET, Kaldor aimed to remedy this, thereby releasing the dynamic potential of the secondary sector. Another important influence on the development of SET was the fact that, prior to its introduction, consumers paid a variety of duties on manufactured goods but none on services. SET was intended to reduce distortions in the tax structure, which currently favoured the service sector, which did not offer, in Kaldor’s view, the increasing returns to scale of manufacturing. Introduced in September 1966, SET was ‘a tax on all labour, but rebatable in the public sector and transport, and rebatable with a subsidy to labour in manufacturing industries.’ Kaldor intended SET to transfer labour from the tertiary (service) to secondary (manufacturing) sector of the economy. As well as the benefits which would accrue to the latter grouping, he felt that the former would gain through the greater efficiency consequently forced upon it.

Whatever the value of Kaldor’s theoretical approach, the adoption of his idea was dependent upon political expediency. In the light of favourable balance of payments forecasts, Callaghan suggested during the March 1966 election campaign that his next budget would not contain ‘severe’ tax increases. Following Labour’s victory, the trade position rapidly worsened. However, ‘[t]o the Chancellor’s rescue...came Nicholas Kaldor.’ Callaghan turned to

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110 Anthony Thirlwall in conversation with Andrew Blick, 13 July 2002.
111 Thirlwall, Nicholas Kaldor, p.241.
113 Callaghan, Time and Chance, pp192-3.
114 Stewart, Politics and Economic Policy since 1964, pp64-5.
a payroll levy idea he and Kaldor had discussed in opposition.\textsuperscript{115} For this reason, Stewart criticises Callaghan’s approach as using a measure ‘designed to bring about long-term structural changes in the economy as if it was a weapon suitable for coping with a short-term crisis.’\textsuperscript{116}

On 6 April 1966, Kaldor sent Callaghan a paper setting out the case for a payroll tax biased in favour of manufacturing industry and against the service sector.\textsuperscript{117} This included the arguments already discussed relating to the operation of Verdoom’s Law. Kaldor also promised that such a measure would subsidise exports, favouring, as it did, manufacturing business, without contravening international agreements, as well as yielding a net revenue of £160 million a year to the Exchequer.\textsuperscript{118} While, therefore, for Kaldor, the motives behind SET were long-term, its ultimate implementation was owed to more immediate considerations. There was also an element of fortune. On theoretical grounds, MacDougall says he was opposed to SET. However, during its development, he was out of commission, recovering from both physical illness and what he now believes was a George Brown-inspired nervous breakdown.\textsuperscript{119}

Callaghan formally suggested the idea to Wilson and Brown at a Budget meeting held between the three men on 15 April 1966. The Chancellor of the Exchequer explained that he would have to find £200 million in new taxation

\textsuperscript{117} PRO T 320/649, ‘The Case for a Payroll Tax and for a New Incentive for Exports’, Kaldor to Callaghan, 6 April 1966.
\textsuperscript{118} Ibid.
\textsuperscript{119} MacDougall in conversation with Blick.
and a possible means of doing this was via a surcharge on employment in the service sector.\textsuperscript{120} Brittan recalls that few involved in its implementation understood the theoretical aspects of SET. However, it was a means of obtaining increased revenue which could be presented as a structural change rather than a new tax.\textsuperscript{121} Cairncross made a similar suggestion, emphasising the political requirements of the Chancellor.\textsuperscript{122} As already suggested, another potential use of SET was as a 'hidden export subsidy.'\textsuperscript{123} As Thirlwall notes, SET was 'an effective substitute for devaluation (albeit a small one).’\textsuperscript{124} Certainly Shore, unaware of Verdoorn’s Law, remembered seeing it in this light.\textsuperscript{125}

In order that it could be announced as part of Callaghan’s 1966 Budget on 3 May, SET had to be prepared in only three weeks, certainly a tall order for the bureaucracy.\textsuperscript{126} Stewart suggests that the haste in which the tax was devised led to anomalies which were later exploited by the Conservatives for propaganda purposes.\textsuperscript{127} Cairncross recorded that Armstrong 'hated the scheme with its vast surges of money to and fro.'\textsuperscript{128} Writing to Ian Bancroft, Principal Private Secretary to the Chancellor of the Exchequer, on 15 April, Armstrong made it clear that he felt the scheme was not desirable and that

\begin{footnotes}
\item[120] PRO T 230/649, 'Note of a Meeting', 15 April 1966.
\item[121] Sir Samuel Brittan in conversation with Andrew Blick.
\item[122] Cairncross, \textit{The Wilson Years}, p.128.
\item[124] Thirlwall, \textit{Nicholas Kaldor}, p.243.
\item[125] Lord Shore in conversation with Blick.
\item[126] Cairncross, \textit{The Wilson Years}, p.128.
\end{footnotes}
there was insufficient time to prepare it for the budget. SET also kept him working until past 8 o’clock, which probably did not enamour him with it.

Callaghan’s suggestion that the Inland Revenue could ‘collect a tax on services’ met with a hostile response from the Chairman of its Board, Sir Alexander Johnston, on 15 April. According to Cairncross, this nearly prompted the Chancellor to drop the whole idea. The Board of Trade, when approached, protested that it was too busy with its own work. Eventually, the tax was collected as an addition to National Insurance contributions, with the Ministry of Labour paying the subsidies to manufacturing. This innovative approach was given the go-ahead at a meeting between Wilson, Brown, Callaghan and senior officials on 19 April 1966. The 1969 government proposal that SET be administered in future through the PAYE (Pay As You Earn) tax machinery was never implemented owing to Labour’s 1970 election defeat.

Officials within the Treasury envisaged a number of possible problems with the proposed measure, related to the fact that, as a result of its novelty, its effects were unpredictable. Its impact might take some time to be felt.

129 PRO T 320/649, William Armstrong to Ian Bancroft, Principal Private Secretary to the Chancellor of the Exchequer, ‘Surcharge on Employers’ Contributions and a Subsidy for Manufacturers’, 15 April 1966.
131 Ibid, pp130-1, diary entry for 18 April 1966.
133 Thirlwall, Nicholas Kaldor, pp241-2.
135 Reddaway, Effects of Selective Employment Tax, p.175.
large movements of money involved would produce a surge in demand for credit.\textsuperscript{137} There was no guarantee that SET would produce the deflation that ministers hoped it would.\textsuperscript{138} Furthermore, practical difficulties might arise from attempts to formally define the nature of some business concerns within the scheme.\textsuperscript{139} It was also uncertain that the international trade organisations of which Britain was a member would view the new measure in a favourable light.\textsuperscript{140}

SET potentially appealed to the tendency, found within Labour, to view manufacturing as morally superior to service activities.\textsuperscript{141} However, support for the new tax amongst the party and labour movement was far from unanimous. There was ‘a lot of uneasiness’ regarding SET inside the Cabinet.\textsuperscript{142} The opinion that manufacturing, rather than services, was in fact the labour hoarder, recorded Cairncross, was held by the Minister of Power, Richard Marsh.\textsuperscript{143} Construction was classed as part of the tertiary sector for the purposes of SET. This worried Crossman, who, as Minister for Housing and Local Government, feared for his building programme. He wrote to Wilson on 28 April, requesting that the cost to construction be offset in the form of investment grants.\textsuperscript{144} Another concern was the very short amount of

\begin{footnotesize}
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\item \textsuperscript{137} Cairncross, \textit{The Wilson Years}, p.128.
\item \textsuperscript{139} Cairncross, \textit{The Wilson Years}, p.128.
\item \textsuperscript{140} PRO T 320/649, William Armstrong to Ian Bancroft, ‘Surcharge on Employers’ Contributions and a Subsidy for Manufacturers’, 15 April 1966.
\item \textsuperscript{141} Stewart, \textit{Politics and Economic Policy since 1964}, p.67. See also: HC Debates, 4 May 1966, Col. 1648.
\item \textsuperscript{142} Castle, \textit{The Castle Diaries 1964-70}, p.121, diary entry for 2 May 1966.
\item \textsuperscript{143} Cairncross, \textit{The Wilson Years}, p.135, diary entry for 8 May 1966.
\item \textsuperscript{144} PRO T 320/650, Crossman to Wilson, 28 April 1966.
\end{itemize}
\end{footnotesize}
time the Cabinet was given to consider such a complex measure.\textsuperscript{145} Also an issue was the status of trades unions within SET categorisation.\textsuperscript{146} The Labour-affiliated Co-operative movement, a major part of the business of which was retail related, protested to Wilson when the tax was introduced.\textsuperscript{147}

SET, in the words of Castle, made Kaldor ‘particularly famous – or infamous.’\textsuperscript{148} As has been shown, Kaldor was closely associated with SET, which he saw as a vehicle for the application of some of his theories. To what extent should the measure be accredited to him? Thirlwall describes SET as ‘solely attributable to Kaldor’,\textsuperscript{149} a view also presented by Callaghan.\textsuperscript{150} Kaldor had been exploring ideas related to those which motivated SET as far back as the 1930s.\textsuperscript{151} Callaghan held discussions with Kaldor along these lines while Labour was in opposition.\textsuperscript{152} Nevertheless, Kaldor did not exist in an intellectual vacuum. Selwyn Lloyd, the Conservative Chancellor of the Exchequer from 1960-2, planned to ‘increase the cost of the employee’s National Insurance stamp and use the revenue from this as an economic regulator.’\textsuperscript{153} Accordingly, in 1961, the Treasury was empowered to do this, up to a maximum of four shillings a week, but the right was never exercised.

\textsuperscript{146} Cairncross, \textit{The Wilson Years}, p.135, diary entry for 3 May 1966.
\textsuperscript{148} Castle, \textit{The Castle Diaries 1964-70}, p.27, fn.
\textsuperscript{149} Thirlwall, \textit{Nicholas Kaldor}, p.241.
\textsuperscript{150} Callaghan, \textit{Time and Chance}, pp193-4.
\textsuperscript{151} Thirlwall, \textit{Nicholas Kaldor}, p.243.
\textsuperscript{152} Callaghan, \textit{Time and Chance}, pp193-4.
\textsuperscript{153} Ibid, \textit{Time and Chance}, p.194.
However, the intention lying behind Selwyn Lloyd's measure was solely the regulation of demand.154

The development and implementation of SET was a group effort.155 Neild recalls that the idea of a payroll subsidy, which eventually took the form of SET, initially emerged from official discussions of possible alternatives to devaluation.156 Amongst other activities, Neild performed clarification and elucidation functions during the development of SET.157 Together, Kaldor and Neild fought various dilutions suggested by Brown, Callaghan and Wilson, including removal of the subsidy element and large numbers of exemptions.158 Elements within the permanent machine also contributed, in particular the Ministry of Labour, which took over the task of administration when the Inland Revenue and Board of Trade refused.159

It is possible to make a number of theoretical criticisms of SET. Verdoorn's Law is correct only if rises in production cause increases in productivity and not the other way around. Moreover, the statistical validity of the supposed close relationship between the two processes has been queried.160 MacDougall did not accept the 'economic reasoning' which underlay SET.161 Kaldor's crucial error, MacDougall argues, was in underestimating the potential for

156 Neild in conversation with Blick.
157 For an example of Neild at work, see: PRO T 320/649, 'Introduction of a selective employment tax 1966; working papers', Neild to Kaldor, 18 April 1966.
159 Neild in conversation with Blick.
161 MacDougall, *Don and Mandarin*, p.181.
economies of scale within the tertiary sector.\(^\text{162}\) As a result, from its introduction onwards, Kaldor was forced to battle with MacDougall over the future of the tax.\(^\text{163}\) Wilfred Beckerman, special adviser to Crosland at the Board of Trade from 1967-9, examined similar subjects to Kaldor during the 1960s.\(^\text{164}\) Beckerman’s growth model was export-led. In his view SET concentrated excessively on supply-side improvements.\(^\text{165}\) Neild, another Verdoorn’s Law sceptic, suggests that the possible balance of payments benefits associated with SET were negated by Brown’s insistence on the minimisation of the premium to manufacturing. Brown’s trades unionist instincts, Neild recollects, prompted hostility to the notion of subsiding employers. Consequently, SET became, in Neild’s words ‘no more than an administratively clumsy way of widening the tax base.’\(^\text{166}\)

On the subject of the supposed benefits for the tertiary sector, Kaldor’s biographer draws attention to the question of whether selective taxes are absorbed by producers or passed on in prices.\(^\text{167}\) It could also be argued that if the subsidy of industry entailed by SET did not discourage efficiency, then a penalty on services could not be expected to have the reverse effect.\(^\text{168}\) Along similar lines, *The Economist* argued that SET would simply serve to encourage

\(^{162}\) MacDougall in conversation with Blick.

\(^{163}\) Ibid. See, for example: Kaldor Papers, NK 10/6 ‘Assorted papers relating to the Selective Employment Tax.’ 1964-70, 1974-8, ‘Employment and Productivity in Retail Distribution’, Kaldor to David Dowler, Principal Private Secretary to the Chancellor of the Exchequer, 19 March 1969.


\(^{165}\) Wilfred Beckerman in conversation with Andrew Blick.

\(^{166}\) Neild in conversation with Blick.

\(^{167}\) Thirlwall, *Nicholas Kaldor*, p.243.

\(^{168}\) This point was made by Conservative leader Edward Heath in the House when responding to the 1966 Budget. HC Debates, 3 May 1966, Col. 1475. See also: Cairncross, *The Wilson Years*, p.134, diary entry for 3 May 1966.
‘manufacturing firms...to use their labour even more wastefully.’ The argument that SET was desirable in part because it would compensate for the duties paid by consumers on manufactured goods was founded on the questionable assumption that an alignment of taxes across sectors was required. Moreover, this theory could be taken as implying that SET would be passed on in higher prices, contradicting the suppositions contained in other arguments offered in support of the measure.  

Callaghan announced SET to the House with his Budget Statement of 3 May 1966. A good deal of the section on SET was authored by Neild, although it also contained a ‘Kaldor-esque flavour of ingenuity and complexity.’ Weekly contributions were 25 shillings for men over 18, 12 shillings and six pence for women, while for boys under 18 the figure was 12 shillings and six pence and for girls 8 shillings. In 1967, an extension of SET was introduced. Called Regional Employment Premium (REP), it entailed an extra premium for manufacturing industries located in regions of high unemployment. To many within the government, Callaghan included, SET turned out to be a disappointment, not delivering the anticipated immediate benefits for sterling. Callaghan later suggested that this was because his Budget Statement introducing SET was poorly devised. Crossman, too, wrote at the end of May 1966 that ‘the SET budget, which seemed to those

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174 Thirlwall, Nicholas Kaldor, p.246.  
175 Callaghan, Time and Chance, p.194.
who thought it out such a brilliant idea, has not worked out. Indeed, it has
gone off at half-cock and done a great deal of damage because it hasn’t really
produced a sense of confidence amongst the overseas bankers.\textsuperscript{176} SET’s
effectiveness as a short-term deflationary instrument was restricted by the fact
that it did not become operational until September 1966.\textsuperscript{177} In this sense, it
marked the beginning of a fatal slide into the July 1966 crisis.\textsuperscript{178}

In 1973, SET was replaced by the no-less resented or complex Value Added
Tax (VAT).\textsuperscript{179} In the longer run, SET perhaps achieved its core objectives,\textsuperscript{180}
although its effects were very difficult to disentangle.\textsuperscript{181} In his \textit{Effects of
Selective Employment Tax}, W. B. Reddaway, broadly a supporter of the
measure, argued that SET did induce greater productivity in its areas of
application, with the tax not being passed on entirely to consumers.\textsuperscript{182}
However, the abolition of Resale Price Maintenance, implemented by the
Conservatives in 1964, could have contributed to this trend also.\textsuperscript{183}
Furthermore, a more general rise in productivity may have occurred which
SET had not affected.\textsuperscript{184} The labour released from the tertiary sector did not
necessarily find its way into manufacturing, owing to occupational and
geographical immobility.\textsuperscript{185} Moreover, Thirlwall says, the period of deflation

\textsuperscript{176} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 1, p.531, diary entry for 26 May 1966.
\textsuperscript{177} Stewart, \textit{Politics and Economic Policy since 1964}, p.67; and Brittenden, \textit{A Guide to the
\textsuperscript{180} Thirlwall, \textit{Nicholas Kaldor}, p.245. For an assessment of the impact of SET, see:
Reddaway, \textit{Effects of Selective Employment Tax}.
\textsuperscript{182} Ibid, pp176-7.
\textsuperscript{183} Stewart, \textit{Politics and Economic Policy since 1964}, p.66; and Reddaway, \textit{Effects of Selective
\textsuperscript{185} Ibid, p.67.
which followed devaluation in late 1967 meant that the trend for employment was down in all sectors. SET’s potential for transferring labour could not be demonstrated properly in such circumstances.186

As a result of the economic experiences of the three decades following the creation of SET, the idea of setting out to reduce employment in any sector of the economy now seems curious.187 Observing from the vantage-point of the early twenty-first century, MacDougall draws attention to the fact that Kaldor underestimated the potential long-term importance of the service sector within the British economy in relation to that of manufacturing.188 This was a line of attack taken by Callaghan’s shadow, Iain Macleod, at the time.189 An example of the kind of response SET received in some quarters was indicated, upon its announcement, by the Daily Telegraph front page story, proclaiming that ‘[a]mong those on whom the tax will fall most heavily are the independent schools and the Churches.’190 Predictably, the tax was subject to much public criticism from sections of the business community, seized upon by the Conservatives, on the grounds that it represented an assault on the retail trade.191 As Conservative leader Edward Heath put it to the House on 3 May 1966, SET ‘will put a considerable burden on the distributive industries and services.’192 Other Conservative criticism in the Commons came from Margaret Thatcher, who described the use of the Standard Industrial

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186 Thirlwall in conversation with Blick.
187 Brittan in conversation with Blick.
188 MacDougall in conversation with Blick.
189 HC Debates, 4 May 1966, Col. 1648.
192 HC Debates, 3 May 1966, Col. 1474.
Classification in order to determine the status of firms within the tax as 'absurd.'

**Thomas Balogh, Stuart Holland and the EEC**

The question of Britain's policy towards European integration was 'one of Tommy's manias.' According to Williams, Balogh 'never disguised his personal dislike of the European project.' The EEC was in part the product of US sponsorship, and fitted with the US multilateral agenda. A customs union as opposed to free-trade area, EEC member-states could not conduct individual trade policies. Balogh, as has been shown, was a long-term opponent of the 'general drive towards non-discrimination and a unilateral lowering of preferences' that this symbolised. Membership would involve Britain surrendering the right to use economic controls, which were very important for Balogh. Balogh also feared the national humiliation of a rejected approach to the EEC. As usual, he felt that the permanent Civil Service was excluding him from discussions on the subject.

Balogh lobbied Wilson to focus on the expansion of Commonwealth trade, at the expense of European integration and in resistance to the US drive for

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194 Crossman, The Diaries of a Cabinet Minister, Vol. 2, p.37, diary entry for 13 September 1966
196 John W. Young, Britain and European Unity, p.42.
multilateralism. He argued that 'the preferences still enjoyed by Britain in the Commonwealth are of substantial value' and that British industry, 'behind a protective screen based on a larger trading area, could be re-organised and made fit to compete.' Moreover, the other members of the Commonwealth benefited from the preferential system, since it provided them with 'stable markets and also...with capital and [technical] know how.' Balogh envisaged that some form of economic planning could be co-ordinated within the Commonwealth. Here, it could be argued, the influence of Schacht's New Plan, discussed in Chapter V, was present. Balogh's ideas here can also be placed in a tradition traceable at least as far back the early twentieth century National Efficiency movement referred to in Chapter II, led by politicians such as Joseph Chamberlain. None of those who campaigned to this end, Balogh included, were successful in reversing Britain's decline as a global force.

Following the July 1966 sterling crisis, as has been discussed, Labour's economic policy was de-railed. Obviously fearful that the Prime Minister would now turn to Europe, Balogh wrote to Wilson on 8 August providing an assessment of the current options. He suggested that EEC entry would result in an unfavourable impact of £300-£400 million upon Britain's trade figures and unless a total improvement of £600-£700 million could be achieved in the balance of payments prior to EEC membership, 'the...deadly threat of a failure of competitive power within a large free trade area' loomed. He went on:

201 See, for example: Wigg Collection, 4/29 and Brittan Collection, p.21, diary entry for 15 March 1965.
203 Ibid, Balogh to Wilson, 1 April 1965.
‘[t]his might well decisively retard our Economic Expansion and smash a number of our industries. The “readjustment” would then take the form...of mass emigration from Britain.’

Despite his efforts, Balogh found himself in the contradictory position of opposing membership, but having to advise Wilson, who decided to attempt entry, on how to bring this about. During 1966-7, Balogh floated the idea of a North Atlantic Free Trade Area, which would, if realised, incorporate Britain into the North American economic bloc. He used his membership of the Possible International Economic Arrangements official committee to this end. While US policy remained pro-EEC, this was a non-starter, and the notion that a British initiative in this area was relevant in the face of US indifference dubious. Cairncross argued that Balogh ‘didn’t really take it seriously’, but nevertheless happily created large amounts of work for DEA and Treasury staff.

Dissent over Balogh’s view of the EEC was voiced from within his own team by Stuart Holland, an Oxford economist who worked in the Cabinet Office from 1966-7. At this time, the more conventional Labour left attitude towards the EEC was that it was a laissez-faire institution, therefore incompatible with

205 PRO CAB 147/10, ‘Options and Choices’, Balogh to Wilson, 8 August 1966.
206 Williams, Inside Number 10, p.180.
planning, and to be opposed.\textsuperscript{212} However, Holland felt that the EEC was developing more interventionist tendencies and now presented a possible means of bringing about economic planning co-ordinated between European states. Here he was following the lead of Robert Marjolin, a Vice President of the European Commission from 1958 and formerly Deputy Planning Commissioner beneath Monnet.\textsuperscript{213} Holland was particularly encouraged in his outlook by the establishment in European Medium-Term Policy Committee (MTPC), the first report of which was confirmed by the European Council of Ministers early in 1967.\textsuperscript{214}

Holland's view was that 'the evolution of the [MTPC] reflects acceptance of a principle to which the French hold Western Europe's copyright: programming and intervention rather than reliance on market forces.'\textsuperscript{215} While granting that 'the [MTPC] report itself does not actually read like a Community counterpart' of the French Plan, in a paper from March 1967, Holland suggested there was potential for future development. He emphasised 'how comprehensive the terms of reference of the Committee are' and the fact that its very existence represented a concession of the need for structural, social and regional policies to offset the imbalances promoted by a European free market system.\textsuperscript{216} As well as disagreeing with Balogh's rejection of the EEC, Holland also opposed

\textsuperscript{212} John W. Young, \textit{Britain and European Unity}, pp75-6.
\textsuperscript{215} 'EEC – the Change in the Community since the General Election', Holland, probably from May 1966, Stuart Holland private papers.
\textsuperscript{216} 'Observations on EEC Entry after Visits of the Prime Minister and Foreign Secretary to the Capitals of the Six', Holland, 31 March 1967, Stuart Holland private papers.
the Foreign Office approach to membership, arguing that it was characterised by a *laissez-faire* outlook.\(^{217}\)

In October 1966 Holland produced a paper, which Balogh forwarded to Wilson, suggesting that secret negotiations directly between the Prime Minister and the immediate circle of the French President, Charles de Gaulle, therefore bypassing the Foreign Office, might be the best means of beginning an approach to the EEC.\(^{218}\) The following year, Holland was able to put this idea into practice. During 1967, Holland's views led to his falling out of favour with Balogh, thereby losing his formal line of communication with the Prime Minister. However, Holland was already known to Wilson, who, in April 1967, in Holland's account, ‘put his head round my door’ to enquire why he had seen none of his work for three weeks. This led to a meeting between the two in the flat above Number 10, at which Holland presented his view to Wilson of how the bid for EEC membership should be conducted. As well being framed in terms of co-ordination of economic planning between member states, Holland argued that Britain’s application strategy should be supportive of the inter-governmentalism then advocated by de Gaulle, as opposed to the supranationalism believed to be favoured by the West Germans. West German agreement to this approach, Holland suggested, could be obtained through offering the possibility of associate status for East Germany.\(^{219}\)


\(^{218}\) 'EEC Entry', Holland to Balogh, 10 October 1966, Stuart Holland private papers.

\(^{219}\) 'Britain and Europe since 1945', Holland; the East Germany associate status idea can be found in: 'Observations on EEC Entry after Visits of the Prime Minister and Foreign Secretary to the Capitals of the Six', 31 March 1967, Stuart Holland private papers.
Although very much taken with this, Holland recalls, Wilson lamented that he could not reach de Gaulle directly. The French President had long been the main obstacle to British EEC membership.\(^{220}\) Holland then suggested that he might be able to put this new agenda to Louis Joxe, Minister of Justice in the de Gaulle administration, through Joxe’s son, Pierre, a friend of his. Wilson agreed, confidentially despatching Holland, who paid his own fare, to Paris.\(^{221}\) Holland saw Joxe alone on 19 May 1967. At this meeting, Holland attempted to minimise many of the barriers to British entry previously outlined by de Gaulle. From de Gaulle’s point of view, the main objection to Wilson’s bid for EEC membership was that, as the junior partner in the so-called ‘special relationship’ with the US, Britain was a ‘Trojan horse’ for US foreign policy objectives.\(^{222}\) Holland suggested to Joxe that the exceptionally close bond between the US and Britain no longer existed and that Britain ‘would prefer to be one among equals in Europe.’ Importantly, from the perspective of Balogh’s ideas, Holland said that the Commonwealth was not viable as an economic or political bloc. Sterling’s status as a reserve currency, another potential bar on Britain’s admission to the EEC, could be resolved through internationalisation of the balances, with a view to the possible development of a European monetary policy.\(^{223}\)

\(^{220}\) Young, *Britain and European Unity*, pp70-81.

\(^{221}\) ‘Britain and Europe since 1945’, Holland.

\(^{222}\) See, for example: Young, *Britain and European Unity*, p.92.

In Holland’s view, these proposals were given a positive reception by Joxe.\(^{224}\) Holland returned to Paris for further discussions with various ministers and advisers on 15 and 16 June, 1967.\(^{225}\) It has not been possible to detect reference to Holland’s missions to France in PRO files, but given their confidential nature, this is not surprising. The above account was based on a conversation with and papers supplied by Holland. Sir Michael Palliser, who was Wilson’s Foreign Affairs Private Secretary from 1966-9, states that he does not recall these specific events, of which Holland says he was informed. However, Palliser is willing to accept that they could have happened and confirms Holland’s general outlook on Europe.\(^{226}\)

Holland’s activities were remarkable. They involved the conduct of informal diplomacy on behalf of the Prime Minister without reference to the Foreign Office. Moreover, the policy approach Holland advocated entailed a break with traditional Commonwealth ties and a rejection of the ‘special relationship.’ Furthermore, his conception of EEC membership as a vehicle for economic planning was, amongst the British left at this time, novel. A glance at the relevant trade figures should surely have indicated to Balogh that, particularly in comparison with the EEC, the former Empire was no longer viable as a bloc of this type.\(^{227}\) Holland’s proposal offered the potential to adapt the objective of economic planning to changing patterns of trade.

Potentially, it provided a basis on which Wilson could placate the right of the


\(^{226}\) Palliser in conversation with Blick.

Labour Party through an application to join the EEC, yet on a basis which was acceptable to the left. This, Holland feels, was the source of its appeal to Wilson. However, the idea was never implemented. Again in Holland’s account, Wilson wanted to appoint him as an economist at the Foreign Office for the EEC entry negotiations. However, the Prime Minister met with strong objections from senior officials and backed down. At this point, Wilson decided to move Holland directly into the Number 10 Political Office, as will be shown in Chapter VII.

**Additional Appointments**

While chapters IV and V and VI have concentrated largely on the 1964-7 activities of five special advisers appointed in 1964, the picture during this period was not static, with other appointments being made and departures taking place. Within Balogh’s team, John Allen’s ignominious exit from Whitehall in May 1965 has been discussed. He was replaced in June 1965 by an economist from St Hugh’s college, Oxford, Theo Cooper. Born in 1934, Cooper specialised in wages, working conditions and social security. She was the first female special adviser. She changed from full to part-time service in September 1966, staying on until late 1968. An addition to the team, rather than filling a gap left by a departure, Stuart Holland, some of whose activities have already been referred to, began working for Balogh part-time in January 1966. Born in 1940, he was also writing a thesis on ‘Growth and Output.’ As

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228 Holland in conversation with Blick.
229 Ibid.
230 Details of appointments to Balogh’s team have been obtained from PRO T 199/1063, cross-referenced against Graham, ‘Thomas Balogh (1905-1985), p.207 fn. Generally, these two sources agree, although Graham does not refer to John Allen.
part of a further expansion of his unit, Balogh recruited another staff member, Richard Pryke, aged 32, from the Cambridge Department of Applied Economics, in May 1966. Pryke had previously worked for the Labour Research Department. As has been shown, Pryke’s was a brief tenure, ending in resignation in protest at the direction of government policy, following the July 1966 deflationary measures.

Pryke’s place was filled in October 1966 by the economist from Balliol College, Oxford, Andrew Graham. He stayed until July 1969. During 1967, Stewart found employment in the Kenyan Treasury too attractive a proposition to refuse. Crossman believed that the difficulties then being experienced by the government were influential upon his decision to leave.²³¹ Following Stewart’s departure in October 1967, Margaret Joan Anstee was employed as Senior Economic Adviser. 41 years old at the time, she was a development expert most recently employed by the United Nations in Ethiopia. Probably because of delays in obtaining her security clearance, which will be described in the next chapter, she did not begin work until December 1967. She stayed for 12 months.

A brief description of the modus operandi of Balogh’s small but growing team during 1964-7 will be of value. It seems that Balogh passed most analytical work on to subordinate staff, in the first instance, Stewart.²³² Inside Balogh’s unit, Stewart functioned as the deputy head, monitoring ‘the whole field of economic policy’ and producing ‘memoranda on major issues of economic

²³² PRO T 199/1063, Neild to Petch, 7 March 1967.
policy at the request of the Prime Minister or Mr. Balogh, and sometimes of other Ministers.’ He also gave oral advice to ministers ‘on economic issues of particular concern to their own Departments.’ Stewart was responsible for supervising work within Balogh’s unit and ‘keeping the office running as smoothly as possible.’ The files suggest that Balogh’s team members worked very much according to his requirements, producing largely technical analysis. Individual departments or policy areas were not systematically shadowed by particular staff, with work divided on an ac hoc basis. Holland says that this was not a weakness, however, since team members were equipped to cope with varied tasks. Palliser, for one, found Balogh’s unit to be stimulating and original colleagues. The importance of the emergence of bodies comprised, in whole or in part, of special advisers will be assessed in Chapter VIII.

As has been shown, Neild left, disillusioned by the failure to devalue sterling, in May 1967. Faced with Neild’s imminent departure, finding a replacement did not prove to be a straightforward task for Callaghan. The Chancellor began to consider appointing Michael Posner, Economic Director at the Ministry of Power since 1966. Posner, born in 1931, came from Pembroke College, Cambridge and was yet another economist in whose appointment to an official post Balogh had a hand. Both Armstrong and Cairncross

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235 Holland in conversation with Blick.
236 Palliser in conversation with Blick.
opposed the recruitment of Posner to the Treasury, on the grounds that Posner was ‘doing a good job where he is and there is no one to take his place.’

Richard Marsh, the Minister of Power, also resisted losing Posner, whom he considered to be an effective aide. Marsh valued Posner, both as a ‘theorist’ and as someone able to resist the interference of Balogh.

Appointed Economic Adviser to the Treasury despite these objections, Posner went on to engage in important activities such as helping draft Callaghan’s November 1967 statement to the House on sterling devaluation. That he was not as senior as Neild is suggested by the fact that he saw himself as subordinate to Cairncross. He was a member of FU. Posner’s was intended to be a fairly personal role, ‘guided to some extent by the kind of things on which the Chancellor seeks his help.’ In policy terms, he was initially charged with contributing in the areas of international liquidity and finance, industrial problems and demand management. Though from the political left, Posner’s, at least in his own view, was not a partisan appointment, and he stayed on beyond Labour’s 1970 election defeat, until the following year. For this reason he does not entirely fit the definition of the special adviser used here.

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240 Lord Marsh in conversation with Andrew Blick.
243 Posner in conversation with Blick.
245 Ibid.
Kenneth Berrill, an economist from King's College, Cambridge, who held the post of Special Adviser to the Treasury from 1967-9, was also appointed following Neild's departure.\textsuperscript{246} However, Berrill's job title was anomalous since he was not a party political animal.\textsuperscript{247} Berrill's main concern was intended to be public expenditure, in particular specific items rather than the overall level.\textsuperscript{248} Christopher Foster, who, as previously described, was appointed to the Ministry of Transport in early 1966, fits the special adviser description more readily. His activities will be examined in Chapter VIII.

Following his appointment as President of the Board of Trade at the end of August, 1967, Tony Crosland recruited Balliol economist Wilfred Beckerman, aged 42, as an Economic Adviser. Those recommending Beckerman to Crosland included MacDougall\textsuperscript{249} and Balogh.\textsuperscript{250} Neild described Beckerman as 'an able go-getter, industrious, ambitious, good at organising things, quite an entrepreneur.'\textsuperscript{251} A Labour supporter, Beckerman served for two full academic years.\textsuperscript{252}

Kaldor also recruited assistance. In August 1966, Christopher Allsopp, an economist from the Ministry of Overseas Development, born in 1941, was obtained as a Temporary Economic Assistant, although formally being employed by the Economic Section. One of Allsopp's most substantial pieces of work inside the Treasury was an internal report on economic growth, based

\textsuperscript{246} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol 2, p.651 fn.
\textsuperscript{247} Wass in conversation with Blick and Sir Kenneth Berrill in conversation with Andrew Blick.
\textsuperscript{248} T 199/1029, 'Mr. Posner and Mr. Berrill', Cairncross to Armstrong, 7 August 1967.
\textsuperscript{249} Crosland Collection, 5/4, MacDougall to Crosland, 22 September 1967.
\textsuperscript{250} Ibid, Balogh to Crosland, 26 September 1967.
\textsuperscript{251} Ibid, Neild to Crosland, 13 September 1967.
\textsuperscript{252} Beckerman in conversation with Blick.
on international comparisons. When Allsopp was elected to a Fellowship at New College, Oxford, which he took up in October 1967, he was replaced by Francis Cripps, a Cambridge economist, born in 1943. Cripps’s work for Kaldor included studies of wages, expenditure and growth.254

254 See: Kaldor Papers, NK 10 23. Details of Kaldor’s recruitment of assistants can be found in: Kaldor Papers, NK 10 32, ‘Correspondence concerning the conditions of employment and accommodation of NK’s staff, F. Cripps and C. Allsopp.’ 1966-8.
Chapter VII

‘The Age of Frivolity was over’

Chapters VII and VIII are concerned with the period 1967-70, running from the abandonment of parity in November 1967 to the Labour’s June 1970 election defeat. For Britain, the impact of devaluation was immense and sudden. This took on its most symbolic form in the realm of foreign policy. While, in 1964, more British troops were stationed East of Suez than in Germany,⁴ a complete abandonment of the former commitment was now adopted.⁵ Lord (John) Harris, special adviser to Roy Jenkins, regarded the sterling devaluation of late 1967 as the final collapse of the Wilson programme. To Harris and others of Gaitskellite origin, policy since 1964 had primarily consisted of dabbling in poorly conceived economic management schemes. Now, as Harris put it, ‘the age of frivolity was over.’³

As will be shown below, gold and dollar reserves were at a minimum and the pound was by no means safe at its new level of $2.40. Furthermore, the new Chancellor, Jenkins, was faced with the task of forcing a severe deflationary programme through a Labour Cabinet, some members of which may have mistakenly believed the exchange rate adjustment to be a soft option.⁴ It is necessary to consider the role of the special adviser in the post-devaluation era. The implications of the rise of Jenkins, the new Chancellor of the Exchequer,

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¹ Denis Healey, *The Time of My Life*, p.278.
³ Lord Harris of Greenwich in conversation with Andrew Blick.
are of particular interest. Related to this were attempts to undermine or even remove Wilson from office, real or imagined, both from inside the Cabinet and beyond.

**Special advisers and dyarchy**

The devaluation of November 1967 was swiftly followed by Callaghan’s resignation as Chancellor of the Exchequer. Wilson opted for a direct swap with Roy Jenkins, who had been Home Secretary since 1966. Callaghan took over at the Home Office, while Jenkins assumed the vacated Treasury post. While there are a variety of possible interpretations of Wilson’s motives, it is certainly the case that through this course of action, he was thereby able to avoid a complicated reshuffle and maintain the former Chancellor of the Exchequer in a senior Cabinet position. The latter was an expedient measure which reflected as much as anything else Callaghan’s party prominence. While this solution was fairly satisfactory under the circumstances, Callaghan and Wilson, following their doomed three-year crusade for the $2.80 sterling parity, were damaged goods. Furthermore, the influence wielded by Brown, the final member of the 1964 triumvirate, by this time Foreign Secretary, had declined, and he left the Cabinet for good in March 1968. Undoubtedly, the rising force was Jenkins. In the words of Dell, ‘the new Chancellor would

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5 Peter Hennessy, *The Prime Minister*, p.315.
8 Posner’s understanding at the time was that this was the sole reason for Jenkins’s promotion, the other potential trade, between Treasury and Foreign Office, where Brown was secretary of state, being unpalatable. Michael Posner in conversation with Andrew Blick.
have great power...indeed, Wilson might well fear that a new and successful Chancellor could become the candidate of a coup d'état against the much weakened Prime Minister who had appointed him. It is necessary to investigate the role of special advisers within the emergent power balance, which could be regarded as an accommodation between Wilson and Jenkins.

As a Gaitskell protégé, Jenkins was personally and ideologically remote from the Wilson camp. Neild, also a former member of the Gaitskellite circle, says that the new Chancellor of the Exchequer tried to persuade him to return to the Treasury but, having recently committed himself to establishing the Stockholm International Peace Research Institute, a job he was very much enjoying, the more so since he had a very free hand there and suffered none of the 'frustrations of serving the Wilson government', he refused. Writing in September 1968, Crossman noted 'the difference between the casual easiness and rightness of my relations' with colleagues such as Balogh 'and the stiffness of my relations with Roy.' This had implications for Balogh. Jenkins had been one of Balogh's first pupils at Balliol College, Oxford, in 1940. However, the new Chancellor of the Exchequer's approach to economic policy was that of the Labour right, far removed from Balogh's control model. Frustrated by Jenkins's traditional approach, in May 1969,

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12 Pimlott, Harold Wilson, p.486.
13 Robert Neild in conversation with Andrew Blick.
15 Jenkins, A Life at the Centre, pp41-2.
16 For a description of Jenkins's deflationary approach, see: Barbara Castle, Fighting All the Way, p.397.
Balogh told Castle that 'Roy was in the grip of Treasury orthodoxy.'\(^{17}\)

Furthermore, Jenkins soon found his former teacher a 'very tiresome'\(^{18}\) colleague. During 1967-70, there were few policy discussions between them and they were not personally close.\(^{19}\) The rise of Jenkins was a cause of unease for Balogh,\(^{20}\) who viewed the Chancellor of the Exchequer as prone to intrigue.\(^{21}\) Crossman suspected that Wilson’s fears of an attempt to oust him from within his cabinet, with Jenkins as the likely successor, were heightened by the attitude of members of his inner circle, Balogh included.\(^{22}\)

The Jenkins ascendancy was accompanied by Wilson’s advancement of Castle, who was appointed as Secretary of State for Employment and Productivity in May 1968. As has been discussed, Castle had already made use of expert advisers at the Overseas Development Ministry and Ministry of Transport. At Employment and Productivity from 1968-70, she was served by temporary economists including Senior Economic Adviser Derek Robinson and Economic Adviser Anthony Thirlwall, in later life Kaldor’s biographer. However, these were non-partisan appointments.\(^{23}\) In June 1968, underlining her enhanced status, Balogh informed Castle that ‘the talk was now all about a new troika.’\(^{24}\) It can be assumed that Balogh viewed the growing stature of Castle, a long-term ally of his, as an opportunity to pursue his own agendas. He encouraged her to be assertive regarding her inclusion in important inner


\(^{18}\) Jenkins, *A Life at the Centre*, p.242.


\(^{20}\) See, for example: Ibid, pp674-5, diary entry for 12 October 1969.


\(^{22}\) Ibid, p.588, diary entry for 22 November 1967.

\(^{23}\) Anthony Thirlwall in conversation with Andrew Blick, 12 July 2002.

ministerial groups.\textsuperscript{25} Castle recorded being told by Balogh in May 1968 that 'he and Harold can now use me in their battles against the Treasury.'\textsuperscript{26} Castle valued Balogh's practice of arming her with arguments against the deflationary approach taken by the Treasury and its ministerial head, Jenkins. She sorely missed the economist on occasions when he was unavailable.\textsuperscript{27}

In her new role, Balogh suggested, it was vital that Castle bring about wage and price restraint.\textsuperscript{28} Incomes control was required to ensure that the international competitiveness achieved through devaluation was not dispelled in domestic inflation.\textsuperscript{29} Balogh wrote to Wilson on 11 January 1968, insisting that devaluation had rendered 'the problem of incomes policy more important and acute.'\textsuperscript{30} Four days later, he suggested to Castle the need for '[a] tougher incomes policy, almost certainly involving statutory power.'\textsuperscript{31} During late 1968, Benn recorded Balogh's railing against the trades unions, who he felt had become excessively powerful and irresponsible.\textsuperscript{32} Both Balogh and Posner were present at Castle's tri-partate conference, held to discuss the implementation of the Donovan Report on industrial relations, at the government's residential accommodation at Sunningdale in January 1969.\textsuperscript{33} Discussions on this occasion ultimately led to government proposals for the

\textsuperscript{25} Ibid, p.441, diary entry for 12 May 1968.
\textsuperscript{26} Ibid, p.441, diary entry for 12 May 1968.
\textsuperscript{27} See, for example: Ibid, p.492, diary entry for 22 July 1968.
\textsuperscript{28} Ibid, p.441, diary entry for 12 May 1968.
\textsuperscript{29} Ibid.
\textsuperscript{30} PRO CAB 147/29, 'Prices and income policy', 1968, 'Retail Price Index', Balogh to Wilson, 11 January 1968.
\textsuperscript{31} Ibid, Balogh to Castle, 15 January 1968.
\textsuperscript{32} Tony Benn, Office without Power, p.122, diary entry for 16 November, 1968.
statutory regulation of industrial relations, published in the *In Place of Strife* white paper.\(^{34}\)

In Crossman’s account, Castle and her senior permanent officials, ‘along with Tommy Balogh...evolved the idea of *In Place of Strife*’ at Sunningdale.\(^{35}\)

However, on the question of her proposals, Castle notes in January 1969 that Balogh ‘is against me... (and has obviously been talking to Dick [Crossman]).’\(^{36}\) Balogh argued that Castle’s measures would reduce the possibility for government action on the prices and incomes front, presumably because there were limits to the co-operation which could be expected from the trades union movement.\(^{37}\) Posner recalls that he and Balogh both felt that Castle was mistakenly focusing on strikes, when her aim should have been to bring about pay restraint.\(^{38}\) Castle, Jenkins and Wilson co-operated over the attempt to introduce the *In Place of Strife* proposals.\(^{39}\) When, in June 1969, the programme was abandoned in the face of resistance from within the Cabinet, the Parliamentary Labour Party and the labour movement generally,\(^{40}\) Balogh attempted to exploit the break-down of this Cabinet alliance. He lobbied ministers to rebel against Jenkins’s deflationary approach to economic management, in favour of the use of controls.\(^{41}\)

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\(^{37}\) Ibid.

\(^{38}\) Posner in conversation with Blick.

\(^{39}\) See, for example: Castle, *Fighting All the Way*, p.419.

\(^{40}\) Jenkins, *A Life at the Centre*, pp287-90.

Upon his arrival at the Treasury in late 1967, one of Jenkins’s immediate concerns was the production of a deflationary package which would reduce domestic demand, thereby increasing export capacity.42 His attempts to do so have been criticised by Dell, amongst others, on two counts. Firstly, they were hindered by procrastination. Public expenditure cuts were not implemented until January 1968 and tax increases were delayed until March.43 Jenkins later blamed this on the failure of Treasury officials to provide him with the ready-made, detailed proposals which they had shown to Callaghan.44 This reflects largely on the performance of permanent bureaucrats and presumably relates to the contents of FU. Secondly, the £923 million of tax increases Jenkins introduced were not sufficient to bring about the required redirection of resources to exports.45 Again, FU, from which certain special advisers were excluded, had been the forum for discussions of the necessary extent of deflation in the event of a devaluation.46 Douglas Allen (now Lord Croham), who took over from Armstrong as Permanent Secretary of the Treasury shortly after the March 1968 Budget, agrees that it was insufficient.47 Posner, however, suggests that, while Jenkins’s March measures did not prove to be ideal, they were greater in magnitude than those that might have been implemented by many politicians, whose concerns were never the same as those of economists.48

44 Jenkins, *A Life At the Centre*, p.221.
47 Lord Croham in conversation with Andrew Blick.
48 Posner in conversation with Blick. For the apprehensions shared by the Economic Advisers. For the apprehensions of the economists on this subject, see: Cairncross, *The Wilson Years*, p.276, diary entry for 21 February 1968.
There is evidence that one special adviser within the Treasury, namely Kaldor, lobbied for greater deflationary measures than those ultimately introduced in March 1968. Posner recalls that it was this fact which prompted Armstrong to remark to him that ‘the good thing about Nicky is that he isn’t afraid of large numbers.’ Kaldor was concerned that the Budget might prove to be lacking in deflationary impact. It is not entirely clear what total he had in mind, but the Cairncross diaries suggest that Kaldor did aim for something higher than both others inside the Treasury and the final figure. He was, however, characteristically inconsistent on this subject, for example, at a meeting in early February, appearing to concede to Jenkins’s proposed sum, without offering any resistance. Nevertheless, less than a month later, Kaldor was reportedly ‘in despair because the total was working out too low in demand terms.’ While, this is not reflected in the available official records, Kaldor, even prior to devaluation, had advocated considerable increases in the total level of taxation.

Aside from the figure to be aimed at, there was the question of how it was to be practically attained. It was significant that Kaldor’s work in conjunction with the previous Chancellor of the Exchequer created problems for the new post-holder. The potential for Jenkins to introduce new taxes was minimal, as a result of resistance from senior figures inside the Inland Revenue, who

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49 Posner in conversation with Blick.
51 Ibid, p.272, diary entry for 8 February 1968.
complained that they were ‘overloaded with all the changes Callaghan and Kaldor heaped upon them’ during 1964-7.\(^\text{54}\) Deflation, then, was preferably to be achieved through the use of ready-made measures, rather than further fiscal innovation. One such already existing scheme was SET, which also possessed the potential benefits for the balance of trade discussed in Chapter VI. Armstrong reluctantly informed Jenkins on 1 February that though ‘there were strongly held objections to certain features of SET, notably the “taking and giving” method by which it was levied, and the discrimination and anomalies which it involved...it was difficult to see an alternative source of revenue of this order of magnitude.’\(^\text{55}\)

Kaldor believed that ‘doubling SET plus some indirect taxation’ could offer a way out.\(^\text{56}\) He drew attention to evidence suggesting that ‘[t]he net yield of a 15s. increase [in SET] is £200 million in a full year.’\(^\text{57}\) Kaldor felt the experience of SET to have borne out his belief in its potential as a trigger for increased growth. In a submission to Robert Armstrong, who was briefly Jenkins’s private secretary, Kaldor argued that, on a basis of recently collated Ministry of Labour data, ‘there can be little doubt that SET has had a very substantial effect on productivity.’\(^\text{58}\) It seems that Cairncross, along with Economic Section staff including Wynne Godley, while not sharing his rabid


enthusiasm for SET, were willing to suggest that the available evidence provided Kaldor’s arguments with some support. 

However, Jenkins was ‘antipathetic to’ SET. He wanted to increase only indirect taxes, rather than income tax or SET. This was opposed by advisers including Kaldor. Their objection was that such a set of measures would be ‘regressive’, depriving the worse off of a disproportionately large share of their income. This might lead to an erosion of the goodwill that would be required from the trades union movement in coming months in order to achieve pay restraint. In Cairncross’s account, at a meeting between the Chancellor of the Exchequer and advisers, Kaldor told Jenkins that the Chancellor’s proposals ‘would be regarded as a Tory budget.’ One of Kaldor’s proposals designed to counteract this effect was called ‘Minimum Earned Income Relief.’ This combined a more progressive income tax with a relative shift in this fiscal burden away from families and towards single men and women. The scheme was opposed by Inland Revenue representatives. Kaldor also persisted in advocacy of the pet scheme of his and Abel-Smith’s, ‘claw-back.’ This involved the introduction of increases in family allowance, funded by the taxation of recipients. Again there was disagreement with the Inland Revenue,


60 Jenkins, A Life at the Centre, p.232.


this time over the extent of claw-back. Kaldor was not satisfied with the outcome. In May 1968, in a submission to Jenkins, Kaldor described existing measures as a 'halfway house.' Another measure included in the 1968 Budget with which Kaldor was closely involved was a one-off 'Special Charge', designed to fall on investment income, calculated in part to obtain goodwill from the trades union movement.

Kaldor was successful in persuading both (William) Armstrong and the Economic Section to advise Jenkins unanimously in favour of the use of SET. Having considered the alternatives put to him by Douglas Wass, a Treasury Under Secretary, in a paper of 5 March, Jenkins decided in favour of the adoption of Kaldor's proposal, although not to the full extent envisaged by the economist. An increase of 30% was agreed, which the Chancellor of the Exchequer ultimately raised to 50%. It is tempting to conclude that had a more deflationary Budget been sought, an even greater increase in SET, perhaps at around the 100% Kaldor had in mind, would have been a suitable means of achieving this.

As mentioned, although the impression is that he sought a higher total than anyone else inside the Treasury, Kaldor's exact position on the extent of taxation increases needed from the 1968 Budget is difficult to pin down. A
view which could without doubt be attributed to Kaldor, however, was that, after the introduction of tough deflationary fiscal measures, sterling should be floated. According to Posner, Kaldor’s mantra during 1968 was ‘double SET, double REP [Regional Employment Premium], float!’\(^{72}\) In March 1968 he argued for the immediate blocking of reserves, followed by the cutting loose of sterling.\(^{73}\) Kaldor advocated a similar course throughout the year.\(^{74}\) Traces of discussions of this matter are difficult to locate in the Public Record Office, presumably because their sensitive nature discouraged their encapsulation in written form. Kaldor’s own list of memoranda refers to a paper entitled ‘Gold and the Dollar: Contingency Planning’, dated 30 July 1968, which he sent to Armstrong’s successor as the Treasury Permanent Secretary, Sir Douglas Allen.\(^{75}\) This probably proposed flexible rates.

Posner remembers fearing that, once launched, rather than float, sterling would plunge, threatening a sudden, huge, burst in domestic inflation.\(^{76}\) The official Treasury view, expressed in March 1968, was that if cut loose, the pound could be expected to drop to a value of $1.50.\(^{77}\) Kaldor, however, whose views were outlined in Chapter VI, believed that counter-speculation would prevent this\(^{78}\) arguing, for example, in September 1968, that the exchange rate would ‘not go below [$] 2.20 except briefly.’\(^{79}\) In the words of Hennessy, a plunge in the value of sterling, accompanied by a blocking of the balances (ie:

\(^{72}\) Posner in conversation with Blick.  
\(^{74}\) See, for example: Ibid, p.308, diary entry for 29 June 1968.  
\(^{75}\) Kaldor Papers, NK 10/2.  
\(^{76}\) Posner in conversation with Blick.  
\(^{77}\) PRO CAB, 130/497, MISC 205, 1st Meeting, 17 March 1968.  
\(^{78}\) Posner in conversation with Blick.  
defaulting on debts) 'would have instantly been the finish of the pound as the world’s second reserve currency after the dollar. The Bretton Woods system, too, would have been at an end; enormous strain would have fallen upon the dollar; and the UK would have acquired, at least temporarily, the status of a pariah state and would have been plunged into a siege economy and domestic austerity of a kind that would have wrecked the Wilson administration.'

Facing this prospect, it is understandable that, for the senior Treasury economists other than Kaldor, the proposal to abandon the fixed rate was too great a leap of faith. Kaldor’s courage, Posner suggests, was that of the devout theoretician, while the fears of his associates were derived from their practicality.

An examination of whether the views on this matter held by those involved in the policy formation process have subsequently been revised is of interest. As discussed, Wilson was attracted to flexible rates prior to devaluation, and later wrote that he was, but was persuaded of the Treasury and Bank of England line, probably both directly by representatives of these institutions and through Callaghan. Jenkins stated in his memoirs that it ‘might have been better to have floated in November 1967’, but also noted that as time progressed and the new rate was successfully defended, such a course of action began to make less sense. Posner, Economic Adviser to the Treasury during 1967-70, is now tempted to concede Kaldor’s case. If Kaldor’s judgement was sound, then British economic policy, which, during 1964-7, was consumed by the

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80 Ibid.
81 Posner in conversation with Blick.
82 Jenkins, A Life at the Centre, p.282.
83 Posner in conversation with Blick.
defence of one arbitrary exchange rate, was, in the immediate post-devaluation period, similarly dominated by the misguided aim of preserving the new parity. As Castle put it, ‘we were merely putting ourselves into a different strait-jacket.’

The possibility that a second downward adjustment in sterling might be forced, with uncertain but potentially disastrous domestic and international consequences, haunted those inside the Treasury loop from late 1967. Furthermore, policy on sterling signified an adherence to the Bretton Woods agreement, an international system on its last legs, with even the dollar threatened by devaluation against gold. This outcome, however, could not have been predicted with certainty at the time. Nevertheless, despite their efforts during 1967-70, Posner concedes that the burst of inflation feared by himself and others opposed to floating was merely postponed, coming about in the early 1970s, on an international scale. He does, however, argue that, had it occurred in the late 1960s, such a crisis may have been more severe in absolute terms, and peculiar to Britain. Sterling was floated by the Conservative Chancellor of the Exchequer, Anthony Barber, in 1972, initially as a temporary measure. Aside from a disastrous 1990-2 interlude, preceded by a shadowing of the Deutschmark, it has continued to do so ever since.

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84 Castle, Fighting All the Way, 397.
85 Lord Harris in conversation with Blick.
86 Dell, The Chancellors, pp355-7 and Jenkins, A Life at the Centre, p.234.
87 Posner in conversation with Blick.
89 For that interlude, see: ibid, pp544-6.
Kaldor's defensive advocacy of SET was a source of friction between Jenkins and himself and there seems to have been something of a personality clash between adviser and minister.90 It is also possible that Jenkins, whose dislike of SET was founded in the fact that he saw it as 'a symbol of Callaghan's Treasury',91 may have harboured similar feelings towards the aide most closely associated with the tax. Whatever the reasons, Kaldor was now a spent force at the Treasury, owing to a lack of confidence on the part of his minister. Allen took over from Armstrong shortly after the 1968 Budget. Jenkins informed his new permanent secretary that Kaldor was an irritant he could do without. While Kaldor did not leave the Treasury altogether, Allen saw to it that he was removed from key policy areas, and out of the way of the Chancellor of the Exchequer.92 It seems Kaldor was sidelined into coordinating a study of the effects of SET, which will be discussed later. Posner, by contrast, was regarded as an effective adviser, by both Allen93 and Jenkins, who saw his aide as 'a very effective...economist (and personality.)'94 Posner participated in such critical activities as negotiation with foreign holders of sterling balances,95 a duty to which Kaldor was not allocated.96

As discussed, following Trend's dossier of April 1967, Balogh's position was undermined. He was also under pressure from his former employers to return to academia. From 15 October 1967, he resumed University duties and was

90 See, for example: Cairncross, The Wilson Years, p.267, diary entry for 23 January 1968.
91 Jenkins, A Life at the Centre, p.232.
92 Lord Croham in conversation with Blick.
93 Ibid.
94 Jenkins, A Life at the Centre, p.294.
95 Posner in conversation with Blick.
96 Lord Croham in conversation with Blick.
now paid for government work at a daily rate of £35.10 per day.97 Technically, he was now the ‘Prime Minister’s own consultant’ rather than a special adviser to the Cabinet,98 but the practical difference between the two, other than the way in which he was paid, was difficult to discern. Balogh was seemingly due to leave Number 10 altogether on 15 January 1968,99 an arrangement designed possibly to enable him to help devise the post-devaluation expenditure cuts announced that month. Crossman felt that his friend and ally had already been at Number 10 too long for his own good.100

Yet Balogh was still present after that date.101 Wilson’s personal closeness to his aide, as well as the fact that, more generally, the Kitchen Cabinet included a number of long standing friends, made the removal of Balogh particularly uncomfortable.102 This, to a great extent, explains the protracted nature of the operation. Unsurprisingly, Balogh’s academic employers became aware of his continued Downing Street presence and came to the conclusion that he was neglecting his responsibility to them.103 His work for Wilson was all but full-time,104 yet Balogh denied that he was even a part-time employee, attempting to get his description in official handbooks, such as the Imperial Calendar and Vachers, changed accordingly.105

97 PRO CAB 160/2, ‘Dr Thomas Balogh’, 1966-75, David Heaton, Principal Establishment Officer, Cabinet Office, to Balogh, 13 June 1967.
105 PRO CAB 160/2, Balogh to Trend, 29 April 1968.
Matters on which Balogh advised Wilson during 1968 included the aforementioned devaluation package, which he argued should include restrictions on Hire Purchase. He also helped develop possible responses to the international currency crisis of March, which were, as a package, labelled 'Operation Brutus.' In this instance, sterling came under pressure as a side effect of the threat that the dollar would devalue against gold (from its fixed level of $35 an ounce). It was during this affair that Balogh particularly irritated Jenkins, who found him 'critical of everything we had decided, and of the motives of everyone who had advised the decisions, without propounding any practical alternative course.' In broader policy terms, devaluation dented Balogh's hopes that the Sterling Area/Commonwealth could be built into a dynamic economic bloc. In December 1967 he informed Wilson of his view that the 'fact that a large number of countries which belonged to the British Empire and the sterling area have not followed us in our last devaluation has completely altered the nature of the sterling area...the ending of discrimination in the field of control over capital export in favour of the sterling area should be considered urgently.' However, Balogh argued, any plans to enter the EEC should also be postponed, since the redirection of resources this required, combined with that already necessitated by the

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106 PRO CAB 147/12, ‘H.P. and the package’, Balogh to Wilson, 12 January 1968.
108 Jenkins, A Life at the Centre, p.242.
adjustment in parity would prove 'politically almost unacceptable' and might prompt 'an expectation of a second devaluation.'

Balogh's spell as a special adviser to Wilson was, for reasons discussed elsewhere, of historic significance, but came to an unceremonious end, with a victory for the career bureaucracy. In June 1968, a time-honoured method of dismissal, namely elevation to the Peerage, was put to use in the case of Balogh. His entry to the Lords was announced as part of the Queen's Birthday List on Saturday, 15 June and upon arriving at Number 10 the following Monday, was informed that he had to leave by midday. According to Crossman, '[i]n those two hours everything was closed down, his security pass handed in and his cupboards emptied. Finally he unsigned himself from the Official Secrets Act...he was out on his ear, leaving Burke [Trend] and the rest of the civil servants rejoicing.' Wilson had conceded to representatives of the permanent Civil Service, presumably one of whom was Trend, that once a member of the House of Lords, Balogh could no longer serve as a special adviser. Wilson was, however, aware that there was no rule or convention dictating that a peer could not serve within the bureaucracy, but did not want this happening in the case of Balogh.

Andrew Graham, a member of Balogh's team since 1966, was promoted to become Economic Adviser, remaining in the post until July 1969.

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113 Ibid, p.96, diary entry for 17 June 1968.
did not possess the same authority as his predecessor, nor did his behaviour suggest he was a political actor in the Balogh mould, appearing mainly concerned with the technical analysis of problems. Wilson regarded Graham as 'quite first-class', partly for his ability to produce work at short notice. One particular concern for Graham was that of prices of incomes policy, the pressing issue of the time. Some of the difficulties previously experienced by Balogh continued. In October 1968, Graham complained to Michael Halls that Cabinet papers and minutes on economic matters were no longer being circulated to his office following the departure of Balogh.

Following Balogh's departure from Number 10, lamenting the loss of someone she saw as an effective ally, Castle attempted to obtain the services of Graham on a part time basis. Wilson informed her that his adviser could not be spared. Wilson had recently lost not only Balogh but also Balogh's deputy, Crossman. Crossman was interested in taking on Balogh's services at the nascent Department of Health and Social Security (DHSS), with a view to sharing him with Castle at Employment and Productivity. Paul Odgers, Crossman's Private Secretary, informed his minister that 'I don't think it will be allowed. I don't think they are going to allow Tommy to have access to secret papers again.' This suggests Trend had effectively excluded Balogh, on the grounds of unreliability where confidential information was concerned.

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116 PRO PREM 13/1955, Michael Halls, Prime Minister's Principal Private Secretary, to Sir Douglas Allen, Permanent Secretary to the Treasury, 8 November 1968.
117 See, for example, some of his work during 1968-9 in: PREM 13/2766, 'Paper by Andrew Graham on use of unemployment figures as economic indicator', 1968-9.
118 PRO PREM 13/1955, Halls to Allen, 8 November 1968.
119 See: PRO CAB 147/30 'Prices and income policy', 1968-9.
Trend was, no doubt, keen to be permanently rid of a rival. When Crossman put it to the Prime Minister that he wanted to employ Balogh, alongside Brian Abel-Smith, Wilson insisted that Balogh should only be permitted to look at Abel-Smith’s papers rather than receive his own copies.\footnote{Trend was, no doubt, keen to be permanently rid of a rival. When Crossman put it to the Prime Minister that he wanted to employ Balogh, alongside Brian Abel-Smith, Wilson insisted that Balogh should only be permitted to look at Abel-Smith’s papers rather than receive his own copies.\footnote{Tbid, p.107, diary entry for 25 June 1968.} \footnote{Tbid, p.105, diary entry for 22 June 1968.} \footnote{Tbid, p.107, diary entry for 25 June 1968 and fn.} \footnote{Tbid, p.107, diary entry for 25 June 1968.} \footnote{Tbid, p.201, diary entry for 26 September 1968 and pp183-4, diary entry for 10 September 1968.} \footnote{Tbid, p.190, diary entry for 16 September 1968 and pp183-4, diary entry for 10 September 1968.} \footnote{PRO CAB 160/2, Paul Odgers, Assistant Under Secretary of State, D.H.S.S., to Heaton, 12 November 1968.} \footnote{Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.231, diary entry for 21 October 1968.} \footnote{Tbid, p.319, diary entry for 14 January 1969.} \footnote{PRO CAB 160/2, Odgers to Heaton, 12 November 1968.}}

The idea of Castle and Crossman being advised by Balogh was, however, seemingly unacceptable to Jenkins.\footnote{The idea of Castle and Crossman being advised by Balogh was, however, seemingly unacceptable to Jenkins.} Wilson therefore suggested that Crossman take on Theo Cooper, an economist from St Hugh’s College, Oxford, who served under Balogh and then Andrew Graham from 1965-9.\footnote{Wilson therefore suggested that Crossman take on Theo Cooper, an economist from St Hugh’s College, Oxford, who served under Balogh and then Andrew Graham from 1965-9.} Balogh would be able to view her papers.\footnote{Balogh would be able to view her papers.} This arrangement was the one eventually arrived at,\footnote{This arrangement was the one eventually arrived at, with additional help provided by Kaldor, who for the time being officially remained a Treasury adviser.} with additional help provided by Kaldor, who for the time being officially remained a Treasury adviser.\footnote{Balogh advised on ‘general economic questions arising out of the specific duties of the Secretary of State.’\footnote{PRO CAB 160/2, Paul Odgers, Assistant Under Secretary of State, D.H.S.S., to Heaton, 12 November 1968.} \footnote{Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.231, diary entry for 21 October 1968.} \footnote{Tbid, p.319, diary entry for 14 January 1969.} \footnote{PRO CAB 160/2, Odgers to Heaton, 12 November 1968.}} Balogh advised on ‘general economic questions arising out of the specific duties of the Secretary of State.’\footnote{His responsibilities included preparing Crossman for the Cabinet Steering Committee for Economic Policy and accompanying him to meetings with government statisticians.} His responsibilities included preparing Crossman for the Cabinet Steering Committee for Economic Policy\footnote{His responsibilities included preparing Crossman for the Cabinet Steering Committee for Economic Policy and accompanying him to meetings with government statisticians.} and accompanying him to meetings with government statisticians.\footnote{He was paid at the same daily rate that he had been since October 1967.} He was paid at the same daily rate that he had been since October 1967.\footnote{Balogh, however, proved to be something of a wayward aide, wont to disappear abroad at the critical} Balogh, however, proved to be something of a wayward aide, wont to disappear abroad at the critical
moment. Balogh’s difficulty was in severing what Crossman described as
the ‘umbilical cord which keeps him hanging on to No. 10’,\textsuperscript{135} which, in
Crossman’s view, he did not manage to do until spring 1969.\textsuperscript{136} Crossman’s
diary entry for 25 September 1968, stated that Balogh was not available to
draft a report on pensions since he had ‘slipped back into No. 10’,\textsuperscript{137} writing
speeches for a Prime Minister who ‘simply can’t do without him.’\textsuperscript{138}

By early 1969, Crossman came to the view that Balogh was surplus to
requirements. The DHSS was a peripheral, policy-forming department,
removed from the governmental core which exercised such fascination for
Balogh. In Crossman’s view, what was needed was a special adviser, for
example Kaldor or Abel-Smith, whose \textit{métier} was the detailed proposal rather
than the broad sweep, which was Balogh’s most familiar territory.\textsuperscript{139}
Advocates of cabinet government might, however, find praiseworthy Balogh’s
tendency to pressurise ministers to look beyond departmental business and
participate in general policy discussion.\textsuperscript{140} Reluctantly, Crossman gently
talked his old friend round to the fact that he was no longer required at the
DHSS.\textsuperscript{141} Needless to say, Balogh remained a mainstay of Kitchen Cabinet
gatherings, combining political and social life, which continued during 1967-

\textsuperscript{134} See, for example: Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.161, diary entry
\textsuperscript{135} Ibid, p.142 fn.
\textsuperscript{136} Ibid, p.412, diary entry for 13 March 1969.
\textsuperscript{137} Ibid, p.200, diary entry for 25 September 1968.
\textsuperscript{138} Ibid, p.201, diary entry for 26 September 1968.
\textsuperscript{139} Ibid, p.362, diary entry for 10 February 1969.
\textsuperscript{140} For an example of Balogh performing this function, see: Ibid, p.142, diary entry for 13
March 1969.
\textsuperscript{141} Ibid, p.362, diary entry for 10 February 1969.
70, although not necessarily involving the presence of Wilson.\textsuperscript{142} This body persisted in its endeavours to ensure a leftist infusion of government policy.\textsuperscript{143}

As previously discussed, following Jenkins’s instructions to the incoming permanent secretary, Allen, Kaldor was a beached whale. Nevertheless, in May 1968, due to return to academia the following October, he offered to continue as a part time adviser at the Treasury. He also considered working for Castle at the Department for Employment and Productivity.\textsuperscript{144} From March 1969 onwards, having ‘finally decided not to use T. Balogh’, Crossman engaged in a sustained attempt to acquire to services of Kaldor, as his ‘main economic consultant’, on a part-time basis.\textsuperscript{145} Kaldor, Crossman felt, was better suited to advising at the DHSS than Balogh. This was for reasons already suggested, as well as the fact that Kaldor was more well-liked inside the permanent bureaucracy than Balogh, who was seen as prone to hostility and intrigue.\textsuperscript{146} While Treasury permanent officials were content to release Kaldor, Jenkins, who believed that ‘SET damaged our image and is ashamed of Nicky as an adviser’ was not.\textsuperscript{147}

In September 1968, Kaldor had returned to his duties at King’s College, Cambridge, although the Treasury had retained him as a consultant, paid, like


\textsuperscript{143} See, for example: Castle, \textit{The Castle Diaries, 1964-70}, p.720, diary entry for 15 October 1969.

\textsuperscript{144} Cairncross, \textit{The Wilson Years}, p.299, diary entry for 15 May 1968.


\textsuperscript{146} Ibid, p.568, diary entry for 14 July 1969.

\textsuperscript{147} Ibid, p.568, diary entry for 14 July 1969.
Balogh had been from October 1967, on a consultancy basis. Jenkins was not making use of Kaldor, but, in Crossman's view, did not want anyone else to do so and was therefore reluctant to release him. In November 1969, in a state of frustration, Crossman sent a 'really hot letter to Roy.' Jenkins finally gave way, relinquishing 'all claim on Professor Kaldor's services', going as far as to say that Crossman could employ the economist full-time. Crossman's diary entry for 7 December 1969 refers to 'Nicky Kaldor, who is now, thank God, my official economic adviser.' Kaldor was given the job title of 'Special Adviser.' The Permanent Secretary suggested his salary be set at '1,000 guineas.' Kaldor was given a room in the DHSS building in Elephant and Castle. His appointment was not publicised outside the department, probably out of a desire to avoid a repetition of earlier experiences with the Press.

'Roy's evil genius'

Wilson's fears of an attempt to remove him, particularly involving Jenkins and John Harris, became heightened from 1967, as will be shown. Moreover, the behaviour displayed by members of certain élite social groups suggested a
desire to oust Wilson by non-constitutional means. 'In the strange atmosphere of the late 1960s', writes Pimlott, 'a collective revulsion began to take effect, beyond politicians or even press magnates, directed against the man whom rich and powerful people decided was the incubus of the nation’s ills.'

Within the post-devaluation balance of power, Harris, a non-expert political aide attached to the Chancellor of the Exchequer, grew in importance. Writing in July 1969, Crossman refers to 'Roy Jenkins and his boon companion John Harris, who is a kind of American character, a real “kitchen cabinet” in one. He steers Roy a great deal and represents him to the press.' Born in 1931, Harris's initial employment was as a journalist. 1956 found him working on the Glasgow-based Labour paper Forward. In September of that year, the publication was re-launched and Harris was taken on as one of the two salaried editorial staff, operating out of an office in Holborn, London. The financially independent paper survived into the 1960s.

Forward was orientated towards the Labour right, with Gaitskell and Jay both closely involved. It was this wing of the party with which Harris remained firmly associated. He was appointed as Gaitskell’s ‘political adviser’ for the 1959 election campaign. His work entailed involvement in presentational, strategic and tactical decisions and no doubt more menial duties. Although no specific arrangement was made, Harris believed that, in the event of a

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154 Pimlott, Harold Wilson, p.509.
158 Tony Benn Years of Hope, Diaries 1940-1962, p.313, diary entry for 22 September 1959.
Labour victory, the new Prime Minister would have employed him as an aide.\textsuperscript{160} To Harris, on election night, fell the unenviable task of informing a previously optimistic Gaitskell that defeat was inevitable.\textsuperscript{161} It seems that Gaitskell rated Harris highly\textsuperscript{162} and he was kept on as ‘Hugh’s Adviser’\textsuperscript{163} after the poll.

Hugh Dalton, Chancellor of the Exchequer under Attlee from 1945-7 and godfather to the Gaitskellites, took an immediate fancy to Harris, the ‘nice looking young man’ he first met in October 1959.\textsuperscript{164} The occasion was the gathering of Gaitskell’s inner circle at Dalton’s Frognal residence, on 11 October, the Sunday after Labour’s 1959 election defeat, when Douglas Jay proposed a revamp for Labour which included disassociation from state socialism and trades unionism as well as a change of name.\textsuperscript{165} It should be noted that, in Dalton’s account, Harris ‘came late and took no part in talk.’\textsuperscript{166} Reflecting views such as this, Gaitskell’s speech, delivered in Blackpool at the 1959 conference, questioned Clause IV of the party constitution. Clause IV committed the party to common ownership of the means of production, distribution and exchange, and was therefore sacred to the left.\textsuperscript{167} Harris helped prepare the ground for Gaitskell’s proposal amongst senior Labour

\textsuperscript{160} Lord Harris in conversation with Blick.
\textsuperscript{161} Ibid.
\textsuperscript{163} Benn, Years of Hope, p.343, diary entry for 30 September 1960.
\textsuperscript{164} Pimlott (ed.) The Political Diary of Hugh Dalton, p.694, diary entry for 11 October 1959.
\textsuperscript{166} Pimlott (ed.) The Political Diary of Hugh Dalton, p.694, diary entry for 11 October 1959.
politicians. During 1960, Harris, along with the likes of Callaghan, Crosland and Healey, was active in the campaign within Labour for party policy to be in favour of the maintenance of a UK nuclear weapons capacity, pending multilateral disarmament, in opposition to demands emanating from the Labour left. Issues such as this were highly divisive for Labour, and in September 1960, Harris told Benn that he felt a split in the party to be ‘inevitable.’

Although regarding Harris as a ‘pleasant young P.R.O. [public relations officer]’ Crossman came to resent his role as ‘nothing more than Gaitskell’s personal pressman’, as opposed to being a party representative. Presumably on these grounds, Len Williams, Deputy General Secretary of the Labour Party, vetoed Harris’s attendance at the 1960 conference as a member of the Transport House staff. Significantly, at this time, Crossman began to suspect that Harris was deliberately furnishing journalists with confidential information in order to further the interests of Gaitskell, at the expense of other Labour politicians. Gaitskell was grooming Harris for a parliamentary career, which did not materialise, however, until 1974, and then in the Lords. During his time as a special adviser, Harris sought selection as a Labour candidate, unsuccessfully. He became Labour’s Director of

168 Jay, Change and Fortune, pp276-7.
170 Benn, Years of Hope, p.343, diary entry for 30 September 1960.
Publicity in January 1962.\textsuperscript{177} As has been shown, Harris was a key figure in Labour’s 1964 election campaign, collaborating with Kitchen Cabinet members.

Upon Labour victory in 1964, Harris resigned his party post and within a month was employed as a temporary Civil Servant, working for the Foreign Secretary, Patrick Gordon Walker, whom he was close to personally and politically. This move had been discussed by and agreed between Gordon Walker and Harris in advance of the poll.\textsuperscript{178} During his time as a temporary bureaucrat, Harris’s job title was Special Assistant, rather than adviser, perhaps because of the non-technical nature of his role. Like ‘special adviser’ this term had an American flavour to it, having become prominent in the US before the Second World War.\textsuperscript{179} Gordon Walker was in a peculiar position. He held a place in the Cabinet despite having lost his Smethwick parliamentary seat in October 1964, against the national trend, in the face of an anti-immigration campaign conducted by his Conservative rival. A new constituency, Leyton, in East London, was found for Gordon Walker to contest. Harris claimed that he was not involved in the subsequent by-election campaign, since this was not compatible with his employment as a Civil Servant.\textsuperscript{180} Gordon Walker was defeated again and obliged to resign his Cabinet post, to be replaced by Michael Stewart, who retained Harris’s


\textsuperscript{178} Lord Harris in conversation with Blick.

\textsuperscript{179} Again, this is suggested by the Library of Congress Online Catalogue. See, for example: Lee Meriwether, special assistant to the American ambassador to France, \textit{The war diary of a diplomat}, (New York: Dodd, Mead and Company, c.1919).

\textsuperscript{180} Lord Harris in conversation with Blick.
services. However, Harris was 'not equally at home with Michael Stewart as he had been with Gordon Walker and before that, in opposition, with Gaitskell.' There is no mention of Harris in Stewart's autobiography.

Harris, however, was in demand. In 1965, Jay, who as President of the Board of Trade was experiencing public relations difficulties, considered inviting Harris, his 'previous colleague', to 'join us on press work.' Furthermore, in June of the same year, in the face of perceived problems with the press, 'an abortive attempt' was made to obtain the services of Harris by the Wilson camp. It was hoped that Harris, through 'acting separately, independently and politically with the Press on Harold’s behalf' would 'close the gap between the Cabinet and the Party.' Why was the appointment never made? According to Williams, 'not only were there objections from the civil servants, but also from the National Executive Committee [NEC] of the Party too.’ In her account, ‘one of Mr Gaitskell’s closest friends…raised the strongest outcry possible at the thought of installing one of Hugh’s closest confidants in Downing Street working for Harold.' However, while Williams believed that he was ‘keen’, Harris, who shared with other Gaitskellites a low opinion

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182 Jenkins, A Life at the Centre, p.182.
184 Jay, Change and Fortune, p.329.
186 Marcia Williams, Inside Number 10, p.223.
187 Ibid.
189 Williams, Inside Number 10, p.223.
190 Ibid.
of Wilson, recalled that at the time he was determined not to work for the Prime Minister.\footnote{Lord Harris in conversation with Blick.} This being the case, the proposal was a non-starter.

However, the prospect of Harris’s appointment was clearly taken seriously inside the Prime Minister’s Office. The Downing Street Principal Private Secretary, Derek Mitchell, was apprehensive regarding the incorporation of another political appointee. He wrote to Wilson that ‘[a]s a temporary civil servant John Harris has been used to all the facilities of the Foreign Office, including very free access to official papers… it will avoid upsets if it is made clear from the outset that this is not possible [at Number 10]. This links closely with the question of whether he should have a room here… it would be a mistake (as well as wrong on grounds of propriety) for him to have anything beyond a peg on which to hang his coat when he calls.’ Mitchell felt that Harris should work at Transport House.\footnote{PRO PREM 13/508, ‘Office accommodation for Mr John Harris’s, 1965, ‘John Harris’s, Derek Mitchell, Prime Minister’s Principal Private Secretary, to Wilson, 31 May 1965.} Helsby agreed that Harris was ‘the sort of active political animal… for whom there is no safe place in No. 10 or the adjacent buildings.’\footnote{Ibid, Sir Laurence Helsby, Joint Permanent Secretary to the Treasury, to Mitchell, 17 June 1965.} Had he been taken on by Wilson, Harris would have ceased to be a special adviser, since he was to be paid out of political funds.\footnote{Ibid, ‘Accomodation for Mr. John Harris’s, Mitchell to Helsby, 17 June 1965.} Nevertheless, this illustrated the kind of resistance that could be offered by permanent officials to the employment of outsiders. As shown in Chapter III, the post initially earmarked for Harris was filled by Gerald Kaufman.
In the same year, the possibility emerged that Roy Jenkins, another friend and ally of Harris’s in the Government, might be promoted from the post of Minister of Aviation to replace Frank Soskice as Home Secretary. Harris made it clear to Jenkins that, should this transpire, he (Harris) would be agreeable to the idea of a move to the Home Office. Wilson appointed Jenkins as Home Secretary in January 1966. Michael Stewart was seemingly reluctant to lose Harris, and until Stewart left for the DEA, swapping jobs with Brown in July 1966, Harris divided his time between the Home and Foreign offices. Harris then became a full-time adviser to Jenkins, who ‘took to him very strongly.’ When Jenkins replaced Callaghan as Chancellor of the Exchequer in November 1967, Harris moved with him to the Treasury, where he remained until Labour’s June 1970 election defeat.

In 1964 Harris was employed in the News Department of the Foreign Office. He was given his own room, which he initially suspected might be an intended means of ‘keeping me out of the way.’ At the Home Office and then the Treasury, Harris saw to it that he was housed in Jenkins’s Private Office. This ensured physical immediacy to his employer, as well as access to official papers. Throughout his time as a special adviser, Harris could see his minister whenever he wanted. That he and Jenkins spent a great deal of time in each other’s company is suggested by other sources. Harris recalled actively avoiding participation in official committees, since ‘they never decide

__195__ Lord Harris in conversation with Blick.
__196__ Ibid.
__198__ Lord Harris in conversation with Blick.
__199__ Ibid.
anything.201 This dislike of cumbersome meetings was shared with Jenkins.202 There is no question of the great extent to which Jenkins trusted Harris.203 Harris argued that his strength, and indeed that of any special adviser, was drawn from the confidence in him openly displayed by his minister.204 As well as sharing political allegiance, Jenkins and Harris were already personally close.205 Indeed, the ‘extremely personal’ nature of their relationship led to a degree of mistrust and bewilderment regarding Harris’s role amongst Jenkins’s cabinet colleagues.206 This lack of comprehension, tinged with doubt, was shared by officials at the Treasury.207

Jenkins writes that his special adviser was ‘concerned primarily but not exclusively with public relations, which was then his speciality.’208 Harris’s role as media liaison, certainly of great importance, will be examined later in this chapter. Harris, however, says he saw himself more as a ‘political adviser’ than press officer.209 Williams’s description of him as ‘Roy’s principal personal adviser’ seems fitting.210 Certainly, Jenkins felt that Harris’s ‘political judgement was admirable.’211 He was not, nor did he claim to be, an economist.212 An important part of his work involved tactical discussions with his employer, often taking place several times a day. He emphasised that he was not a ‘svengali’ and was critical of the supposed tendency of current

201 Lord Harris in conversation with Blick.
202 Lord Croham in conversation with Blick.
203 See, for example: Jenkins, A Life at the Centre, p.221.
204 Lord Harris in conversation with Blick.
205 See, for example: Jenkins, A Life at the Centre, p.171.
206 Lord Marsh in conversation with Andrew Blick.
207 Posner in conversation with Blick.
208 Jenkins, A Life at the Centre, pp181-2.
209 Lord Harris in conversation with Blick.
210 Williams, Inside Number 10, p.311.
211 Jenkins, A Life at the Centre, p.221.
212 Ibid; and Lord Harris in conversation with Blick.
political advisers to wield independent influence. The distinction between advice which is solicited or otherwise is unclear, Harris suggested, since both could be provided in the course of a single discussion with a minister.\textsuperscript{213} The fact that his role involved a large amount of informal, verbal activity helps explain the lack of traces of Harris in official files.

Harris helped write party political speeches for Jenkins, for instance the one delivered at the 1969 Labour conference.\textsuperscript{214} The special adviser also accompanied his minister on official visits, sometimes abroad.\textsuperscript{215} Jenkins used Harris as a conduit for personal messages to and from fellow Cabinet members\textsuperscript{216} and the special adviser seems to have been generally regarded as able to speak for his minister.\textsuperscript{217} On occasion, Harris accompanied Jenkins to party political engagements which it was more awkward for career officials to attend in a professional capacity.\textsuperscript{218} However, there were apparently difficulties with this, since Harris, too, was ‘on the public payroll.’\textsuperscript{219} Croham regards Harris as the first true special adviser, since his contract, Croham remembers, was the standard one for permanent civil servants, modified with provisions for temporary status. This was probably drawn up in 1964 by the Foreign Office. Other aides under examination in this study were recruited on terms already laid down for the employment of outsiders prior to 1964.\textsuperscript{220}

\textsuperscript{213} Lord Harris in conversation with Blick.
\textsuperscript{214} Jenkins, \textit{A Life at the Centre}, p.285.
\textsuperscript{215} Ibid, p.298.
\textsuperscript{217} See, for example: Castle, \textit{The Castle Diaries 1964-70}, p.555, diary entry for 22 November 1968.
\textsuperscript{218} Jenkins, \textit{A Life at the Centre}, p.219.
\textsuperscript{219} Ibid, p.270.
\textsuperscript{220} Lord Croham in conversation with Blick.
(However, as shown, their roles definitely signified the emergence of something new.)

The propriety of Harris’s role was raised by Jenkins’s predecessor as Chancellor of the Exchequer at Cabinet in March 1968. Callaghan complained that ‘some Ministers seemed to have political press officers to protect them — looking hard at Roy.’ Wilson’s response was “[i]f you are thinking of John Harris...he is a civil servant.” Callaghan then enquired, if this was the case, ‘why Harris had been moved from his job at the Home Office without consulting Roy’s successor [ie: Callaghan] and what was he doing now at the Treasury?’ Jenkins’s comment on this was '[i]t’s none of your business, Home Secretary.’

Harris stated that, as a special adviser, an important function of his was helping to avoid or minimise political difficulties, ‘keeping out of trouble’, as he put it. The presentation of policy in relation to developments such as the escape of prisoners during Jenkins’s period as Home Secretary, was an important concern. It seems, however, that Harris was capable of leading Jenkins into difficulties. On 15 June Jenkins spoke at a Labour consistency meeting in Rossendale, Lancashire. At Harris’s suggestion, he used this as an opportunity to warn the (in-built) Conservative majority in the House of Lords against resisting sanction measures about to be implemented against Rhodesia. Harris ‘wrote out a rather provocative passage, threatening that this might mean the end of the all-party talks on Lords reform’ which were then current.

222 Lord Harris in conversation with Blick.
‘With considerable hesitation, but perhaps attracted by 1909-11 thoughts that an aggressive role towards the Lords was suitable for a Chancellor of the Exchequer’, Jenkins goes on, ‘I decided to use it’. As a result, much public controversy was generated and Wilson was angered in the process.

In a more long-term and ideological sense, a series of achievements with which Harris was rightly proud to have been associated are those relating to social liberalisation, which Jenkins had long advocated and was able to pursue at the Home Office. Jenkins’s 1959 work *The Labour Case* refers to ‘the need for the State to do less to restrict personal freedom’ and, as Home Secretary he facilitated the implementation of his radical agenda. For example, in 1967, laws relating to homosexuality and abortion were reformed, as a result of private members bills, with the co-operation of Jenkins. Harris stated that he shared Jenkins’s commitment in this area and was involved in devising the tactical approach required for its implementation. This included planning and conducting a complex and intensive lobbying campaign amongst Labour MPs.

Just as Balogh was part of a group descended from the Bevanite left which crystallised around Wilson, Harris was clearly one of a clique of Gaitskellite loyalists, who during the course of the 1960s began to centre on the personality of Jenkins. Shore suggested that, following Gaitskell’s sudden death in 1963,

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223 Jenkins, *A Life at the Centre*, p.257.
227 Jenkins, *A Life at the Centre*, pp180-1.
229 Lord Harris in conversation with Blick.
Harris was a 'deeply disappointed man.'\textsuperscript{230} There is no doubt about the hurt caused to Harris by the passing away of the Labour leader, whom he described as 'the greatest man I ever knew.'\textsuperscript{231} In Shore's view, Harris sought another suitable politician to attach himself to in place of Gaitskell and eventually found one in Jenkins. Shore was certain that it was Harris's intention to publicly promote Jenkins as a future Prime Minister, at the expense of Wilson.\textsuperscript{232} Harris was ungenerous towards his Kitchen Cabinet counterparts, Wilson's 'political staff.' While he felt unqualified to comment on their economic theories, Harris dismissed Balogh (along with Kaldor) as an adviser, on grounds of unsuitable personality. He was vehement in his dislike of Wigg, although he praised Williams, suggesting that she effectively curbed Wilson's excesses.\textsuperscript{233}

Wilson often suspected that, amongst others, Jenkins was plotting against him, with the assistance of Harris.\textsuperscript{234} In October 1966, in the hope of clearing the air between them, Jenkins requested a meeting with the Prime Minister, at which Wilson complained of the 'intrigues of John Harris.'\textsuperscript{235} Kitchen Cabinet members took concerned note of Harris. Writing in June 1967, referring to Harris, Crossman expressed the view that personal public relations advisers should be forbidden to ministers.\textsuperscript{236} Benn recorded telling Wilson on 3 April 1968 that 'you have to deal with Roy by building up John Harris.'\textsuperscript{237} Later

\textsuperscript{230} Lord Shore of Stepney in conversation with Andrew Blick.
\textsuperscript{231} Lord Harris in conversation with Blick.
\textsuperscript{232} Lord Shore in conversation with Blick.
\textsuperscript{233} Lord Harris in conversation with Blick.
\textsuperscript{235} Jenkins, \textit{A Life at the Centre}, p.197.
\textsuperscript{237} Benn, \textit{Office without Power}, p.55, diary entry for 3 April 1968.
that month, Benn proposed to Wilson the appointment of Harris to ‘a big post in Washington or abroad.’ Although Wilson was supposedly ‘very excited about this’,\textsuperscript{238} the idea does not seem to have been taken any further and Harris knew nothing of it.\textsuperscript{239} Wilson was amused by Harris’s failure to win selection as a Labour parliamentary candidate in July of that year.\textsuperscript{240}

Mistrust of Harris extended further than the Kitchen Cabinet. Jenkins’s use of a political aide engendered suspicion amongst supposed allies on the Labour right, such as Crosland.\textsuperscript{241} According to Benn’s diary entry from 9 August 1966, Crosland believed that Harris, encouraged by Jenkins, was briefing journalists as to which Cabinet post Jenkins wanted to move to next, presumably that of Chancellor of the Exchequer,\textsuperscript{242} which Crosland himself coveted. In turn, the counsel of Crosland’s special adviser, Wilfred Beckerman, was possibly a factor in Cabinet level disputes between the two Gaitskellites. In October 1968, Crosland and Castle found themselves united against the imposition of further consumption curbs by Jenkins. In Castle’s view, Crosland’s stance was founded on assessments supplied by Beckerman.\textsuperscript{243} Castle suggested that disagreements over the position of Harris helped undermined the potential for an anti-Wilson alliance between Callaghan and Jenkins.\textsuperscript{244} Indeed, Crossman described a Cabinet meeting in

\begin{footnotes}
\item \textsuperscript{238} Ibid, p.63, diary entry for 30 April 1968.
\item \textsuperscript{239} Lord Harris in conversation with Blick.
\item \textsuperscript{240} Castle, \textit{The Castle Diaries 1964-70}, p.487 diary entry for 15 July 1968.
\item \textsuperscript{241} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 2, diary entry for 8 June 1967, p.373.
\item \textsuperscript{242} Benn, \textit{Out of the Wilderness}, pp467-8, diary entry for 9 August 1966.
\item \textsuperscript{243} Castle, \textit{The Castle Diaries, 1964-70}, p.538, diary entry for 23 October 1968.
\item \textsuperscript{244} Ibid, p.414 diary entry for 28 March 1968.
\end{footnotes}
November 1968 at which there was a ‘universal conviction...that John Harris had become Roy’s evil genius’\(^{245}\)

During 1967-70, suspicion of Harris’s use of the press was great, particularly within the Kitchen Cabinet. Firstly, it was felt that Harris was dedicated to obtaining newspaper articles calling for the furthest possible advancement of Jenkins,\(^{246}\) even to the level of Prime Minister,\(^{247}\) and generally building his image. In January 1968, the *Daily Mirror* ran a series of stories drawing attention to Wilson’s supposed failures and portraying Jenkins as a renaissance man and potential national saviour.\(^{248}\) Crossman noted his view that these were inspired by Harris.\(^{249}\) Secondly, some believed that Harris deliberately tried to undermine the position of Wilson\(^{250}\) and others, for Jenkins’s benefit. Benn suggested that Jenkins used ‘John Harris, his press adviser, quite ruthlessly against anyone who stands in his way’, for example, during 1968, Shore, Secretary of State at a rival economic ministry, the DEA.\(^{251}\) Jenkins supposedly regarded Shore as incompetent and wanted him removed from office.\(^{252}\) Castle recorded being told by Wilson in July 1968 that Harris was responsible for press attacks on her.\(^{253}\) Thirdly, as well as image manipulation, Harris was suspected by some of attempting to use the press in order to force policy decisions upon Cabinet, through informing journalists of


\(^{248}\) See, for example: ‘Will he be Britain’s man of the year?’, *Daily Mirror*, 1 January 1968.


\(^{250}\) Ibid, p.297, diary entry for 3 April 1967.


Jenkins's own views on matters. 254 Similar means were used to suggest which concessions Jenkins might be willing to make on certain issues. 255 Harris's method of achieving articles slanted in the way he wanted seemingly involved furnishing journalists with confidential official information, which related to matters such as his personal attitudes, the opinions of other ministers and developments inside the administration. 256

Was Harris guilty as charged? Shore, one of his supposed victims and a Kitchen Cabinet member, remained convinced to the end that he was. 257 Harris did not deny the use of inside knowledge in order to obtain favourable press coverage, but argues that such activities were commonplace across the government. 258 Marsh agrees. 'I don't doubt that he [Harris] was doing it', Marsh states, 'but so was everyone.' 259 Certainly, ministers such as Crossman record sharing internal government knowledge with journalists and, while there were no other special advisers with Harris's role, press officers, for example Kaufman at Number 10, performed similar functions. 260 Croham, who also notes that Harris was far from being the only culprit, states that press priming 'was a safety valve for collective Cabinet responsibility.' Through this means, Croham suggests, ministers were able to signal to their party supporters disagreement with government policies that they were obliged

256 For a description of the way in which such information was supplied to journalists by Harris and others, see: Ibid, pp582-3, diary entry for 20 July 1969.
257 Lord Shore in conversation with Blick.
258 Lord Harris in conversation with Blick.
259 Lord Marsh in conversation with Blick.
publicly to support. One objection to Harris may have been that cultivating the press appeared to be a full-time occupation. Perhaps, also, for some, he was too good at it.

Harris rejected the distinction between legitimate briefing and dishonest leaking which some attempted to maintain, since both entailed passing on confidential information. ‘Number 10 only objected to stories that didn’t originate with them’, he argued. As Crossman noted, ‘malicious and damaging announcements’ were rife throughout the government and not exclusively the preserve of Harris. Given the policy failures presided over by Wilson, Crossman also argued, it was not surprising that the Prime Minister experienced public relations difficulties and these could not be entirely attributed to Harris and Jenkins. Balogh, who, predictably, shared the conspiracy theorists’ view of Harris, was uncertain of the extent to which Jenkins was complicit in his aide’s alleged machinations. On the subject of hostile briefing, Balogh remarked to Castle in June 1968, that “I just don’t think he [Jenkins] knows what is done in his name.”

No doubt Jenkins was happy to benefit from his aide’s activities, regardless of the extent of his knowledge of them. Jenkins’s use of Harris contributed to an internal discord which obsessed Wilson and consumed excessive quantities of Cabinet

261 Lord Croham in conversation with Bick.
262 Lord Harris in conversation with Blick.
264 See, for example: Ibid, pp43-4, diary entry for 3 May 1968.
266 Crossman, The Diaries of a Cabinet Minister, Vol. 3, pp43-4, diary entry for 3 May 1968. For an example of one of many such leak enquiries, from November 1968, in which Jenkins, alongside other senior Cabinet members, figured, see: PRO PREM 13/2369, ‘Leak Inquiry’, November 1968.
time. In May 1966, Wilson even considered appointing a full-time leak chaser.

When pressed on whether his primary loyalty was to Jenkins or the Labour administration as a whole, Harris said that one entailed the other. While he was a supporter of the government, he was not, he stated, a supporter of Wilson. Making the criticisms of Wilson previously outlined, Harris added the charge that he was prone to paranoid fantasy. Harris maintained that both he and Jenkins were exclusively concerned with averting the possibility of Britain 'going down the plug-hole', possibly dragging the world economy with it. They were, he argued, not interested in such matters as political conspiracy. While Harris put his case in a compelling fashion, it is difficult to accept that there is any level of crisis at which politicians, even those who are striving genuinely and effectively to prevent looming catastrophe, entirely abandon politics. Jenkins, an historian himself, was surely well aware of this. His autobiography referred ruefully to its author's lack of success in capitalising on Wilson's post-1967 weakness in the form of an effective bid for the premiership. Jenkins does not, however, deny that such a coup was in his mind. Furthermore, Harris's protestations of innocence do not fully accord with Gordon Walker's description of a plot against Wilson by the Labour right that brewed during 1968-9, which Harris conceded he and Jenkins were aware of, but claimed they did not condone.

268 See: PRO PREM 13/1184, 'Appointment of a full-time leak-chaser.'
269 Jenkins, *A Life at the Centre*, p.260.
270 Lord Harris in conversation with Blick.
Harris maintained contact with his former employer, Gordon Walker, who returned to the Cabinet as Minister without Portfolio in January 1967.271 Gordon Walker became active in a scheme to oust Wilson as premier and replace him with Jenkins. In his diary, Gordon Walker recorded informing Jenkins, on the evening of 27 May 1968, of an ‘inner group of 9 or 10’ MPs ready to mobilise support for an anti-Wilson coup. Gordon Walker then suggested that Harris should find the text of a 1957 Labour Parliamentary Committee document dealing with the removal of leaders, for leaking to the press at an appropriate moment.272 On 3 July, in his account, Gordon Walker went to the Chancellor’s room in the House of Commons, at Jenkins’s request. John Harris was also there. In this meeting, Jenkins made it clear that he ‘did not want to say, at any time, that we should move. He wanted to be consulted and might advise against action – but, otherwise, would leave it to us. He clearly did not want to be implicated in actually launching an action.’273

Gordon Walker’s diary entry for 7 May 1969 described how the conspirators, including MPs such as Bill Rodgers, David Marquand and Robert Maclennan, finally decided to launch a strike against Wilson.274 However, the following day, John Harris, described as ‘Roy’s press man and a very good friend of ours’, sent word to Christopher Mayhew, a co-conspirator, that ‘Roy Jenkins did not want us to move.’275 The reason for Jenkins’s hesitance was that the passage of the Industrial Relations Bill had reached a critical point, likely to

rally the support of moderate Labour MPs to Wilson. The excitable tone of Gordon Walker's accounts of the *putsch*-that-never-was may lead the reader to doubt the seriousness of the participants. Nevertheless, it seems that Harris and Jenkins were not adverse to benefiting from a successful move against Wilson, with which they were willing to co-operate up to a point, merely wishing to avoid association with an attempt that failed. Marsh suggests, reasonably, that Jenkins's failure to reach the summit of British politics during 1967-70 was a result not of his preoccupation with potential economic disaster, but of his failure to cultivate the parliamentary lobby.

Given that there was no effective attempt to oust Wilson by Jenkins or his followers, the Chancellor of the Exchequer and the Prime Minister were mutually dependent for political success. When suggesting to Castle that Harris was guilty of intrigue in July 1968, Wilson added, '[m]ind you, I like Roy and work well with him. After all, I appointed him and I was right.' Indeed, according to Williams, Harris 'was someone we knew very well and with whom we had had a very good working relationship before and during 1964. This was a hidden asset. It helped to establish an underlying political understanding.' As discussed, Williams's admiration was reciprocated by Harris, who saw her as possibly the only sensible influence inside the Wilson camp.

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277 Lord Marsh in conversation with Blick.
278 For possible explanations as to why this was so, see: Pimlott, *Harold Wilson*, pp504-5.
280 Williams, *Inside Number 10*, p.311.
281 Lord Harris in conversation with Blick.
As well as the half-hearted Labour right plot, there were certain nebulous extra-parliamentary attempts, in the wake of devaluation, to remove Wilson, destabilise his government or question the probity of his associates.\footnote{Pimlott, \textit{Harold Wilson}, pp505-9.}

The nature and authenticity of these, from the point of view of the special adviser experiment, will be investigated below. As Posner remarks, certain reactionary elements in British society have always found reconciliation with the fact of Labour in power an impossibility.\footnote{Posner in conversation with Blick.} Marsh goes as far as to suggest that, during 1967-70, influential sections of the British ‘establishment’, taking in portions of the military, aristocracy and intelligence community, seriously countenanced the removal of Wilson through non-constitutional means.\footnote{Marsh in conversation with Blick.} Owing to their attachment both to the party of government and individual politicians, the role of special advisers in possible élite-level threats to the Wilson administration is of particular interest.

In May 1968, Cecil King, chairman of the International Publishing Corporation (IPC) which included the \textit{Mirror} group of newspapers, attempted to inspire a \textit{coup d'état} against the Labour Prime Minister he had previously strongly supported.\footnote{For a description of this, see: Jenkins, \textit{A Life at the Centre}, pp252-55.} As Minister of Power, Marsh had inadvertently introduced King to his future chief co-conspirator and fellow disillusioned Labour supporter, Lord (Alf) Robens, when he appointed the former to the Coal Board, as an intended counterweight to the latter, who was its chairman.\footnote{Richard Marsh, \textit{Off the Rails}, p.112.}

As a regular recipient of King’s hospitality, Marsh was subjected to a series of increasingly worrying anti-democratic rants from the press
magnate, which he eventually felt compelled to report to the Security Service (the internal counterintelligence agency, commonly known as M15).\textsuperscript{287}

Marsh, who was in as good a position as any to judge, suggests that King’s attempts to establish an emergency administration were part of a broader trend of opinion within the highest social stratum at the time.\textsuperscript{288} In the words of Pimlott, in addition to King’s activities, ‘other, secret, and even more questionable get-togethers took place, involving sinister figures.’\textsuperscript{289} Marsh adds that many Labour Cabinet members were on the King payroll, receiving money for articles they wrote for his various publications.\textsuperscript{290} In his own account, Jenkins maintained regular contact with King,\textsuperscript{291} a fact of which Harris was presumably aware. Jenkins’s lunches with King continued after the latter’s removal from the IPC board,\textsuperscript{292} prompted by his unbalanced behaviour.\textsuperscript{293} This was despite the 10 May 1968 demand made by King, up to that point a member of the Court of the Bank of England, in the \textit{Daily Mirror}, for the resignation of Wilson, based on a misleading account of the level of gold reserves.\textsuperscript{294}

\textsuperscript{287} Ibid, pp150-5.
\textsuperscript{288} Lord Marsh in conversation with Blick.
\textsuperscript{289} Pimlott, \textit{Harold Wilson}, p.509.
\textsuperscript{290} Lord Marsh in conversation with Blick.
\textsuperscript{291} Jenkins, \textit{A Life at the Centre}, p.253.
\textsuperscript{292} See, for example: The Cecil King Diary, 1965-1970, pp208-9, diary entry for 1 September, 1968.
\textsuperscript{293} Pimlott, \textit{Harold Wilson}, p.507.
\textsuperscript{294} ‘Enough is enough’, \textit{Daily Mirror}, 10 May 1968. For Wilson’s account of this, see: Harold Wilson, \textit{The Labour Government 1964-70}, pp668-70. See also, PRO PREM 13/2017, ‘Article in Daily Mirror by Mr Cecil King, in which he mentioned threat of financial crisis: Prime Minister wrote to Chancellor of the Exchequer; Mr King resigned as Director, Bank of England’, 1968.
Benn, amongst others, suspected that Harris was responsible for a series of
*Daily Mirror* stories of early 1968 which praised Jenkins and criticised
Wilson.\(^{295}\) This does not mean that the direct involvement of Harris or Jenkins
in the King episode should be inferred, although the Chancellor of the
Exchequer was a possible beneficiary of the proposed *coup*.\(^{296}\) While he
advocated the application of commercial expertise to administration, King did
not approve of the considerable importation of academic specialists into the
bureaucracy since 1964.\(^{297}\) In particular, he was opposed to ‘the
Hungarians’,\(^{298}\) whose mere presence inside the administration, he claimed to
believe, served to considerably undermine confidence in sterling.\(^{299}\)

King’s ideas were associated with the increasing emergence, within the
financial and corporate élite, of the view that the perilous economic
circumstances then prevailing necessitated the establishment of a non-party
‘businessman’s government’,\(^{300}\) or, as Wilson put it, ‘a coalition of all the
talents – Great Britain Limited.’\(^{301}\) Writing in 1963, Balogh had suggested
that economic élites might conspire to ‘defeat a democratically elected
government’ if its policies were too radical.\(^{302}\) In the late 1960s, there was
concern within the Kitchen Cabinet that a group associated with the City of
London might attempt to establish a national government under one of

For Wilson’s concerns regarding King’s access to accurate official information, see: PRO
PREM 13/2033, ‘Prime Minister enquired about statement made by Mr Cecil King on
\(^{298}\) Ibid, p.68, diary entry for 10 May, 1966.
\(^{302}\) Thomas Balogh, *Planning for Progress*, p.38.
Wilson's rivals within the Cabinet. In a conversation with Benn in early 1968, Balogh became quite agitated at the prospect. Wilson, however, portrayed this as a largely media-led movement in his memoir of the period, although his opinion may have changed later.

If a disgruntled former M15 operative, Peter Wright, is to be believed, there was a degree of co-operation between King and the Security Service, the former happily placing in his publications any stories about Wilson the latter supplied him with. However, it should be noted that the domestic intelligence agency attempted to keep King on a tight leash. Marsh, having made his initial report, was instructed to continue attending lunches with the IPC Chairman in order to act as an informant, which he did. Nevertheless, it seems that a degree of hostility towards Wilson existed within the secret community stemming from suspicions, long harboured by some on both sides of the Atlantic, that Wilson had at some point become an asset of the Soviet security organisation, the KGB (Committee of State Security).

Concerns of this type regarding Wilson probably originated with his regular trips behind the iron curtain during the 1940s and 50s, firstly as President of the Board of Trade in the Attlee administration and then as a consultant to timber importers Montague L. Meyer Ltd. Visits to Soviet Bloc countries

307 Lord Marsh in conversation with Blick.
308 For a full discussion of the suspicions held by some regarding Wilson, see: Pimlott, *Harold Wilson*, pp697-723.

Doubt was compounded in the eyes of some, both by his 1951 resignation from the Government in protest over the adoption of a re-armament programme and his tendency to associate with Eastern European Jews. Presumably Wilson’s association with the Labour left was another mark against him.\footnote{311 Pimlott, Harold Wilson, pp699-702.} In retirement, Sir John Hunt, Cabinet Secretary during Wilson’s 1974-6 term of office, told Peter Hennessy that ‘I don’t think that there was anything to smear him with.’\footnote{312 Peter Hennessy, Muddling Through, Power, Politics and the Quality of Government in Postwar Britain (London: Victor Gollancz, 1996), p.265} Moreover, the illicitly compiled archive of Vasili Nikitich Mitrokhin, a former KGB officer who defected to Britain in 1992, containing details of Soviet intelligence operations covering the period 1918-84,\footnote{313 Christopher Andrew and Vasili Mitrokhin, The Mitrokhin Archive, The KGB in Europe and the West, pp1-29.} does not support such suspicions. While the KGB targeted Wilson for recruitment, even allotting him the code-name OLDING in 1956, the operation was unsuccessful.\footnote{314 Ibid, pp527-9.}

There is a degree of acceptance amongst many observers that elements within the Security Service who regarded Wilson as a risk may have attempted to destabilise Wilson’s governments during his second and final 1974-6 term as Prime Minister.\footnote{315 Ziegler, Wilson, p.476.} Supposedly, favoured methods included publicising damaging information obtained by illicit means, or placing entirely fabricated items in the press.\footnote{316 See, for example: Paul Foot, Who Framed Colin Wallace? (London: Macmillan, 1989), esp. Appendix, Colin Wallace’s File, pp281-98.} These agitators were probably small in number, possibly
acting in tandem with US and South African counterparts, as well as like-minded individuals inside Britain.\textsuperscript{317} Hunt suggested that ‘there were a few people – and I really do mean probably two or three people – who were in the Security Service at the time who perhaps shouldn’t have been there but who were malcontents – who were out of sorts with everyone and who were probably right-wing in their political attitudes and who talked against not just Harold Wilson but members of the Labour government, and who talked to the newspapers.’\textsuperscript{318}

Can such subversion be detected under the earlier Wilson administrations? During 1964-70, the Security Service, it seems, continuously investigated Wilson and those associated with him.\textsuperscript{319} This does not necessarily constitute an attempt at destabilisation. Interestingly, however, according to Jenkins, during his 1966-7 spell as Home Secretary, the division of responsibility for the Security Service between Wigg, Trend and himself, ‘greatly strengthened the independent power of MI5.’\textsuperscript{320} Wright claimed that, around the time of King’s notorious bid, ‘[f]eelings had run high inside MI5…[t]here had been an effort to try to stir up trouble for Wilson.’\textsuperscript{321}

Both Balogh and Kaldor fitted into the category of Eastern Europeans of Jewish ancestry and they displayed a radical approach to policy. These facts prompted unpleasant responses throughout their careers. It is reasonable to suppose that the presence of the two economists inside Whitehall tested what

\textsuperscript{317} Ziegler, \textit{Wilson}, pp475-480.  
\textsuperscript{318} Hennessy, \textit{Muddling Through}, p.265  
\textsuperscript{320} Jenkins, \textit{A Life at the Centre}, p.383.  
\textsuperscript{321} Wright, \textit{Spycatcher}, p.464.
Pimlott describes as a ‘blimpish’ tendency present inside the British intelligence community. Nevertheless, as has been shown, no serious opposition was offered by the Security Service when Balogh and Kaldor underwent positive vetting upon their recruitment. However, doubt may have existed concerning the sexual conduct of at least one of them. \(^{323}\) This was well-founded. \(^{324}\) Balogh was also regarded by some as being somewhat reckless regarding the acquisition and dissemination of restricted information.

Fears of indiscretion seem to have motivated Cabinet Office Principal Establishment Officer David Heaton in writing to Balogh in April 1967, shortly before the special adviser was due to visit Moscow. Heaton cautioned, ‘it is prudent to assume that any conversation (in or near a building or in a car), save in a “safe” room at the Embassy, is liable to be overheard by one sophisticated technical device or another.’ \(^{325}\)

\(^{323}\) Private information.  
\(^{324}\) Ibid.  
\(^{325}\) PRO CAB 160/2, Heaton to Balogh, 14 April 1967.
There were scares. In March 1966, for example, Trend wrote to Mitchell regarding an unnamed Hungarian defector whose statement to a US Congressional Committee 'refers to a Mr. Balogh who, he alleges, was an Hungarian émigré, working for the Hungarian Embassy in London.' However, Trend went on, '[w]e have confirmed that this Mr Balogh is in no way related to, or connected with, our Economic Adviser.'

The presence of committed Communists inside Whitehall, subject ultimately to the authority of Moscow, was a fear, founded in some evidence, harboured by the intelligence agencies in post-war Britain.

One economist examined in this work initially failed to gain clearance when attempts were made to recruit him into the administration, on the grounds of his close association with a known communist. Later in the course of 1964-70 he was accepted into a different office of government. Writing in 1971, Graham states that, upon his recruitment to Whitehall, he was given a grilling regarding his political sympathies 'by the security personnel in connection with this job.' This was probably a fairly standard experience. In November 1967, Halls wrote to Helsby regarding his reservations over whether the newly-recruited Margaret Anstee should be allowed to take up residence in the Cabinet Office before she had received Positive Vetting.

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326 PRO CAB 160/1, Sir Burke Trend, Secretary of the Cabinet, to Mitchell, 18 March 1966.
327 See, for example: Lord Wigg, George Wigg, pp233-9.
328 See, for example: PRO CAB 130/20, 'Report by the Working Party of the Cabinet Committee on Subversive Activities, GEN 183: The employment of civil servants exposed to communist influence', 29 May 1947. It is hard to imagine either Balogh or Kaldor as willing to subject themselves to the rigid Communist Party discipline described here.
329 Private information.
his letter, Halls referred to Helsby's earlier advice that provisional Positive Vetting 'was usually applied only to those who in fact had service in Government Departments (and in consequence a good deal was known about the person concerned).\footnote{331} Aside from the fact that she was drawn from beyond the permanent bureaucracy, the fact that Anstee's previous employment was in a foreign country, Ethiopia, probably complicated matters further when it came to making enquiries into her background.

The best available example of a special adviser who had problems with clearance is Stuart Holland. An economist, he worked for Balogh, based in an office in 70 Whitehall, from January 1966 until October 1967. He then moved into Number 10, no longer employed as a special adviser, but working personally for Wilson, handling correspondence with the party outside parliament, trades unions and members of the public declaring themselves to be Labour supporters. Holland returned to academia in June 1968, taking up a research fellowship at Sussex, having, in the words of Williams, 'proved his value.'\footnote{332}

Born in 1940, Holland's route to employment as a special adviser was an unorthodox one, a fact that, as will be shown, aroused concerned interest in certain quarters. He became personally acquainted with Mary Wilson during his time at Balliol College, Oxford. Holland was staying in a room in the house of the University organist, John Webster, an old friend of the Wilsons. Initially, he says, he twice turned down job invitations from Wilson when he

\footnote{331} PTO T 199 1063, Michael Halls to Helsby, 3 November 1967.  
\footnote{332} Stuart Holland in conversation with Andrew Blick; and Williams, \textit{Inside Number 10}, p.246.
was Shadow Chancellor of the Exchequer. The first was to write a history of
the Public Accounts Committee, and then to apply for a post in the
International Department at Transport House. When Holland joined Balogh in
the Cabinet Office there were no evident problems with his vetting. Upon
moving to Number 10, his security status had to be upgraded. During late
1967 he was interviewed, in his first floor Downing Street office, on a twice-
weekly basis, by the same operative, for three weeks in a row. Questioning
was detailed and lasted for up to two hours on each occasion.

During these sessions, Holland says, it was alleged that whilst at Oxford, he
had been involved in ultra left-wing activities. It was also claimed that there
were photographs showing him participating in demonstrations organised by
the Campaign for Nuclear Disarmament (CND). Holland, who insists there
was no basis for this, says he protested at what he saw as ridiculous
fabrications. Irritated by what he considered to be a waste of his time, Holland
complained to Wilson. To his surprise, Wilson said that he would prefer
Holland to continue co-operating with the process.

The prime cause of concern, as far as Holland could tell, was the way in which
he had appeared inside the Prime Minister’s circle, apparently from nowhere.
The Security Service saw it as a problem that it knew so little about him.
Perhaps he was, as far as his investigators were concerned, too clean. Holland
recalls being told that ‘[w]e have a problem with you, you know. We know

333 For the principles underlying Positive Vetting, see: PRO, CAB 130 20, ‘COMMITTEE ON
334 Holland in conversation with Blick.
335 Ibid.
nothing about you and have nothing against you and then, suddenly, you are in
Number 10 with direct access to the Prime Minister.' Holland says he replied
that if they saw having nothing as a problem then they certainly were in
trouble. The security officer then suggested that 'you might be another Philby,
for all we know.'

Holland was incredulous at what he was being subjected to. In his view, it was
obvious that the Security Service had nothing against him but was not going to
clear him. Immediately after the session when Philby was mentioned, Holland
recalls seeing Sir Dick White, walking along Downing Street towards St
James' Park. White was Director General of the Secret Intelligence Service
(SIS, responsible for external intelligence, commonly known as MI6) and a
personal acquaintance. Holland described what he calls the 'crude fabrications
and smears.' White was embarrassed but protested he did not know anything
about this. This was plausible, given that the agency he headed was not
responsible for vetting.

The successful penetration of the Prime Minister's Office would have been
considered a major achievement inside the KGB. Holland, along with Marcia
Williams and Gerald Kaufman, was one of only three persons in the Downing
Street Political Office with direct access to the Prime Minister. As was shown
in Chapter VI, Holland had also already played a policy role. However, there
is no mention of him in Mitrokhin's files. Echoes of this investigation and
associated activities, involving other special advisers, can be found in the

337 Ibid.
PRO. In November 1967, Kaldor informed Andrew Collier, a Treasury Under Secretary, that he wanted to recruit Henry Neuberger, an economist then serving in the Ministry of Transport, as an assistant. Neuberger’s name had come to Collier’s attention shortly before ‘in relation to the case of S.K. Holland.’ This was presumably a result of the fact that Neuberger had recently started sharing a flat with Holland and Christopher Allsopp, already an adviser to Kaldor. Collier informed Kaldor that he ‘was quite confident that we would not be able to clear Neuberger for PV puorses.’ The reason for this, undisclosed to Kaldor, was ‘the strong indication that he [Neuberger] either took drugs himself or gave parties at which drugs were taken – or both.’ The insinuation here seems to be that Holland was also involved in these activities.

Holland states that ‘I did not smoke pot or take any drugs other than tobacco and alcohol.’ Furthermore, although they lived in the same accommodation, he and Neuberger were not close friends. Holland plausibly dismisses as ludicrous the notion that the two were running a narcotics den. The subject of Neuberger and drugs, he adds, was broached only very briefly, in one of the interviews. To the question ‘what about Neuberger? Does he take drugs?’ Holland, disliking this and sensing he was being used, responded ‘not that I know.’ It was then asked ‘does he have friends for dinner parties…and do they take drugs?’ This prompted Holland to respond ‘look, how should I

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338 PRO T 199/1164 ‘Note for the Record’, 30 November 1967.
339 Ibid.
340 Holland in conversation with Blick.
341 PRO T 199/1164 ‘Note for the Record’, 30 November 1967.
342 Ibid.
343 Ibid.
344 Special Advisers and Security.’
know – I’m not Henry’s keeper – he has his own friends and leads his own life.’ Having been shown the PRO file referred to above, Holland believes that ‘some construction’ may have been put on this exchange, contributing to Neuberger being denied clearance.345

How is this matter to be interpreted? The only accusation available in the official papers relates to drugs. If Holland, Neuberger and others genuinely were associated with the use of controlled substances, there was legitimate concern regarding the risk of blackmail. It should be noted, however, that there is no indication to be found of evidence for these, or any other, allegations. The Security Service, Holland says, did not clear him, but Wilson ignored this and continued to employ him anyway. Holland remained at Number 10 for eight months after the investigations, leaving at the time of his choosing.346

If, as Holland’s account suggests, the Security Service’s political line of inquiry drew a blank, the implication of narcotics use could be seen as an alternative attempt to smear him and thereby remove him from Downing Street. Holland speculates that rogue elements within the Security Service chose to represent his refusal to give information about Neuberger as an attempt to conceal illegal activities. In Holland’s view, what he describes as ‘a sustained effort to discredit me’ resulted from the fact that ‘the mavericks in MI5 were trying to discredit Wilson, playing with the thesis that he was a Soviet agent.’ He argues now that members of the Security Service were

345 ‘Special Advisers and Security.’
346 Holland in conversation with Blick. This is also suggested by Williams. Williams, Inside Number 10, p.246 and p.248.
targeting him because he worked so closely with Wilson, and because some of them thought that Wilson was, or might be, a Soviet agent. However, he stresses, ‘this is hindsight: none of us knew of the MI5 mavericks’ Wilson- as-agent fantasies at the time.’

While much of this account is dependent upon Holland’s personal recollections, the PRO file referred to above provides some corroboration. Moreover, interestingly, Sir Christopher Foster, under whom Neuberger was working at the Ministry of Transport when Kaldor made his approach, says that he was told that there were problems with Neuberger’s clearance, but that these related to left-wing activism as a student. No mention was made of drugs and Foster insisted on employing Neuberger despite Security Service reservations.

It may be that, to some extent, incompetence, rather than conspiracy, motivated these activities. A senior Downing Street permanent official from the period of the first two Wilson administrations describes Security Service officers as tending to behave ‘like plodding policemen’, not over-endowed with intelligence or a sense of proportion. Two temporary advisers from 1964-70 gained similar impressions from their dealings with intelligence operatives. Holland, however, distinguishes the interview he received from a ‘plodder’ when he first joined the Cabinet Office with the ‘spymaster’

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347 Holland in conversation with Blick.
348 Sir Christopher Foster in conversation with Andrew Blick.
349 Private information.
350 Ibid.
grilling he was later subjected to. 351 Castle, who ‘had nothing but contempt for the Security Service’ noted that ‘[w]hat struck me...was its amateurishness. The facts its officers gave were thin and obvious.’ 352 Wigg, on the other hand, stated that ‘[d]uring my three years with Harold Wilson I observed the Security Service at close quarters and came to respect the members of the Service for their high sense of duty, the quality of their thinking, and the keenness of their desire to act within the directives laid down by their political masters.’ 353

351 Holland in conversation with Blick.
352 Castle, Fighting All the Way, p.404.
353 Lord Wigg, George Wigg, p.323.
Chapter VIII

Policy, Reform and Defeat

It is important not to view government activity during 1967-70 purely as a response to the failures of 1964-7. Moreover, the attention of this study must extend beyond the core of government to the periphery. For this reason, the example of an expert aide, Brian Abel-Smith, located at the Department of Health and Social Security (DHSS), will be considered. There will follow an assessment of the continuing development of the bureaucratic reform programme during 1967-70, an important aspect of which was the Fulton report, published in June 1968.1 The advisory unit established by the economist, Christopher Foster, at the Ministry of Transport will be examined in relation to the Fulton recommendations. Special advisers took a particular interest in the approach to be adopted to the election of 1970, which had great implications for their future. There will also be a commentary on the aftermath of Labour’s 1970 defeat.

Brian Abel-Smith

Brian Abel-Smith was employed as Crossman’s Senior Adviser at the Department of Health and Social Security (DHSS) from September 1968 until Labour’s election defeat in June 1970.2 The DHSS was formed in 1968. Rather than an entirely new department, it was an amalgam of already existing

2 For a description of Abel-Smith, see: Barbara Castle, The Castle Diaries, 1964-70, p.517 fn.
ones,\(^3\) therefore suitable for investigation here. Towards the end of his time as Secretary of State for Social Services, Crossman remarked in a diary entry that Abel-Smith ‘has been my closest personal friend and without him I could have done very little in the past two years.’\(^4\) Castle, who employed him as a special adviser when she was Secretary of State for Social Services from 1974-6, writes of Abel-Smith that ‘[h]is incomparable knowledge of the whole field of health and social security and his Socialist sympathies made him an invaluable asset to Labour Ministers.’\(^5\) He was, therefore, a temporary bureaucrat in possession of technical expertise as well as party political and personal attachments.

An embodiment of the ideals which had inspired the LSE, Abel-Smith was associated with this educational establishment for most of his working life. At its formation, the Webbs, as Chapter III demonstrated, envisaged the School as an intellectual stable, rearing an élite breed of humane technocrats, of which Abel-Smith, it will become apparent, was a fine example. With knowing irony, Abel-Smith compared himself to Beatrice Webb in a letter written in 1955, stating that, like her, he was willing to finance his research out of personal funds.\(^6\) Born in London in 1926, ‘said to be thirty-eighth in succession to the Throne’,\(^7\) from a ‘military-cum-City’ background, Abel-

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\(^7\) Janet Morgan (ed.), *The Backbench Diaries of Richard Crossman*, p. 583, diary entry for 1 May 1957.
Smith attended Haileybury and completed post-war military service before studying economics at Clare College, Cambridge.\(^8\)

An association with Labour was clear from early on. While at Cambridge, Abel-Smith came to the attention of Dalton, who, in March 1951, was on one of his regular scouting missions to the University.\(^9\) Dalton viewed Abel-Smith as a ‘very promising young man...good socialist, intelligent, good presence and personality.’\(^10\) As a research student at Cambridge under the distinguished left-Keynesian economist Joan Robinson, in the early 1950s, Abel-Smith’s intentions were already radical.\(^11\) Initially, he contemplated a career as an elected (Labour) politician,\(^12\) but this never materialised, for reasons that are not entirely clear. There were certainly rewarding academic pursuits to distract him. From 1955, Abel-Smith was employed by the LSE, as a lecturer under Richard Titmuss, Professor of Social Administration since 1950, and a dynamic force within the School.\(^13\) In 1961, Abel-Smith became a Reader and in 1965, Professor of Social Administration in 1965, following Titmuss’s retirement.\(^14\)

Although a parliamentary career never developed, the association with Labour continued. Abel-Smith did not strictly follow the political example of his patron, Dalton, who, as discussed, was a mainstay of the scene associated with

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8 Ben Pimlott (ed.) The Political Diary of Hugh Dalton, pp508-9 and fn, diary entry for 2 to 4 March 1951.
9 Ibid, pp508-9, diary entry for 2 to 4 March 1951.
10 Ibid, pp508-9, diary entry for 2 to 4 March 1951.
11 Ibid, p.575, diary entry for 14 December 1951. For examples of Abel-Smith’s early research in the area of social security, see: Abel-Smith Papers, 3/1 Social Security 1952-4.
12 Pimlott (ed.) The Political Diary of Hugh Dalton, pp575-6, diary entry for 14 December 1951.
Frognal, the Hampstead base of the Gaitskellites. Rather, Abel-Smith moved into the ambit of his future ministerial employer, Crossman. From the mid-1950s, Abel-Smith was an active Fabian. One Society pamphlet of particular importance which he co-authored examined the possibilities for reform of the state pension scheme. Both during 1968-70 and when serving as a special adviser to Barbara Castle at the DHSS from 1974-6, Abel-Smith combined simultaneous academic and bureaucratic employment.

Long before 1968, Abel-Smith's work had become a factor in the policy-formation process. He and Titmuss supplied data which inspired the findings of the Committee of Investigation into the Cost of the National Health Service (NHS), chaired by the Cambridge economist Claude Guillebaud. The resulting 1956 report emphasised the value for money provided by the NHS, stating that 'any charge that there has been widespread extravagance in the National Health Service, whether in respect of the spending of money or the use of manpower, is not borne out by the evidence.' In turn, the Conservative government was prompted to embark on an extensive hospital building programme, not the outcome envisaged by those who had commissioned Guillebaud.

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16 Benn, Years of Hope, p.294, diary entry for 17 December 1958.
19 Howard Glennerster, British Social Policy since 1945, p.87.
21 Glennerster, British Social Policy since 1945, pp.87-8.
As discussed in chapters III and IV, Abel-Smith's ideas were an element in the deliberations of the 1964-70 Wilson administration, prior to his employment within the bureaucracy. Working in conjunction with Kaldor, he produced proposals for increased family allowances, which Crossman brought before senior ministers in autumn 1966 and again in December 1967.22 Abel-Smith was an influential public figure and, although a Labour supporter, of intellectual independence. In 1966, he was a key participant in a campaign against family poverty which was a source of much embarrassment for the Labour administration.23 In that same year, he was an important member of the Ministry of Health sponsored Committee of Enquiry into the Relationship of the Pharmaceutical Industry with the National Health Service.24 His activities attained for him a degree of notoriety. At a dinner party in early 1969, Arnold Weinstock, the Managing Director of General Electric, told Benn that Abel-Smith was a 'troublemaker.'25

The DHSS was formally established, with Crossman as its ministerial head, on 1 November 1968, following the announcement of its creation the previous spring.26 In the months leading up to its official instigation, Crossman consulted with Abel-Smith, initially informally.27 Crossman decided to employ Abel-Smith, on a part-time basis, following a discussion with Titmuss

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in April 1968. Crossman felt that this appointment would 'be very important for our organization of the Intelligence side.' In June 1968, Crossman informed his private secretary, Paul Odgers, of his intentions. Abel-Smith began work in September 1968. Given the title of 'Senior Adviser', He was eventually allocated a room in the departmental building in John Adam Street and, according to Crossman, was 'very happy there.' Initially 'anxious whether there would be enough for him to do', Abel-Smith soon discovered that there was 'plenty on his plate.' It should be noted that there is no trace of Abel-Smith in the *Imperial Calendar*.

Abel-Smith and Crossman had frequent contact and their markedly close relationship was personal as well as professional. In March 1970, Abel-Smith was the first person in whom Crossman confided his decision to retire from front-line politics. Their bond was partly gastronomic. Dinners were taken together, sometimes in the company of other associates, such as Balogh. Working breakfasts seem to have been a regular fixture for the two, starting at 8am and lasting two hours, after which Abel-Smith would return to his duties.

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29 Ibid.
Crossman was endlessly impressed by Abel-Smith's culinary abilities and had been enjoying meals cooked by him since the 1950s.

To Crossman, Abel-Smith's professional value was derived in part from his appetite for such activities as 'inventing devices for improving contributions', in contrast to Balogh, who was not interested in 'what from his point of view are endless minor details of social services.' Abel-Smith possessed great skill and originality in the area of the application of statistics to problems of social administration. This was put to good use inside the government.

Abel-Smith's functions included, in conjunction with ministers, assessing the departmental workload and planning its execution. When taking a holiday in August 1969, he left a war book behind him, which Crossman referred to as Abel-Smith's 'last will and testament', perhaps meaning a set of instructions to be followed in case of death. Abel-Smith held dinners at his house for DHSS ministers and others in social policy circles, where business could be discussed and his evidently excellent cooking enjoyed. Crossman's aide helped devise public speeches for him. Abel-Smith also assisted with the

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42 Glennerster, British Social Policy since 1945, p.116. See also: Abel-Smith and Townsend, The Poor and the Poorest.
44 See, for example: Ibid, p.588, diary entry for 22 July 1969.
45 See, for example: Ibid, p.607, diary entry for 5 August 1969.
46 See, for example: Ibid, p.479, diary entry for 7 May 1969 and pp606-7, diary entry for 5 August 1969.
47 See, for example: PRO CAB 152/27, 'Secretary of State for Social Services: Herbert Morrison Memorial Lecture, June 1969.'
preparation of Crossman’s representations to Jenkins on departmental spending.\textsuperscript{48} The special adviser supplied Crossman with gossip from within the DHSS.\textsuperscript{49} Abel-Smith was assisted by David Piachaud, a lecturer in Social Administration from the LSE.\textsuperscript{50} Aside from Crossman’s personal testament, the available PRO material suggests that Abel-Smith was a significant figure inside the DHSS, close to a Secretary of State determined to put his aide’s expertise to use. It emerges, for example, that, during 1969-70, when Crossman sought to restructure the regional hierarchy of the National Health Service, Abel-Smith played an important part in this process.\textsuperscript{51} Abel-Smith produced a White Paper on the subject of better care for the mentally handicapped during 1970, which was adopted virtually unchanged by the Conservative administration formed in June of that year.\textsuperscript{52}

Abel-Smith was a driving force behind an extremely significant policy, lost as a result of Labour’s 1970 election defeat. National Superannuation, an innovative new state pension system, appeared in White Paper form in January 1969, but did not progress beyond this stage, owing to the outcome of the following year’s poll.\textsuperscript{53} The first and most substantial section of the White Paper, dealing with general principles, was ‘Brian’s part.’\textsuperscript{54} In Crossman’s view, the proposal represented the ‘apex’ of the social policy of the 1964-70

\textsuperscript{49} See, for example: ibid, p.833, diary entry for 24 February 1970.
\textsuperscript{50} Ibid, p.943, diary entry for 12 June 1970 and fn.
\textsuperscript{52} See: PRO CAB 152/10, ‘Proposed white paper on the mentally handicapped’, 1970-1.
Wilson administration. In conjunction with Titmuss and Peter Townsend, another LSE academic, Abel-Smith originated National Superannuation in the mid-1950s, and its underlying principles remained unaltered. It was a differentiated state pension scheme designed ‘to serve the ends of social justice; to abolish poverty in old age; to raise the status of the manual worker; and to provide an opportunity for the whole working population…to achieve, through a contributory scheme of saving, a better and surer guarantee of security in old age.’

National Superannuation was founded on a critique of the flat-rate pension system, which, it was argued, had never provided benefits reaching the subsistence levels defined by Beveridge. Importantly, under the proposed scheme, benefits would be ‘dynamized’, that is, altered in order to keep pace with inflation and rising average earnings. Lesser contributions would ultimately lead to smaller benefit entitlements. However, the sums retired lower wage earners were to receive would considerably outstrip those which they could expect under existing flat-rate arrangements, subsidised, as they would be, by the greater payments made by higher earners. National Superannuation became, as Crossman put it to the Cabinet in 1968, ‘an

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55 This also included changes in areas such as sickness and unemployment benefit and supplementary allowances. Crossman, *The Diaries of a Cabinet Minister*, Vol. 3, p.140, diary entry for 16 July 1968.
56 See, for example: Abel-Smith and Townsend, *New Pensions for the Old.*
60 *National Superannuation*, pp70-3.
important plank in [Labour’s] election programmes of 1964 and 1966.\textsuperscript{62} Even before his formal employment as a special adviser, Abel-Smith participated in Crossman’s ‘Pensions Circus’, the group of experts assisting the implementation of National Superannuation, attending meetings and producing papers.\textsuperscript{63} Given the DHSS brief in 1974, Barbara Castle set about implementing National Superannuation,\textsuperscript{64} with Abel-Smith as her special adviser.\textsuperscript{65} In the interim, Abel-Smith had lobbied within Labour to maintain commitment to the scheme, against the ‘flat-raters’ within the party.\textsuperscript{66}

Reforming Whitehall

When, in May 1969, Castle asked Balogh what he thought had gone wrong with economic policy, he ‘replied that we had never reorganized the Government machine.’\textsuperscript{67} It has been demonstrated that the introduction of special advisers in 1964 was an aspect of a broader programme of administrative change, although, as Castle’s diary entry suggested, one which did not fully satisfy Balogh. During 1967-70, Wilson’s Whitehall reorganisations continued, taking many forms. Rather than create entirely new departments, as he had done in 1964, he began dividing, combining or amalgamating existing ones.\textsuperscript{68} One of the products of this approach was the DHSS. The extensive use Crossman, as Secretary of State for Social Services,
made of special advisers during 1968-70 has been described. October 1969 saw the abolition of the DEA and the reallocation of its functions variously to Technology, the Treasury, the Cabinet Office and a new Secretary of State for Local Government and Regional Planning, Crosland. Balogh, however, told Castle that Wilson's reorganisation left the Treasury "terrifyingly strengthened." In 1968, Wilson, presumably in an attempt to give greater central direction to government, instigated an inner cabinet, labelled the Parliamentary Committee and later the Management Committee. As discussed, this measure had long been proposed by members of the Kitchen Cabinet. Balogh, however, no doubt hoping to undermine the power of Trend, had envisaged that such a body would be served by a secretariat comprised of temporaries, presumably under his control. It was not.

Particularly important from the perspective of the special adviser is an examination of the Fulton committee on the Civil Service, which reported in June 1968. As discussed, domestic criticism of British bureaucratic arrangements had become widespread since the late 1950s. In this context, in February 1966, responding to a recommendation from the House of Commons Select Committee on Estimates, Wilson announced that he was appointing his fellow war-time temporary, Lord Fulton, the Vice-Chancellor of the University of Sussex, to examine the 'structure, recruitment and management, including

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71 Peter Hennessy, The Prime Minister, pp319-27.
72 See, for example: Castle, The Castle Diaries 1964-70, p.348, diary entry for 3 January 1968.
73 Cmnd. 3638.
training, of the Home Civil Service.74 Fulton’s 12-strong committee (counting himself in the chair) was comprised of four bureaucrats (including, notably, Neild), three academics, two MPs, two industrialists and a trades-unionist.75 His brief specifically excluded what Hennesy describes as the ‘specifications of the machine and the ground-rules for its operation.’76 The restrictions placed on Fulton’s terms of reference served to fuel conspiracy theorists who regarded these as a deliberate attempt on the part of senior permanent bureaucrats to undermine the credibility of the resulting recommendations.77

Before examining the Fulton proposals, an investigation of special advisers’ recollections of their dealings with the permanent Civil Service will be of value. In particular, the extent to which they coincide with the criticisms voiced most vehemently by Balogh will be determined. Harris, for one, was dismissive of the ‘Central European conspiracy theorists’, insisting that he did not encounter any organised opposition from permanent officials.78 Christopher Foster suggests that while departmental policy agendas did exist, the resistance he encountered was no worse than might be expected inside any organisation. The charge of lack of expertise, Foster argues, was less valid by the mid-1960s than it once had been, owing to the (limited) reforms of the early 1960s.79

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75 Ibid, p.11.
76 Peter Hennessy, Whitehall, p.190.
77 Ibid, pp190-1.
78 Lord Harris of Greenwich in conversation with Andrew Blick.
79 Sir Christopher Foster in conversation with Andrew Blick.
Holland agrees entirely with the views expressed by Balogh in ‘The Apotheosis of the Dilettante’, suggesting that charges of incompetence and intrigue applied even more fully to the Foreign Office than to the Treasury. Wilfred Beckerman, 1967-9 special adviser at the Board of Trade, remembers initially experiencing obstruction from permanent bureaucrats in the form of an attempt to reduce the salary he had initially been offered by Crosland, without the President of the Board of Trade’s knowledge. However, Beckerman recalls, once it became clear that he enjoyed Crosland’s full confidence, problems of this nature no longer manifested themselves. Nevertheless, on the question of levels of expertise amongst career officials involved specifically in economic matters, Beckerman is scathing. ‘They didn’t know a demand curve from a telegraph pole’, he says.

The opinions of senior permanent civil servants, based on their recollections of the 1960s, of the criticisms made of the career bureaucracy and the activities of the special advisers introduced into it must also be assessed. Sir Douglas Wass, who was Treasury Permanent Secretary from 1964-83 and Joint Head of the Home Civil Service from 1981-3, says of the Balogh thesis, ‘I thought there was some substance to it, although he took it rather too far, as he did with many things.’ Croham was a particularly strong advocate of the selection of civil servants with relevant qualifications. This may be explained in part by the fact that, unusually for a senior career official, he was an LSE graduate in economics and statistics. He describes the French approach to bureaucratic training as ‘absolutely first class.’ When he took over at the Treasury,

80 Stuart Holland in conversation with Andrew Blick.
81 Wilfred Beckerman in conversation with Andrew Blick.
82 Sir Douglas Wass in conversation with Andrew Blick.
however, while he acknowledges the need for representation of different theoretical approaches, Croham found its four economic advisers, Berrill, Cairncross, Kaldor and Posner, too many.\textsuperscript{83} Similarly, Cairncross, who, although a professional economist, should be viewed as close to the permanent bureaucracy, stated that '[w]hat I learned in 1964-9 was that too many senior economists spoil the broth of economic policy-making.'\textsuperscript{84}

As Wilson’s Principal Private Secretary, Mitchell must have witnessed first-hand some of the problems associated with the activities of, for example, Balogh and John Allen. However, he does not reject the need for politically appointed temporaries. ‘I’m not anti-special adviser. I’m pro-special adviser’, he insists. ‘But they have to fit in.’\textsuperscript{85} Sir Michael Palliser was the Prime Minister’s Foreign Affairs Private Secretary from 1966-9. He found Balogh a stimulating colleague, who provided original views on a wide range of subjects. ‘You get a sort of gadfly effect’, Palliser explains, ‘which is fine provided the adviser doesn’t have any real power, which Balogh didn’t.’\textsuperscript{86}

What were the views of the gadfly himself, resulting from his experience of Whitehall? On 25 March 1966, Mary Loughnane, a secretary to the Committee on the Civil Service, wrote to Balogh requesting his attendance, to give evidence on an informal, non-verbatim basis, as was Fulton’s \textit{modus operandi}.\textsuperscript{87} In advance of his appearance, Balogh sent the committee a

\textsuperscript{83} Lord Croham in conversation with Andrew Blick.
\textsuperscript{84} Alec Cairncross, ‘Economic Advisers in the United Kingdom.’
\textsuperscript{85} Sir Derek Mitchell in conversation with Andrew Blick.
\textsuperscript{86} Sir Michael Palliser in conversation with Andrew Blick.
particularly interesting bureaucratic reform tract, entitled 'Civil Service Reform', dated 4 April 1966. It was also circulated to Wilson and Trend. As well as the usual criticisms of generalism and Treasury dominance, Balogh suggested that decision making on vital policy matters should be conducted on a basis of greater discussion between different departments. In his sights here, in particular, was the closed shop approach taken by the Treasury, in particular its jealously guarded control of the Budget. Writing three months before the effective abandonment of the National Plan, Balogh applauded the division of economic policy brought about through the creation of the DEA. Furthermore, he proposed a further separation, involving a division of the Treasury into ministries respectively responsible for short and long-term policy. He argued that responsibility for Establishments should also be taken away from the Treasury and handed over to a newly constituted Civil Service Commission.

Curiously, on the question of recruitment, Balogh did not attach importance to subject studied for first degree and supported the use of the written exam. However, he suggested that after twelve to eighteen months of service, including a stint in the regions in a post entailing contact with members of the public, Assistant Principals, that is Administrative Class entrants, should attend an intensive training course at a Civil Service college. This would be staffed by 'the outstanding experts preferably of conflicting views from the Universities on the one hand and industry, professions etc on the other.' After a second written exam, bureaucrats would then be selected for appropriate ministries, although how these were to be divined is not made clear by Balogh.

88 Contained in PRO CAB 147/78.
Defection to the private sector would require financial compensation to the state. All civil servants would serve ‘at least a year in a statistical or economic unit.’ A year’s sabbatical academic study should precede promotion to under-secretary level. It was advisable, Balogh argued, to promote within departments rather than transfer staff from elsewhere in the bureaucracy. Much of this was obviously inspired in particular by the French approach, as described in Chapter III.

In the short-term, while changes in training methods were still working through, it would necessary to recruit experts from outside the Civil Service. Balogh noted, however, that, ‘[e]xpertise does not, in social matters, exclude value judgements.’ For this reason, ‘[u]nless the American spoils system is introduced and the whole upper echelon of the Service is changed with a change of Administration, provision of mere expertise will not suffice to make the decision of the electorate effective in policy-making.’ This, then, was a democratic argument in favour of the special adviser. Balogh argued that, between them, permanent secretaries and private secretaries across Whitehall conspired to restrict the information available to ministers. Therefore, in lieu of a full ‘spoils’ approach, ministers ought to ‘have there own advisers…upon whom they can depend personally [Balogh’s emphasis], and who at the same time share the political orientation of the Minister.’ Again, then, Balogh was emphasising the commitment of the special adviser, not only to party, but individual minister.
In his first draft Balogh stated that these appointments would comprise the minister’s own private office, describing them explicitly as ‘Cabinet du Ministre.’ However, in the final version of this document submitted to the Fulton committee, he backed off a little, stating that such aides would not necessarily be located in the private office. It is possible that Balogh’s retreat was a result of his already discussed opportunist tendencies. He may have become aware that his more radical demands were not likely to be adopted. Importantly, however, Balogh did suggest the appointment of joint permanent secretaries (presumably career officials) to advise ministers collectively, in place of one head of department. This was almost certainly intended to reduce the strength of the career bureaucracy, relative to special advisers and ministers, by dividing power at the top.

Speaking in 1980, Kaldor suggested that the main difficulty he experienced in dealing with the Civil Service was its institutional (small ‘c’) conservatism, rather than a disposition towards treachery. As he put it, the ‘Civil Service are totally loyal to whichever government is in power. But they believe that it is in the long-run interest of their minister and the country to preserve continuity and to oppose innovations.’ Kaldor saw the Fulton Committee on 24 May 1966. His papers contain two hand-written pages which he presumably took with him to the meeting for his own reference. In these, he noted that the ‘[p]osition of outside advisers...[d]epends upon [departmental] heads and support by Ministers.’ Initially Kaldor wrote ‘confidence’ as well as ‘support’,

89 A.P. Thirlwall, Keynes as a Policy Adviser, p.176.
80 Kaldor Papers, NK 10/26, ‘Correspondence, notes and memoranda relating to NK’s evidence to the Committee on the Civil Service (Fulton Committee)’, 1966, Loughnane to Kaldor, 5 April 1966.
81 Ibid, hand-written note, untitled, undated.
but the former is crossed out. His argument in favour of temporary aides as a 'good thing' was that they introduced 'new points of view' and ensured that ministers did not 'get only Departmental advice.' Further on in his notes, he supported the use of 'Outside Advisers, changing with each Administration.'

Making a comparison of his impressions of the Board of Trade and the Treasury, Kaldor was critical of the latter. He suggested that the Treasury suffered from a 'lack of knowledge of economics or expertise...and detailed information.' New Civil Service recruits, he argued, should undergo extensive post-recruitment training and examination and an increased emphasis should be placed upon '[k]nowledge of social sciences (Economics) vs. humanities.' Kaldor suggested that government departments such as the Ministry of Agriculture and Ministry of Power were 'too anxious to argue the case of the interests in their care rather than represent the national interest.' He also advocated expansion at the governmental core, presumably involving, to some extent, the use of outsiders. Criticising '[i]nsufficient co-ordination [between] Departments' he calls for '[m]ore people in the centre concerned with long-term policy issues, rather than day-to-day' issues.

As mentioned, Fulton's report appeared in June 1968. In it, attention is drawn to the historical development of the Civil Service discussed in Chapter II. Specific criticism was made of the 'philosophy of the amateur', that is generalism, the Treasury's role in 'central management' and the sealed-off nature of Whitehall. The removal of Pay and Management responsibilities

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92 Cmnd. 3638.
93 Ibid, p.9.
from the Treasury and their combination with the Civil Service Commission in a new department, under the control of the Prime Minister, was recommended.\(^94\) This was enacted in October 1968, when the Civil Service Department was established, with William Armstrong as its Permanent Secretary. Preference for relevant qualifications in the selection of civil servants, also called for by Fulton, was not implemented, however.\(^95\) A number of Fulton proposals dealt specifically with the subject of the special adviser and related matters. More interchange between employment inside and beyond the bureaucracy was presented as desirable. Moreover, the establishment of departmental Planning Units was advocated. These, it was recommended, would often be headed by Senior Policy Advisers, appointed to 'assist the Minister',\(^96\) to whom they would enjoy 'direct and unrestricted access.'\(^97\) Planning Units would be comprised of both outsiders and insiders,\(^98\) although Senior Policy Advisers would normally, but not always, be career officials.\(^99\) In addition, in certain 'big technical departments' a 'chief scientist, engineer or other specialist' might be appropriate.\(^100\)

Specific reference was made to the special adviser experiment in Fulton, which was welcomed 'as a means of bringing new men and ideas into the service of the State.' The report suggested that ministers ought to 'be able to employ on a temporary basis such small numbers of experts' as they saw fit, who should be 'of standing and experience.' While desiring that the 'practice should be

\(^95\) Ibid, Vol., II, p.204.
\(^97\) Ibid, p.60.
\(^98\) Ibid, p.58.
\(^99\) Ibid, p.59.
\(^100\) Ibid, pp104-6.
put on to a regular and clearly understood basis', Fulton did not attempt to recommend 'any precise limitation of the numbers of these appointments or any defined procedures.' The temporary nature of the employment of these aides, as well as the personal link with the minister, was emphasised.¹⁰¹ So too is the need for close association with official committees.¹⁰² No specific allowance was made for the use of generalist political aides or public relations advisers.

Fulton, then, endorsed the temporary employment of experts inside the bureaucracy and even the use of teams of specialists. The report did not, however, advocate a violent dislodgement of permanent Whitehall, insisting that ‘the great majority of those who come to occupy top jobs will in practice be career civil servants.’¹⁰³ Permanent secretaries ought to retain ‘overall responsibility under the Minister for all the affairs of the Department’ and the Senior Policy Adviser and chief specialist, it was emphasised, should not between them ‘constitute a formal board.’¹⁰⁴ Moreover, the replacement of permanent secretaries by ministers, while being a possibility in extreme circumstances, ought to be ‘exceptional.’ Even Senior Policy Advisers were expected, normally, to enjoy security of tenure.¹⁰⁵ However, ministers should, if they wished, be able to choose private secretaries suited to their way of working, from within the department, or perhaps seconded from elsewhere in

¹⁰¹ Ibid, p.45.
¹⁰² Ibid, p.94.
¹⁰³ Ibid, p.46.
¹⁰⁴ Ibid, p.106.
¹⁰⁵ Ibid, p.95.
the Civil Service. Combined with the use of special advisers, this represented support for a limited increase in ministerial patronage.

Finally, there was the question of foreign influence. Members of Fulton’s group made visits to France, Sweden and the US. In Sweden, Fulton noted, the senior ministerial policy adviser ‘is very close to the minister and is generally a semi-political appointment.’ Attention was also given to the US use of ‘political appointees.’ The adoption of a French-style cabinet system would have been ominous for the future of both the permanent secretary and the private office. Fulton remarked that ‘[t]he directeur du cabinet is...the official in a French ministry who exercises some of the functions of a Permanent Secretary.’ While normally a career official, ‘that his appointment is made by the Minister is a very important difference.’ Moreover, ‘[t]he staff of a cabinet are normally changed when a new minister comes in.’ The authors of Fulton expressed admiration for these foreign methods, which, in their view, ‘could be used to strengthen the Minister’s control of the departmental policy-making process and to increase the sensitiveness with which the department responds to the needs of Parliament and the public.’ However, they argued that measures such as the introduction of planning units would ensure that there was ‘no need for ministerial cabinets or for political appointments on a large scale.’

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106 Ibid, p.95.
110 Ibid, p.137.
111 Ibid, p.94.
Fulton received a mixed response upon its appearance. The economist, Roger Opie, writing in the *New Statesman*, was a supporter, on the grounds that, if it was implemented, 'the degree of expertise' could be 'enormously enhanced' and 'the balance of power drastically shifted, away from the permanent civil service towards elected ministers.' In the same addition of the *New Statesman*, Balogh, now freed from the constraints placed on his free speech during his time as Wilson's special adviser, also approved. He again drew attention to the fact that, in his view '[t]he most important requirement for a planning adviser, beyond technical competence, is that he should be personally loyal and attached to the minister, and have a high capacity to work with him.'

*The Economist*, however, warned that the proposed planning units might become 'internal gadflies' and '[t]he senior planning adviser might...be in constant battle with the permanent secretary.' This view was possibly inspired by Whitehall gossip about Balogh, as was the statement that '[i]t is really too much to expect a minister to take decisions from day to day, when he is bombarded both with the longer-term advice of his senior policy adviser, and with...the further advice of expert friends whom the minister might wish to bring into his service while he holds office.' Many aspects of Fulton, including the planning unit proposal, were not implemented during the remaining two years of the second Wilson administration. No doubt, one reason for this was the fact that the government had numerous, more politically pressing difficulties to contend with. Theakston argues that 'with

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114 *The Economist*, 29 June 1968.
ministers' short-term political horizons and with detailed involvement in civil service reform (as opposed to the creation of a general modernizing image) offering only limited political returns, the outcome was virtually inevitable.\footnote{Kevin Theakston, \textit{The Labour Party and Whitehall}, p.132.}

By July 1969, with the departure of Graham, Wilson had no special advisers. Although their use was not extended in the wake of Fulton, the multiple appointment of aides and the creation of units manned in part by outsiders, addressed by the report, were already significant issues. Upon Kaldor's recruitment in 1964, Sir Alexander Johnston, Chairman of the Board of Inland Revenue, attempted to ensure that 'there is no question of his \[Kaldor\] endeavouring to build up a staff to help him.'\footnote{PRO T 199/1164, Sir Alec Johnston, Chairman of the Board of Inland Revenue, to Sir William Armstrong, Joint Permanent Secretary to the Treasury, 20 October 1964.} Subsequently, Kaldor decided to appoint a small number of assistants,\footnote{Ibid, Abbot to Collier, 17 January 1967.} who have been detailed. In April 1966, Wilson informed Balogh that he wanted 'a reinforcement of [Balogh's]... staff', with a particular view to the examination of European issues and foreign policy decisions which related to international economic commitments.\footnote{PRO PREM 13/1955, 'Staff and Papers', Balogh to Wilson, 22 April 1966.} The consequent recruitment which took place in this case has also been outlined previously.

It was suggested in Chapter IV that, had the Economic Advisers been a formal body, they may have posed a more serious threat to the influence of the permanent bureaucracy over policy-formation. Even as they were, Cairncross, writing many years later, complained that '\[f\]our senior economists [Balogh, Kaldor, MacDougall and Neild] all seeking to take part in the small number of

major policy issues...meant that the civil servants previously responsible for
divice tended to be crowded out.\textsuperscript{119} As already mentioned, Croham recalls
finding the presence of four high-powered economists at the Treasury
excessive. Problems included three advisers railing against one. Cairncross, it
seems, was often the isolated party in such scenarios, since he was the least
Keynesian in inclination.\textsuperscript{120} Perhaps then, teams of experts were more
workable under a single head.

At the time of Fulton’s publication, possibly the most progress in terms of the
establishment of an expert staff under a single special adviser had been made
at the Ministry of Transport. When Castle arrived there in 1966 her ‘first step
was to set up an Economic Planning Unit’ as she had done at the Ministry for
Overseas Development. She appointed Christopher Foster, a 35-year-old
economist from Jesus College, Oxford, who specialised in transport policy, as
its head.\textsuperscript{121} Foster’s unit, the Directorate-General of Economic Planning,
consisted of around twelve economists, including both seconded permanent
bureaucrats and outsiders. From his university base, Foster had assisted the
previous administration, co-ordinating research projects and allotting work to
academic colleagues.\textsuperscript{122} Achievements already to his credit included the
production of statistical information suggesting the economic and social
viability of what became the London Underground Victoria Line.\textsuperscript{123} Despite
his prior co-operation with a Conservative government, Foster was Labour in
personal alignment. While not strongly attached to a particular faction, he\

\textsuperscript{119} Cairncross, ‘Economic Policy Advisers in the United Kingdom.’
\textsuperscript{120} Lord Croham in conversation with Blick.
\textsuperscript{121} Castle, \textit{Fighting All the Way}, p.372.
\textsuperscript{122} Foster in conversation with Blick.
\textsuperscript{123} Peter Jenkins, ‘Mrs Castle brings in the economists’, \textit{Guardian}, 6 January 1966.
generally regarded himself as belonging to the right of the party. In 1964, he became a part-time adviser at the DEA.\textsuperscript{124}

The challenge Foster faced at Transport was considerable. Labour had made the grandiose promise of a ‘national plan for transport’ in its 1964 manifesto, and a ‘National Transport Plan’ in 1966.\textsuperscript{125} Unfortunately, what, precisely, this meant was unclear. It was, therefore, the task of Foster and his team to turn Labour’s vague commitment into a concrete package of policies.\textsuperscript{126} Castle wanted to bring about greater co-ordination of transport policy and preserve the railway network in the face of competition from road vehicles, without resorting to a full nationalisation programme.\textsuperscript{127} The ultimate result was the vast and complex 1968 Transport Act,\textsuperscript{128} described by Wilson as ‘the biggest and most far-reaching Transport Bill in our history.’\textsuperscript{129} Foster and his unit were closely involved in the development of many aspects of the Act, for example, the creation of the National Freight Corporation (NFC), intended as a clearing house directing the most efficient possible transportation of goods.\textsuperscript{130} During 1966-9, Foster was also associated with the introduction of the 70 miles per hour speed limit for cars and the use of the breathalyser by traffic police.\textsuperscript{131} Aside from his role as a policy expert, Foster’s contribution was also political. He and Stephen Swingler, a junior Transport minister, held

\begin{itemize}
  \item \textsuperscript{124} Foster in conversation with Blick.
  \item \textsuperscript{125} F.W.S. Craig (ed.), \textit{British General Election Manifestos, 1900-1974}, p.261; and ‘Time for Decision’, p.301.
  \item \textsuperscript{126} Foster in conversation with Blick.
  \item \textsuperscript{127} Castle, \textit{Fighting All the Way}, pp368-72.
  \item \textsuperscript{129} Wilson, \textit{The Labour Government}, p.320.
  \item \textsuperscript{130} See: PRO MT 160/8, ‘Plan for a National Freight Authority’, 1966.
  \item \textsuperscript{131} Foster in conversation with Blick.
\end{itemize}
regular informal consultations with groups of Labour backbenchers in the House of Commons.\textsuperscript{132}

Castle’s appointment of Foster coincided with her attempt to remove the permanent secretary at Transport, Sir Thomas Padmore, referred to in Chapter IV. A \textit{Guardian} front-page story from 6 January 1966 revealed Castle’s intention of replacing Padmore, preferably with ‘a younger civil servant ready for promotion.’\textsuperscript{133} The source of this story was Foster, who naively spoke too freely to his journalist friend, Peter Jenkins, thereby incurring Castle’s wrath.\textsuperscript{134} While Castle was not successful in her attempt to displace Padmore, the permanent secretary was left gravely weakened\textsuperscript{135} and Foster became, in his words, ‘the \textit{de facto} permanent secretary.’\textsuperscript{136} Castle portrays Foster as an influential ally.\textsuperscript{137} Like other special advisers, however, Foster was dependent upon ministerial confidence, which was eroded late in 1967. Castle came to suspect him of intriguing to have himself appointed as Chairman of British Rail\textsuperscript{138} skewing some of his advice to this end.\textsuperscript{139} Foster was not aware of Castle’s doubts at the time and plausibly claims that he would never have considered himself a candidate for the post in question. Other matters aside, he was surely too young to have been in contention. Foster suspects that since

\begin{itemize}
  \item \textsuperscript{132} Ibid.
  \item \textsuperscript{133} Ibid.
  \item \textsuperscript{134} Foster in conversation with Blick.
  \item \textsuperscript{135} By the time he took over the ministry, Castle’s successor at Transport, Richard Marsh, perceived Padmore as virtually inactive. Lord Marsh in conversation with Andrew Blick.
  \item \textsuperscript{136} Foster in conversation with Blick.
  \item \textsuperscript{137} See, for example: Castle, \textit{The Castle Diaries, 1964-70}, p.276, diary entry for 11 July 1967.
  \item \textsuperscript{138} Ibid, p.331, diary entry for 28 November 1967.
  \item \textsuperscript{139} Ibid, pp334-5, diary entry for 7 December 1967.
\end{itemize}
he was then tainted in her eyes, Castle opted not to take him with her when she became Secretary of State for Employment and Productivity in April 1968.140

Castle’s replacement at Transport, Richard Marsh, not numbered amongst her admirers, decided to introduce changes at the ministry. Marsh insisted that Padmore, whose primary interest by this time, as far as the incoming minister could tell, was playing the violin, be replaced.141 The new permanent secretary, David Serpell, was not likely to be as docile. Indeed, in the words of Castle, he possessed ‘the reputation of being a bastard.’142 Foster was removed from office in early 1969, to be replaced by John Jukes, formerly MacDougall’s deputy at the DEA. According to Foster, this resulted from his minuting Marsh over the head of Serpell, an act which enraged the permanent secretary.143 This development relates to an important theme of this study, namely the difficulties associated with combining the introduction of greater expertise into the bureaucracy with patronage-based recruitment.

Nevertheless, as Foster points out, the Directorate-General survived his departure and, indeed, the advent of a Conservative administration in 1970.144

As shown, while Fulton endorsed the introduction of planning units, it rejected the cabinet, which the 1964-70 Wilson administrations never formally adopted. A justification for this was offered by Crossman, who stated in an April 1970 Godkin Lecture at Harvard University that ‘[t]hese last six years, we have not tried to change the system under which one Minister confronts a...
whole Department. Of course we considered the virtues of the French system with its Chef de Cabinet. It is certainly an attractive idea that a Minister should bring with him one or two or three people, who would sit in his Private Office...[t]he danger is, if you bring in two or three people to a British Department, they may merely isolate you from the Department.\textsuperscript{145} While it was true that Crossman did not displace permanent officials inside his private office, he was perhaps underplaying his use of Abel-Smith, Kaldor and Balogh here. Moreover, it will be argued that cabinets had, to an extent, already begun to emerge on an informal basis, in part comprised of special advisers.

During 1964-70, the staff of 10 Downing Street assumed some of the characteristics of a cabinet, in so far as they began to comprise a hand-picked team of temporaries and seconded career bureaucrats, employed at the behest of Wilson. The likes of Williams (although she was not employed as a civil servant) and Balogh were imported from beyond Whitehall into the prime ministerial team. Following the 1966 election, moreover, Wilson insisted on recruiting Michael Halls as Mitchell’s successor as Principal Private Secretary, despite objections, justified in Ziegler’s view, from senior permanent bureaucrats. Wilson wanted Halls, not so much for his ability, but because of the long acquaintance between them dating from the 1940s and the Prime Minister’s stint as President of the Board of Trade.\textsuperscript{146} It should be noted, however, that one important appointment which Wilson did not influence was that of the Cabinet Secretary, Trend, who was already in place in 1964.

\textsuperscript{146} Philip Ziegler, \textit{Wilson}, pp213-4.
Another example of an at least partially formed, informal cabinet existed at the Treasury during 1967-70. Jenkins began to create this small, personal staff during his 1964-6 spell as Minister of Aviation. It was here that he first encountered David Dowler, his Principal Private Secretary, whom he came to hold in the highest esteem, and insisted on taking to the Home Office in 1966. When Harris began working for the Home Secretary that same year, Jenkins’s core team came into being. Together they engaged in such activities as writing speeches at moments of political difficulty, seemingly to great effect. Jenkins socialised with Dowler and Harris out of working hours. Dowler died, aged 39, at the end of 1969, as Croham recalls, when a fairly uncomplicated medical procedure triggered a heart defect he was not previously known to suffer from. Harris, for one, was convinced that Dowler had been on course for a highly successful Civil Service career.

Jenkins later wrote that, upon his appointment as Chancellor of the Exchequer, the desire to import Dowler was ‘even more of an affront to the Treasury than it had been to the Home Office.’ Nevertheless, Dowler, along with Harris, was installed in the Chancellor’s private office and the team remained intact. There was, however, a delay of six weeks before Dowler’s arrival, owing to official objections to the move, to which Jenkins partly attributed his early

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147 Lord Harris in conversation with Blick.
149 Ibid, p.203.
150 Ibid, p.201.
152 Lord Croham in conversation with Blick.
153 Lord Harris in conversation with Blick.
154 Jenkins, A Life at the Centre, p.221.
155 Lord Harris in conversation with Blick.
156 Jenkins, A Life at the Centre, p.221.
and dangerous procrastination over deflationary measures.\textsuperscript{157} Alongside the permanent secretary, the group travelled together on foreign visits.\textsuperscript{158} Jenkins's final deliberations regarding the 1968 Budget were greatly influenced by his two aides.\textsuperscript{159} As previously shown, Fulton explicitly supported the maintenance of the single permanent secretary as ultimate departmental head. This was surely the most powerful obstacle to hegemony on the part of the personal, ministerial team, appointed on a patronage basis. However, it was a tribute to the strength of Jenkins's group that, in taking over as permanent secretary at the Treasury, Allen decided that his first aim was to ensure that he became its fourth member.\textsuperscript{160}

Certain officials at the Treasury harboured resentment at the tendency on the part of Jenkins to take decisions in a closed 'court.'\textsuperscript{161} Neither was Jenkins's approach entirely popular amongst Cabinet colleagues. Writing in December 1968, Crossman described the Chancellor as 'a creature of John Harris and Dowler.'\textsuperscript{162} It is interesting to note that the Chancellor's inner circle did not include an economist. Again, this seems to have attracted the scorn of Crossman, who suspected a failure on the part of Jenkins to consult his expert advisers on certain important matters.\textsuperscript{163} Jenkins disliked meetings, and arranged with Allen that he would not have to engage in discussions with more

\textsuperscript{157} Ibid. p.222.
\textsuperscript{158} Lord Croham in conversation with Blick.
\textsuperscript{159} Jenkins, \textit{A Life at the Centre}, p.233.
\textsuperscript{160} Lord Croham in conversation with Blick.
\textsuperscript{161} Cairncross, \textit{The Wilson Years}, pp336-7, diary entry for 3 November 1968.
\textsuperscript{162} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.278 diary entry for 1 December 1968.
than two economists at a time.\textsuperscript{164} Had Jenkins been successful in his attempt to obtain the services of Neild, the Chancellor of the Exchequer’s personal court may have expanded to incorporate a specialist.\textsuperscript{165}

**Electioneering**

Towards the end of the 1967-70 period, a number of special advisers suggested measures designed to improve Labour’s chances in the forthcoming election, demonstrating their party political commitment. Labour’s opinion poll rating was poor for most of this period, often trailing the Conservatives by double-figure percentages.\textsuperscript{166} Balogh, however, for one, remained convinced that the coming election was winnable. On these grounds, he lobbied Castle to oppose Jenkins’s proposal for three-year expenditure cuts, designed to stabilise sterling. Balogh argued that while unpopularity was inevitable for a year, it was necessary to engineer an upturn after that.\textsuperscript{167} Kaldor, ‘a man who is always preoccupied by a single idea at a time’, had, by 1970, become opposed to British participation in the existing European integration scheme. In particular, he felt that ‘EEC agricultural policy is hopelessly reactionary and terribly expensive’ and that ‘from every point of view...the EEC is a hopeless organization.’\textsuperscript{168} He sensed that the public adoption of a critical approach to the Common Agricultural Policy (CAP) would be of electoral benefit to

\begin{footnotesize}
\textsuperscript{164} Lord Croham in conversation with Blick.
\textsuperscript{165} Robert Neild in conversation with Andrew Blick.
\end{footnotesize}
Labour, endeavouring to persuade a reluctant Crossman to attempt to force this upon his Cabinet colleagues.169

By late 1969, factors such as an improvement in the balance of payments created a degree of optimism, on the part of, for example, Kaldor and Crossman, that Jenkins would be able to produce a Budget with popular appeal in the coming spring.170 By the beginning of March, speculation regarding Jenkins's intentions, amongst Kitchen Cabinet members and Kaldor, became frenetic. The Chancellor of the Exchequer was now regarded as 'omnipotent.'171 The feeling that the Prime Minister had no control over Jenkins was shared by many inside the Kitchen Cabinet.172 With Graham gone, Wilson no longer had his own economist to brief him. Naturally, Balogh had strong opinions about the measures which should comprise the 1970 Budget which he sought to impress upon the Prime Minister. In March 1970, he wrote to Wilson on this subject. Balogh favoured reflation, arguing that there was a 'slack' in the economy permitting growth in the national income of 5%. Furthermore, he suggested that a net reduction in taxation of up to £200 million, combined with a similarly sized 'give and take', to the benefit of the 'lower income classes', was advisable.173

In February 1970, Kaldor produced a set of proposals. He floated a scheme to Jenkins whereby large income tax reductions for below average earners could be subsidised by increases in SET or the employer's contribution to National

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173 PRO PREM 13/3094, Balogh to Wilson, 4 March 1970.
Insurance. Shortly after this, Kaldor lunched with Jenkins’s wife Jennifer. The two discussed whether the Chancellor of the Exchequer intended to deliver a give-away budget designed to win the forthcoming general election, or was willing to accept defeat in the hope that he might then supplant Wilson as Labour leader. Kaldor, ‘a tremendously pertinacious lobbyist’, approached Cabinet members including Callaghan regarding his Budget proposals. On 8 March 1970, Crossman put the ‘Nicky Kaldor budget’ to ministers. This was designed to ‘regain the working-class vote’ through tax concessions for the average and lower paid, combined with real increases in supplementary benefits. Naturally, Kaldor envisaged that an increase in SET would play a part in making these measures possible. Jenkins objected to Kaldor’s proposals, partly on the grounds that SET’s effect on demand was only equal to about half the total it was increased by.

Other Cabinet members also opposed Kaldor. According to Crossman, Healey, who as Chancellor of the Exchequer from 1974 employed him as a special adviser, described Kaldor as ‘a hopeless man with no political sense at all.’ Kaldor had engendered a degree of distrust amongst senior ministers, partly through discussing his plans with John Allen, who had reported this to Wilson. At the Management Committee, on 8 March 1970, Jenkins made it clear that he was ‘not contemplating anything like Dick’s “class redistributive

The Chancellor of the Exchequer argued that maintenance of a strong balance of payments surplus was essential on political as well as economic grounds. Furthermore, Kaldor’s scheme ‘raised the marginal rate of tax just at the point where chaps began to earn overtime.’

On 25 March, over a drink at Number 11, Jenkins explained to Castle that Kaldor’s scheme involved giving away and taking back and the latter could prove psychologically damaging to the electorate. In addition, Kaldor’s plans would cost an exorbitant £350 million. Jenkins planned to give away £229 million, mostly in the form of income tax relief. Douglas Allen used Harris to communicate the Treasury view to Jenkins that there was not room for a give-away budget. Jenkins felt that an electioneering ploy of this type would be ‘a vulgar piece of economic management below the level of political sophistication of the British electorate’, anyway. Ultimately, instead of the £400 million tax remission proposed by Kaldor, Jenkins opted for £200 million, applied to low wage-earners. £170 million of this was used in raising the personal allowance for income tax, particularly favouring married couples.

Abel-Smith, too, entered the budgetary fray, meeting with a perverse success. In February 1970, Crossman wrote to Jenkins, laying out Abel-Smith’s proposal ‘for reducing income tax in the most beneficial way for the largest
number of people.' Jenkins politely told Crossman that he was not planning to adopt the special adviser's proposals, but that he had considered them fully. He added that this was ninth scheme for the 1970 Budget floated to him so far. Following the introduction of the Budget, Crossman was informed by Jenkins that, before the former's letter had been received, ideas similar to Abel-Smith's had already been recommended by officials, and adopted as policy. Abel-Smith was delighted to be informed of this by his Secretary of State, who remarked 'I hope you think his budget was good enough.' 

Official files relating to deliberation over the 1970 Budget contain scant trace of the proposals of Abel-Smith, Balogh or Kaldor, all of whom were outside the Treasury. The one expert temporary inside the loop was Posner. Jenkins, who evidently found Posner extremely useful, described how the economist 'released a number of tensions by returning to the Budget strategy group after a couple of weeks away and suddenly saying something like: "Well, of course when one talks about a neutral budget, £100 million or so between friends is nothing much to worry about." There was a moment of mandarin consternation followed by a general realisation that a happy phrase had resolved the dispute between the official Treasury and me. By such methods of scientific precision are Budget judgements arrived at.'

In relation to the drive for re-election, Harris's previously discussed schizophrenic relationship with the Wilson camp continued. Crossman

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189 Jenkins, A Life at the Centre, p.294.
suspected Harris of feeding media speculation regarding the 1970 Budget.\textsuperscript{190}

Yet, during the campaign itself, Harris collaborated with the Prime Minister’s team.\textsuperscript{191} While Harris was a professional campaigner, the analytical skills of technical special advisers were perhaps not as suited to the short-term requirements of an election. In late April 1970, for example, Crossman endeavoured, unsuccessfully, to extract from Kaldor a definite prediction of the economic circumstances which would prevail in October 1970.\textsuperscript{192}

Harris nearly performed the ultimate service for Wilson and the Labour administration as a whole. Labour’s defeat, on 18 June, followed a late dip in the party’s aggregated opinion poll standing, which began on 12 June.\textsuperscript{193} Harris had lobbied for the election date to be set for 11 June, pushing the issue so hard that Jenkins arranged an audience for him with Wilson. Harris’s primary motivation was the possibility of violent demonstrations at a forthcoming Lords Test match against the South African cricket team, damaging the government’s image. Ultimately this was a false fear. However, Harris also suspected that the trade figures due to be published on 15 June, might, after a long run of good results, be unfavourable. This turned out to be correct. As Jenkins later noted, ‘[h]ad he [Harris] carried his point, who can tell what changes in the pattern of British politics over the years which have since gone by might not have followed?’\textsuperscript{194}

\textsuperscript{190} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.844, diary entry for 6 March 1970.
\textsuperscript{191} Marcia Williams, \textit{Inside Number 10}, p.338.
\textsuperscript{192} Crossman, \textit{The Diaries of a Cabinet Minister}, Vol. 3, p.906, diary entry for 29 April 1970.
\textsuperscript{194} Jenkins, \textit{A Life at the Centre}, p.297.
As has been discussed, the National Superannuation scheme to which Abel-Smith had contributed greatly was abandoned following Labour's removal from office. Proposals from special advisers were particularly vulnerable to electoral fortunes, since they did not benefit from the continuity associated with policies developed by permanent officials. Owing to their association with the outgoing party, the continued employment of special advisers under the new administration was all but impossible. Posner, however, proved to be an exception here. While of the left, he did not see himself as specifically partisan in alignment. Indeed, in an echo of Brittan's call for temporary aides who did not necessarily change with administrations, he had entertained hopes that he was one of a new breed of 'inners and outers', experts recruited to Whitehall, supplying specialist advice to governments of differing complexions. Unfortunately, certain participants in the Conservative administration, who regarded him as too left wing, did not share this view. Posner became marginalised, leaving to become a consultant to the International Monetary Fund (IMF) in 1971.

Election success, with an attendant Cabinet reshuffle, would also have had implications for the personal futures of special advisers. In May 1970, anticipating a Labour poll victory, Abel-Smith discussed his future with Crossman, who had already confided in his special adviser his intention to retire from front-line politics whatever the outcome. Crossman suggested that service under Castle, who he wanted as his successor at the DHSS, would be

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195 Michael Posner in conversation with Andrew Blick.
196 Sir Donald MacDougall in conversation with Andrew Blick.
worthwhile. However, ‘[i]f it’s Denis [Healey], I wouldn’t stay.’\textsuperscript{197} Out of office, former ministers continued to seek the counsel of those who had previously been their special advisers. For example, Harris counselled Jenkins, on a part-time basis, as well as working for the \textit{Economist}.\textsuperscript{198} 

Friendships formed out of initially professional relationships, for example that of Beckerman and Crosland, persisted.\textsuperscript{199} Beckerman later described Crosland as ‘the only great man I have ever got to know well, or at all for that matter.’\textsuperscript{200} Those already accustomed to engagement in political controversy remained so. Immediately upon Labour’s removal from office, Balogh sparked a heated debate within the party over the question of incomes policy.\textsuperscript{201} The Kitchen Cabinet continued to convene, with Balogh as a member.\textsuperscript{202} 

Kaldor, although employed as a consultant by the DHSS from late 1968, continued to oversee a research programme into the effects of SET, carried out under the auspices and at the expense of the Treasury, not producing a report (which was unpublished) until September 1970.\textsuperscript{203} Towards the end of 1968, he had supplied Armstrong with a list of over 400 papers that he wished to take away with him when he left Whitehall. Kaldor’s method of selection was founded on a preference for ‘those which embodied basic research’ rather than

the more ephemeral papers.' Following the 1970 election, Allen, suggesting that such a distinction between academic and policy work was 'too difficult to draw', came to the conclusion that Kaldor should not retain any materials, but could be allowed to 'refresh his memory' by viewing copies of them kept on a separate file at the Treasury. Invoking collective Whitehall memory, Allen demonstrated that the permanent machine had been stung by the behaviour of outgoing Second World War temporaries. He noted that 'others in a similar position to his [Kaldor's], like Hubert Henderson and Keynes, did on occasion take away copies of their papers, though without permission.' However, the presence of numerous official papers in Kaldor's personal collection indicates that he did this, too.

A number of judgements and observations were made in the immediate aftermath of the first special adviser experiment. In the words of Brittan, '[t]he case for introducing irregulars had largely been argued in terms of the economic mistakes of the previous Conservative governments. Yet judged, not merely by its own promises, but by any fair-minded criterion of efficient economic management, Labour's performance...makes that of its Conservative predecessors seem dazzling by comparison.' Posner suggests that, in this field, the best that can be said is that a collapse in the value of

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204 PRO T 328/479, 'Security aspects of the retention of papers on taxation and other research undertaken by Professor N Kaldor on his departure from public service', 1967-70, Douglas Wass, Under Secretary, Treasury, to Frederick Butler, Principal, Central Economic Division, Treasury, 5 November 1968.
205 Ibid, 'PROFESSOR KALDOR'S PAPERS', Allen to Sir William Armstrong, Head of the Home Civil Service and Permanent Secretary to the Civil Service Department, 9 September 1970.
206 Ibid.
sterling did not take place in the post-devaluation period.  

208 The feeling of futility which afflicted many special advisers was described well by Beckerman. ‘My job as a top-level economic advisor at the Board of Trade consisted mainly of dashing off brief and succinct comments on the economic aspects of the various files...that arrived in my “In Tray” every day. It was like sitting one’s final examinations in economics every day, the only difference being that it did not matter so much whether or not one got the answers right for nobody was going to take much notice of them anyway.’ 

209 In Posner’s view, Balogh and Kaldor were ultimately frustrated in their roles as special advisers because they had no executive power. They would, Posner suggests, have been more at home with US arrangements, where presidential appointees could head departments.

Another problem which Brittan draws attention to was that of burn-out. Advisers who were taken on with a change of administration tended to outlive their usefulness within two or three years. Unfortunately, this was the point at which ministers, suffering from the same fatigue, came to need them most.

Moreover, special advisers were handicapped in their competition for influence with permanent bureaucrats, since the latter had far greater experience and therefore knowledge of ‘what buttons to press’ in order to achieve administrative results. 

212 Whitehall secrecy, as has been shown, also served to reduce the potential influence of aides.  

208 Posner in conversation with Blick.  
209 Beckerman, *Growth, the Environment and the Distribution of Incomes*, xxxi.  
210 Posner in conversation with Blick.  
211 Sir Samuel Brittan in conversation with Andrew Blick.  
limited in scope. Important areas of government, for example the Foreign Office, were untouched by the appointment of outsiders (aside from Harris’s tenure there.) On this subject, the research conducted for this study, indicates that the number of senior special advisers employed during 1964-70 (excluding borderline cases such as Posner) was seven, namely, Abel-Smith, Balogh, Beckerman, Foster, Harris, Kaldor and Neild. A figure for assistants who fitted the definition used here is harder to determine. However, the total who worked for Balogh, during the whole period, was seven (Allen, Cooper, Graham, Holland, Pryke and Stewart). At any given time, this did not exceed four (excluding Balogh)

On the subject of special adviser policy achievements during 1964-70, Neild suggests that the fact that SET was brought about at all was an administrative feat, but the measure itself was of dubious value. To this day, Foster regards the Transport Act with which he was associated as a significant achievement, which, he argues, provided a framework for policy for more than a decade. Balogh’s performance regarding North Sea Gas, assisted by Kaldor, was regarded as creditable by some, but, as Posner states, rather than a central objective this was ‘something which came up on their watch.’ Abel-Smith’s National Superannuation was unfinished business in 1970, the conclusion of which will be described in the next chapter. The greatest legacy of the 1964-70 special adviser experiment was a constitutional one. The next

214 Ibid, p.337.
215 Neild in conversation with Blick.
216 Foster in conversation with Blick.
217 Posner in conversation with Blick.

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chapter will demonstrate that aides of the type used during Wilson’s first spell as Prime Minister eventually became fixtures on the British political scene.

Wilson’s allies had their views. An irritable Benn diary entry from three months after Labour’s removal from office stated that, ‘neither Kaldor nor Balogh... seem to... have anything real to offer. They fight each other all the time, tell us what to do, and we follow their advice; but I can’t say we have done well out of it.’ Balogh, however, was unrepentant, arguing that ‘the economic policy hadn’t succeeded because the wrong people were in the wrong place.’ Indeed, the prevailing opinion within the Wilson camp seems to have been that, given the appropriate fine tuning, there was a future for the special adviser. In Holland’s account, in late 1967, Wilson was beginning to consider the idea of an expanded Downing Street unit, with Holland as its head. However, he failed to act on this front before losing office in 1970, as has been discussed.

Williams, writing in 1972 of the difficulties experienced by Balogh in his dealings with the permanent bureaucracy, asserted that ‘the 1970s require a self-contained top grade personal advisory unit within No. 10. This is more necessary for a progressive government than a Conservative government since the Conservatives can rely on the Civil Service being tuned in to what they want to do. But the Labour government must have a small core of highly qualified, highly expert individuals to initiate policy and ideas which can filter down through the machine. This unit should also assess decisions coming up

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220 Holland in conversation with Blick.
through the machine via the departments for the Prime Minister’s approval.
This is what a Labour government for the future must have and it should start planning such a unit now."221 Furthermore, ‘Labour should...start earmarking eager, enthusiastic, able young men and women to be trained in the work they must do when they accompany future Ministers into the departments.”222 Williams’s was a blueprint for the future which, to a great extent, came into being.

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221 Williams, Inside Number 10, p.358.
222 Ibid, p.359.
Chapter IX

Conclusion

In this chapter, there will be an assessment the extent to which the objectives set out in the introduction have been achieved. The conclusions will be outlined, followed by a detailed discussion of the various theses proposed in Chapter I. Developments from 1970, in the context of the main themes of this work, will be discussed. Finally, the implications of this for the subject at hand will be examined.

It has been possible to construct a long-term historical background. This provided an understanding of the Civil Service into which special advisers were introduced in 1964 and, to an extent, were intended to challenge. It also enabled the identification of the types of outside aides employed prior to 1964 and the ways in which they were used. This, in turn, helped supply a framework in which the subject at hand could be analysed. The conjunction of events leading to the instigation of the special adviser and the perceptions of those involved have also been reconstructed. This study has ascertained the individual biographical details of aides, the activities they engaged in and their motivations. Their ways of working, official and informal, have also been depicted. Details relating to the employment of aides have been established. It has been shown that even superficially mundane particulars, relating to, for example, locations of offices
and job titles, were significant. The nature of special advisers' interaction with each other, ministers and permanent officials has been established. Much evidence for conflict between permanent and temporary civil servants, with antagonism and subterfuge on both sides, has been uncovered.

Establishing rules governing the conduct of special advisers has proved difficult. This, however, almost certainly reflects the fact that there was a lack of clarity in this area during 1964-70. It has sometimes been necessary to rely upon individual sources, for example the Crossman and Cairncross diaries and the testimony of Holland, for which complete cross-references have not been found. The exact attitude of Wilson, has, at times, been difficult to determine. Although the instigator of the special adviser, his public advocacy of this innovation was often cautious and he did not follow through on many of the recommendations of Fulton.

This work has set out to explain the significance of the special adviser. To this end, possible interpretations of this phenomenon, which were proposed in Chapter I, have been tested against primary and secondary evidence. However, of the explanations proposed in the introduction, no single one serves to the exclusion of all others. Indeed, all of these are useful, to varying extents, and in many cases complement each other. There follows a description of the conclusions that have been drawn.
During 1964-70, special advisers were dependent upon the ministers they served, both for their positions and in order to achieve influence. Their employers were also often reliant upon them, for advice and support. This bond often overrode all others. Partisanship was important, as reflected in the commitment of aides to manifesto implementation, their consideration of the political implications of decisions and their efforts at presentation. However, the link to party was indirect. Perceived national decline acted as a trigger for the creation of the special adviser, but does not fully explain the course the experiment took. This innovation was also motivated, in part, by a desire to incorporate greater expertise into the bureaucracy. However, not all special advisers were specialists. Moreover, an attempt to divide them into experts and others is not sustainable.

Aides could be actors in their own rights, interacting with elements within the administration other than their employers. Those special advisers attached to the Prime Minister may have been intended to help exercise greater central influence over the administration. This was not always achieved. The appearance of temporary bureaucrats across the government, attached to individual ministers, was associated with a growing personality cult in politics. Foreign examples, particularly the French cabinet, were significant, although not directly influential at all times. The creation of the special adviser was a genuine, lasting, innovation to be credited to Harold Wilson's first premiership. Considerable contributions to policy were made by aides, but they were involved in activities beyond this. Although comparable to earlier attempts to use outsiders as bureaucrats, special
advisers were also something new. As such, they presented a challenge to the existing, permanent Civil Service. The result was varying degrees of antagonism, although co-operation was a possibility. These conclusions will now be discussed in greater detail.

Relationships with their employing ministers were important to all special advisers. Before 1964, outsiders incorporated into the bureaucracy on a temporary basis were sometimes attached to particular politicians. This was the case, for example, with various Lloyd George appointments. However, during 1964-70, the personal link was very pronounced. In the post Second World War period, the decline of social deference and developments in the media have contributed to a growing cult of the individual in British politics, resulting in what Michael Foley has described as the emergence of presidential characteristics on the part of Prime Ministers. It is argued here this tendency also extended to other Cabinet members. The recruitment of special advisers, who were personally attached to ministers, was associated with this. As well as Wilson, there was a certain leadership cult surrounding, in particular, Jenkins, as suggested by the coverage of him in the Mirror in early 1968 as an alternative to Wilson. During 1974-70, then, certain ministers began using aides as a means of achieving their objectives without recourse to more traditional institutions, such as the career Civil Service.
The most obvious examples from 1964-70 of special advisers whose bonds with their employers were particularly significant were Balogh and Harris. Their personal loyalties to, respectively, Wilson and Jenkins, founded in prior association, ideological stance and party faction, could supersede all other commitments. Indeed, these attachments could become a factor in destructive, internal Cabinet power struggles. Both counsellors were members of the informal groups of allies which centred on the person of their ministers. They were highly dependent upon their employers' support. Wilson however, did not always display complete confidence in Balogh, a source of weakness for the aide. Special advisers' policy influence was exercised to a large extent through the particular minister being served. Kaldor, for example, was able to secure the adoption of what became SET once he had won over Callaghan. Politicians, subject to the intense pressure of what has been termed 'overload' and surrounded by rivals, were often dependent upon their special advisers. For example, Wilson used Balogh for political assistance at times of difficulty, while Callaghan was reliant upon Kaldor in order to implement complex manifesto commitments.

Aides and ministers, however, were not always perfect matches. For example, Foster was not on the same wing of Labour as Castle, although he worked well with her. Kaldor, moreover, did not owe his employment to a close relationship with Callaghan and at times conflicted with him. However, in both cases, the importance of the attachment to the employing politician was demonstrated in a negative sense. When new, less sympathetic, ministers took over their respective
offices of government, Foster and Kaldor were undermined. Close personal relations between special advisers and ministers did not always develop, as the example of Neild, who ultimately felt more loyalty to William Armstrong than Callaghan, demonstrates. However, the friendship which developed between Beckerman and Crosland, who did not know each other before their association inside the Board of Trade, was evidence of a tendency in this direction.

Partisanship has been identified as a defining feature of the special adviser. With earlier experiments in the use of temporary bureaucrats, this characteristic was less pronounced. For example, during the Second World War, although many outsiders were recruited into Whitehall, the existence of a coalition government with an overriding common objective reduced the importance of party political concerns. However, in 1964, Labour, following a long period in opposition, was elected on a radical policy platform. The appointment of politically sympathetic bureaucrats was intended as a means of achieving party objectives in the face of a potentially resistant Whitehall. In a number of cases, special advisers engaged in implementing policies they had helped develop prior to Labour's election victory. For example, Abel-Smith's work on National Superannuation during 1968-70 was a continuation of a long-term Labour commitment which he had helped initiate during the 1950s. Aides also attempted to develop ideological measures, such as progressive retrenchment packages, whilst in office. However, the Labour origins of policies developed by special advisers were not always as clear. In particular, SET was not the result of internal party discussion over a long period of time in
the way that, for example, Capital Gains Tax was. Nor was the socialist
motivation of Kaldor’s desire to float the pound immediately apparent.
Furthermore, if special advisers were primarily a means of achieving Labour’s
policy ends, then they were not a great success, in so far as, during 1964-70, much
of the party programme was not effectively implemented.

There were aspects to partisanship beyond the implementation of policy
commitments. During 1964-5, John Allen concerned himself with liaison between
different ministers in order to maintain Labour’s party political coherence while in
power. Presentation was also important for special advisers. This was to be
expected of Harris, whose background was as a journalist and political
propagandist, but economists including Balogh also took an interest in the conduct
of public relations. Cultivation of the media was not always engaged in for the
benefit of the government as a whole, however and could be used to serve the
ends of individual ministers. Aides also sought electoral success for Labour.
Following the 1970 poll defeat, the existing politically committed bureaucrats
were removed from office, along with certain policies they were developing, most
notably Abel-Smith’s National Superannuation. However, during 1964-70, party
political commitment was not always the most important characteristic of special
advisers. As has been stated, association with particular factions or personal
loyalties could supercede this. Moreover, special advisers were not employed by,
or directly accountable to, their party. During this period there were divisions
between the government and the Labour machinery, involving aides. For
example, Balogh participated in the drafting of the 1966 manifesto, which was conducted secretly, out of reach of Transport House. During his time assisting Gaitskell, Harris experienced hostility from certain party officials. This was indicative of the tensions which could result from the use of personal advisers.

It has been shown that in at least one earlier period of British history, as a response to perceived relative international decline, many traditional social institutions became subject to criticism. One result of this was a call for the recruitment of outsiders into the bureaucracy. The instigation of the special adviser in 1964 was motivated by similar demands and was an element in Wilson’s programme for national revival. It is significant that certain aides produced proposals aimed at correcting what were regarded as economic weaknesses. Balogh intended to achieve an improvement in Britain’s trade position through the creation of a Commonwealth/Sterling Area bloc. Kaldor designed SET in order to bring about higher growth rates. However, many temporary bureaucrats did not concern themselves with such a broad and ambitious objective as reversing national decline, concentrating on the narrower and more obtainable. Moreover, for much of the post-devaluation period the main emphasis was upon short-term survival, rather than a revival of greatness. While the decline vogue slowly subsided over subsequent decades, particularly from the late 1970s, the use of aides persisted, as will be shown. Nevertheless, concerns

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1 For a cautious assessment of the improvement in Britain’s economic status, see: Edmund Dell, The Chancellors, p.552.
regarding British failure provided the vital, initial impetus for the instigation of the special adviser.

There were numerous instances of the introduction of outsiders into Whitehall prior to 1964, and those who were recruited shared various different characteristics with their 1964-70 counterparts. The Liberals utilised temporary bureaucrats in order to implement a party programme in the early twentieth century. During both world wars, there were personal aides and bodies of experts. During the post-1945 period, at Number 10, Attlee employed Jay while Macmillan had John Wyndham. However, the creation of special advisers was innovatory because it led to the simultaneous combination of a number of pronounced features. These new aides were the product of a deliberate, stated, strategy and they were introduced across a number of different offices of government at once during 1964-70. Their partisanship was important and they were attached to individual ministers. A particular job title, previously used only rarely and in a different context in Britain, was attached to them. They were placed inside, although not absorbed by, the bureaucracy, receiving papers and attending committees. The difficulties associated with the acceptance of special advisers into the Civil Service machine served to emphasise the fact that they signified a genuine development. The emergence of tendencies such as 'overload' and the decline of the post-war political settlement may have contributed to a perception that aides of a new type were required.
There have been frequent attempts to increase the level of expertise within administration through the recruitment of outsiders into Whitehall, for example by the Liberal administrations of the early twentieth century. Labour had a long technocratic tradition, associated in particular with the Fabian Society. The majority of special advisers during 1964-70 were economists, recruited in order to provide ministers with expertise that would otherwise be unavailable. The skills possessed by temporary bureaucrats were put to a wide variety of uses, for example briefing, analysis and policy development. However, to depict special advisers purely as experts would be misleading. Firstly, this would be to overlook Allen and Harris, neither of whom were specialists. Secondly, even those who were economists were drawn into consideration of political and presentational matters. This tendency was a product of the constant pressures of government, as well as the previously described commitments of aides, both to ministers and party. Technocracy, in its most extreme form, rejects partisan government altogether and for this reason is difficult to reconcile with the use of politically committed aides. Moreover, for the reasons outlined above, a clean division of special advisers between experts and non-specialists is not possible.

Prior to 1964, there were examples of strong-willed, individualistic, temporary bureaucrats wielding influence in their own rights. Beveridge, for example, was particularly determined in his drive to establish what became known as the welfare state. During the first two Wilson administrations, certain aides can be interpreted as, at times, pursuing personal agendas and acting on their own
account, rather than on behalf of other individuals or bodies. This description certainly fits some of the activities of Balogh, who pursued a wide variety of pet objectives, and Kaldor, who had distinctive, forceful, views on certain matters. The press portrayed them as powerful, indeed sinister, figures, to the extent of exaggerating their true importance. Since both men were already established in the political and intellectual fields, they felt their views ought to be accorded a high degree of respect. Their individualism was heightened by personal eccentricities.

However, such characteristics could also lead to exasperation on the part of others and therefore prove counter-productive. Ministers such as Marsh did not welcome Balogh’s interest in their briefs and Jenkins decided to sideline Kaldor at the Treasury. Moreover, as the case of policy towards sterling demonstrated, special advisers could be frustrated in key objectives. Aides often became involved in various types of intrigue, for example Balogh’s conflict with Trend and Foster’s (probably incorrectly) suspected attempts at self-advancement. There were special advisers, for example Abel-Smith, whose behaviour did not suggest a desire to influence the overall direction of the government or wield great personal power. In some cases, particularly that of Jenkins and Harris, it was difficult to determine the extent to which aides were acting with ministerial sanction, or merely doing what they thought was to the benefit of their employers.
When attempting to exert increased control over their administrations, some Prime Ministers, for example Lloyd George, have armed themselves with personal aides. Wilson set out to lead from the centre. He recruited three special advisers of his own in 1964, although resisting the exhortations of allies, including Balogh, to expand his office to a greater extent than this. The number peaked at five during 1966-7. Through these, Wilson was able to monitor and intervene in a wide range of departmental business. However, during 1964-70, temporary advisers were located in other areas of the administration. Moreover, despite the special advisers at his disposal, particularly from late 1967 onwards, Wilson’s control over his administration weakened. Owing to political and economic circumstances, power was transferred away from Number 10, in particular to the Treasury, and a Chancellor of the Exchequer whose small inner circle also included a special adviser.

By the early 1960s, French and US administrative methods were highly regarded in Britain, inspiring those who advocated the use of temporary bureaucrats. Just as he was reluctant to engage in a large expansion of the Prime Minister’s Office, Wilson resisted the formal adoption of the French style cabinet. Nevertheless, some ministerial private offices began to take on certain features of the cabinet. Specifically, Wilson and Jenkins personally selected their staff, which included special advisers. The introduction of US style complete clear-outs of bureaucratic staff to Britain were not seriously advocated, even by those who could see some merit to this approach. The cultural barriers to this would have been immense.

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Nevertheless, since certain special advisers had served Labour in opposition, their appointments did signify a limited division of the spoils of victory, as practiced in a more complete form in the US. Nevertheless, it is important to view the British Civil Service as an entity in its own right, rather than an empty vessel into which foreign ideas can be poured.

Often, before 1964, the manner in which outside bureaucrats were utilised was strongly influenced by the characteristics of the Prime Minister of the time. During the Second World War, for example, Whitehall bore Churchill's imprint. An analysis of special advisers from the perspective of Wilson is particularly valuable. Wilson's background as a wartime temporary civil servant provides a context in which to understand his 1964-70 experiment. His career path, which led from bureaucratic employment to ministerial service, is comparable to that of many continental politicians. Two of the first wave of special advisers, Allen and Balogh, were members of Wilson's inner circle of allies.

Wilson has frequently been portrayed as preoccupied with the immediate and presentational at the expense of long-term strategy. The numerous uncertainties and tensions which surrounded the use of special advisers during 1964-70 were to some extent the product of this tendency. More thought could have been given to how these appointments were to be integrated into the machine, possibly avoiding, for example, the confusion surrounding Cairncross's and Neild's respective roles. It could also be argued that, having recruited a number of outsiders to bureaucratic
posts, Wilson's insistence on ignoring their repeated pleas regarding sterling, in favour of the conventional wisdom of career officials, was perverse. However, Wilson also proved to be a constitutional and bureaucratic innovator. While some of the experiments over which he presided, most notably the DEA, did not survive, special advisers, as will be shown, were a significant and lasting contribution, offering evidence for Wilson as genuine moderniser. Finally, the charge of paranoia leveled at Wilson may also be unfair, at least in the light of some of Harris's activities.

Prior to 1964, temporary bureaucrats were frequently associated with the emergence of important policy developments. Keynes, for example, helped instigate the use of national accounting in the 1941 Budget. Similarly, there were examples from 1964-70 of special advisers playing a part in the emergence of major measures. The 1968 Transport Act was an example of a very large piece of legislation, in which Foster and his unit had a close involvement. Certain proposals, especially SET, would not have come into being at all, were it not for the theoretical and technical contributions and, indeed, lobbying of aides. Not all special advisers' efforts came to fruition. Abel-Smith's work on National Superannuation was undone by the 1970 election. Many of Balogh's ideas were not put into practice. Indeed, some of these, particularly his trade bloc plan, were probably not realisable anyway. Balogh, Neild and, in particular, Kaldor did not manage to get the decisions they wanted taken over sterling.
As well as producing fully-blown proposals, aides provided briefs for ministers on a variety of issues. By this means, they exercised influence in a less dramatic, but nevertheless important fashion. An analysis of special advisers is greatly assisted by an examination of the policies with which they were associated. However, they also had other, admittedly related concerns, beyond the immediate realm of policy development, for example, presentation and political liaison. Furthermore, Balogh took a pronounced interest in personnel decisions and set out to change the bureaucracy itself. This, in fact, serves to demonstrate that policy could not be readily separated from other aspects of government such as administration and public relations.

From the mid-nineteenth century, a Treasury-dominated official machine, characterised by generalism, party political neutrality and permanent employment began to emerge. As a result of more interventionist government policy and pressures such as overload, this Victorian creation became increasingly anachronistic. By the late 1950s, with a decline in deference towards traditional social institutions taking place, Whitehall began to be subjected to intense criticism. Prior to 1964, various outsiders were appointed in peacetime, although on an ad hoc basis. Special advisers, however, represented a concerted, deliberate challenge to Whitehall traditions. The position of the Treasury as supplier of economic advice to the Government was questioned by the recruitment of economists. There was, to some extent, a natural disposition towards suspicion of career officialdom within Labour. Balogh was a ferocious public assailant of the
permanent Civil Service, to an extent that meant antagonism between himself and the machine was inevitable.

There can be no doubt that certain career officials, perceiving them as a threat, did offer a variety of forms of resistance to temporary recruits and their ideas. For example, it is difficult to accept that, given the will to do so, a room could not have been found for Kaldor inside the Treasury building. Furthermore, Balogh and Kaldor were deliberately shut out of FU. It was Balogh’s view that a socialist government should overturn the existing Civil Service, to be replaced with an alternative, Labour establishment. The recruitment of aides, some of whom headed their own newly-created units, certainly presented rivals to the existing official machine. However, these were limited in number and, importantly, were not incorporated into the bureaucratic hierarchy. Furthermore, collaboration between special advisers and permanent bureaucrats did take place. Indeed, many achievements, such as SET, would not have been possible without this.

There follows a thematic overview of developments post-1970. It has already been suggested that, in the years following Wilson’s initial experiment, special advisers became a constitutional fixture. In the period from 1970, their use persisted and numbers proliferated, as will be detailed here. Some observers have argued that the administrative practices of Edward Heath’s 1970-4 Conservative administration represented, in some respects, a reaction against those of his
Labour predecessor.\(^2\) However, Michael Wolff, Heath's 'senior political adviser and speech writer',\(^3\) was a political import into the Prime Minister's Office,\(^4\) with the job title 'Special Adviser to the Government',\(^5\) as was Brian Reading, an economic adviser.\(^6\) Heath established the Central Policy Review Staff (CPRS) in 1971. Formally a non-partisan body attached to the Cabinet, this became dependent upon the Prime Minister for its effectiveness and included staff who were Conservative in their loyalties. For example, Reading joined the CPRS in November 1971.\(^7\) Another member, William Waldegrave, subsequently became Heath's Political Secretary and, in the 1980s, a Conservative minister.\(^8\)

During 1972-3, with Heath's approval, Douglas Hurd, the Prime Minister's Political Secretary, endeavoured to persuade ministers to recruit aides. Hurd noted that '[s]ome had them already...Brendon Sewill was at the Treasury, and Miles Hudson at the Foreign Office. Others did not see the point. Others saw the point, but could not find the right person.'\(^9\) Eventually progress was made on this front, with, for example, Robert Jackson being appointed to serve Maurice Macmillan at Employment and John Cope joining Peter Walker at Trade and

\(^2\) See, for example, Dennis Kavanagh and Anthony Seldon, *The Powers Behind the Prime Minister*, pp78-9.
\(^3\) Peter Hennessy, *The Prime Minister*, p.343.
\(^5\) Kavanagh and Seldon, *The Powers Behind the Prime Minister*, p.98.
Industry.\textsuperscript{10} Such aides were party political. Sewill, for example, was previously
the Director of the Conservative Party Research Department.\textsuperscript{11} His job title was
'Special Assistant.'\textsuperscript{12} Towards the end of the Heath administration, Hurd began
convening meetings between these counsellors, 'to share problems and help
impart a common purpose.'\textsuperscript{13}

Wilson told Hennessy in 1985 that the failure of his 1964 bureaucratic and
economic programme was due to Treasury 'moles...the Treasury were very, very
skilled chaps in more or less stopping you doing anything.'\textsuperscript{14} However, as
discussed, he did not implement certain aspects of Fulton that might have served
to undermine the power of the permanent bureaucracy. Given the opportunity to
regroup in opposition, he returned to the special adviser with particular vigour. In
1974, upon his reinstallation as premier, Wilson oversaw the appointment of
between one and four aides to a number of departments across the government.\textsuperscript{15}
Initially, around 30 special advisers were attached to 15 offices of government,
including Number 10.\textsuperscript{16}

Also in 1974, Wilson established the Downing Street Policy Unit, a body attached
to the Prime Minister, which, during the course of its existence, has been largely
comprised of special advisers. From 1974-9, the Policy Unit employed 'seven to

\textsuperscript{10} Ibid, p.38.
\textsuperscript{11} Kavanagh and Seldon, The Powers Behind the Prime Minister, p.80.
\textsuperscript{12} The British Imperial Calendar and Civil Service List (London: HMSO, 1972), p.713.
\textsuperscript{13} Kavanagh and Seldon, The Powers Behind the Prime Minister, p.80.
\textsuperscript{14} Hennessy, Whitehall, pp187-8.
\textsuperscript{16} Reinforcing Standards: Review of the First Report of the Committee on Standards in Public Life,
ten experts.'\textsuperscript{17} Importantly, after initial doubts as to their value on the part of Margaret Thatcher, the Conservative Prime Minister elected in 1979, these innovations survived the changeover in party administration. Thatcher came to value the Policy Unit highly.\textsuperscript{18} Moreover, as Nigel Lawson, Thatcher's Chancellor of the Exchequer from 1983-9, remarked, while '[s]pecial advisers were a Labour innovation to which Margaret Thatcher acceded only slowly... eventually every Cabinet Minister ended up with at least one.'\textsuperscript{19} At the end of the Conservative's long period of office, in 1997, under John Major, the Prime Minister who took over from Thatcher in 1990, the total number of aides stood at 38. Following Tony Blair's initial twelve months as Labour Prime Minister, which began in May 1997, this figure had risen to 73.\textsuperscript{20} By this time, special advisers were, as the Commons Public Administration Select Committee put it in 2001, 'an established feature of life in Whitehall.'\textsuperscript{21}

A study of special advisers in the period from 1970 serves to confirm the importance of their attachments to particular ministers. During 1974-9, Benn and his aides, Frances Morrell and Francis Cripps, who had returned to Whitehall following his previous stint as Kaldor's assistant, came to be regarded as

\textsuperscript{17} Bernard Donoughue, \textit{Prime Minister, the conduct of policy under Harold Wilson and James Callaghan} (London: Cape, 1987), ix.
\textsuperscript{19} Nigel Lawson, \textit{The View From No. 11} (London: Corgi, 1993), p.25.
\textsuperscript{20} Nicholas Jones, \textit{Sultans of Spin, the Media and the New Labour Government} (London: Orion, 1999), p.73.
comprising a left-wing clique by others within the government.²² Another example of this is provided by the activities of Lawson and his counsellors during the run-up to the 1987 election. Lawson became increasingly frustrated with the handling of the Conservative campaign, in particular, its failure 'to highlight the implications of Labour's tax and spending plans.'²³ For this reason, Lawson and his special advisers, in particular Andrew Tyrie, conducted a freelance operation, priming the media with their projections of the cost of a Labour government and querying how it might be met.²⁴ An example of a particularly strong bond was that between Thatcher and the economist, Alan Walters. Following a dispute with Walters in October 1989, Lawson, in his account, presented Thatcher with the alternatives of shedding her adviser or losing her Chancellor. By default she selected the latter,²⁵ in the process contributing to her own downfall.²⁶ There is evidence that special advisers have continued to be associated with internal Cabinet power struggles, for example those between Blair and his Chancellor of the Exchequer, Gordon Brown.²⁷

Partisanship remained crucial. Special advisers, often of long-standing party involvement, were appointed to assist with the implementation of particular programmes. At the DHSS from 1974, Castle recruited Abel-Smith in order to implement a simplified form of National Superannuation. She perceived this as

²² Lord McNally in conversation with Andrew Blick, 5 July 2002.
²³ Lawson, The View from No.11, p.702.
²⁴ Ibid, pp702-3.
²⁵ Ibid, pp960-5.
²⁶ G. W. Jones, 'The Downfall of Margaret Thatcher', in R. A. W. Rhodes and Patrick Dunleavy (eds), Prime Minister, Cabinet and Core Executive (Basingstoke: Macmillan, 1995), pp94-5.
an important element in the ‘Social Contract’, the package which Labour had put before the electorate in February 1974.\textsuperscript{28} As well as manifesto implementation, special advisers were often participants in the continued development of ideological measures while in office. Ferdinand Mount, Head of Thatcher’s Policy Unit from 1981-4, took a particular interest in social policy, producing, in the wake of the urban riots of 1981, a paper for the Prime Minister advocating the renewal of family values. She came to see this as central to her ‘Conservative mission’,\textsuperscript{29} from which many proposals flowed.\textsuperscript{30} These included taxation changes for married couples, education vouchers, a more authoritarian approach to policing and increased discounts for council house purchase.\textsuperscript{31}

Aside from the development and implementation of ideological and party political measures, other activities associated with the partisanship of special advisers included political liaison and the conduct of public relations. The growth of the political aide, particularly from 1974, will be discussed below. Following the 1997 advent of the Blair administration, much attention was drawn to the increased use of what were labeled ‘spin doctors’, especially the Prime Minister’s Chief Press Secretary, Alastair Campbell.\textsuperscript{32} However, as there had been during 1964-70, there was sometimes a distance between special advisers and party machine. For example, Lord McNally, who was an aide to Callaghan at the


\textsuperscript{29} Thatcher, \textit{The Downing Street Years}, p.278.

\textsuperscript{30} Ibid, pp278-9.

\textsuperscript{31} Ibid, p.279.

\textsuperscript{32} See, for example, Jones, \textit{Sultans of Spin}; and Rawnsley, \textit{Servants of the People}.
Foreign Office during 1974-6 and served as his Political Secretary at Number 10 from 1976-9, recalls that Wilson’s expansion of 1974 was partly conceived as a means of avoiding dependence upon Labour research staff, whose political orientations were generally to the left of many leading ministers.33

In the period since 1970, expert special advisers continued to be employed. Abel-Smith returned to the DHSS in 1974 when Castle was appointed Secretary of State for Social Services.34 Alan Walters, the economist, was, as has been shown, a valued prime ministerial aide under Thatcher. In comparison to the 1964-70 period, the distinction between expert and generalist special advisers became clearer, with the emergence of two discernible tribes. One of Wilson’s 1974 innovations was the across the board introduction of political aides.35 He described their functions as including ‘examining papers as they go to Ministers...chasing up Ministerial wishes...liaison with the party...contact with outside interest groups....speech writing.’36 Michael Heseltine, a Cabinet minister under Thatcher and Major, offered a useful definition of the two groups. Specialists, he wrote, ‘should be expert in a particular field, concentrate on policy relevant to that expertise and work with civil servants rather than with the minister, but with open access to the minister.’ The political aide, on the other hand, ‘is based near to the minister’s private office and works closely with the

33 Lord McNally in conversation with Blick.
35 Harold Wilson, Final Term, p.19.
party as well as the department. In his description of post-1974 arrangements, Simon James observes that the generalists have normally been in the majority.

As has been shown, during 1964-70, political pressures forced even expert special advisers to engage in more general activities. These same tendencies no doubt encouraged the emergence of a class of aide that was specifically devoted to party-orientated functions.

Post-1970, an examination of special advisers as actors in their own rights remained revealing. David Young was appointed special adviser to Keith Joseph, the Conservative Secretary of State for Industry, in 1980. Young’s memoirs suggest that, throughout his involvement in the Thatcher governments, which continued over the next decade in various forms, he endeavored to drive forward the agenda of the government on his own account. For example, he was a pioneer of the Conservative privatisation programme. Hennessy describes Alastair Campbell as ‘arguably the closest and most influential individual within [Blair’s] innermost circle’, having a personal impact upon many aspects of government. It was sometimes difficult to determine the extent to which aides were acting on their own initiative or carrying out instructions, as was the case with Walters’s provocation of Lawson.

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38 Simon James, *British Cabinet Government*, p.221.
40 Hennessy, *The Prime Minister*, p.488.
There was ample evidence of special advisers, post 1970, as elements in prime ministerial attempts to lead from the centre. The numerical balance of aides favoured the Prime Minister at the expense of other Cabinet members. In 1974, while creating a relatively large Downing Street team, Wilson limited most other secretaries of state to two special advisers each, with appointments subject to prime ministerial approval. The Policy Unit scrutinised proposals emerging from the departments. This, as Bernard Donoughue, its first Head, put it, 'increased the Prime Minister’s capacity for effective intervention in other Minister’s policy areas.' Following her installation as premier, determined to drive through proposals which many senior Conservatives disagreed with, Thatcher used her Policy Unit 'as a kind of special forces little platoon.' Amongst others, Lord Hunt, who was Cabinet Secretary from 1973-9, argued that the Policy Unit, as well as other Number 10 special advisers were elements in the informal emergence of a ‘Prime Minister’s Department.’ Some observers deny that there has been a corresponding increase in the power of the premier.

However, there seems little doubt that, at least when political circumstances are favourable, the potential for the Prime Minister’s Office to intervene across government, through the use of special advisers, became great.

Foreign comparisons remained relevant. David Owen, the 1977-9 Labour Foreign

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41 Hennessy, *The Prime Minister*, p.359.
45 ‘The United Kingdom’ in William Plowden (ed.), *Advising the Rulers*, p.69.
46 Kavanagh and Seldon, *The Powers Behind the Prime Minister*, xiv-xvi.
Secretary, inspired by the example of the cabinet system, informally established ‘a separate policy unit working direct to myself.’ The two staff were career officials, transferred from elsewhere in the Foreign Office, but were often supervised by Owen’s ‘Special Economic Adviser’, Michael Stewart, a veteran from the 1960s, and frequently liaised with the Downing Street Policy Unit. Two decades later, Hennessy suggests that Gordon Brown, with his team of special advisers at the Treasury, ‘was close to running a cabinet system.’ Hennessy told Sir Nigel Wicks’s Committee on Standards in Public Life in 2002 that Brown’s aide, Ed Balls, had a ‘way of working which is more akin to a French politician or an American one.’ Blair’s Chief of Staff, Jonathan Powell, was particularly influenced by US approaches, as his job title and role, discussed below, suggested. The continental-style career path of bureaucratic service preceding a later period of ministerial office, has also emerged in Britain. For example, John Redwood, Head of the Policy Unit from 1984-5, and Michael Portillo, Lawson’s special adviser, were both Cabinet members under Major.

The extensive involvement of special advisers in various aspects of policy continued. Adam Ridely, as a special adviser to the Chancellor of the Exchequer, Geoffrey Howe, was closely involved in the development of the ‘Medium-Term

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49 The Wicks Committee on Standards in Public Life, Public Hearings, Day Four, Morning Session, 2 July 2002.
52 Lawson, *The View from No.11*, p.263.
Financial Strategy’, introduced in the 1980 Budget. This entailed the proclamation of precise commitments to restrictions on the growth of the money supply, designed to reduce inflationary expectations. Major’s big idea was the Citizen’s Charter, an initiative intended to re-cast recipients of public services as consumers, with the system of rights this entailed. This was developed and named in 1991 by senior members of his Policy Unit, in conjunction with Major’s Political Secretary, Jonathan Hill.

Ed Balls, aide to Gordon Brown, was a major inspiration for a variety of important measures. Amongst the most important of these was the decision implemented immediately after Labour came to power in 1997, to remove the power to set interest rates, which previously resided with the Chancellor of the Exchequer, to the newly formed Monetary Policy Committee (MPC) of the Bank of England. Anthony Thirlwall, Kaldor’s biographer, agrees that, as an outside economic adviser, Balls’s policy influence has been historically immense, possibly coming behind only that of Kaldor and Keynes. As well as initiating ideas, from 1970, special advisers enabled their employers to monitor and influence developments. As has been shown, political aides provided briefings on papers being sent to their ministers.

57 Anthony Thirlwall in conversation with Andrew Blick, 12 July 2002.
It has been suggested that, to some extent, the use of special advisers posed a threat to the traditions and influence of the permanent bureaucracy. Post-1970, matters such as obtaining access to ministers continued to be significant. For example, at the time of its instigation, Donoughue engaged in ‘prolonged and strenuous talks’\textsuperscript{58} with the Cabinet Secretary, Sir John Hunt, regarding the role of the Policy Unit within Whitehall. Hunt was greatly concerned that the position of the Private Office as the formal channel for communication between Number 10 and ministers be maintained.\textsuperscript{59} Antagonism between special advisers and permanent bureaucrats, in which questions of policy, propriety and personality could become intertwined, continued. Great public controversy surrounded the activities of Jo Moore, special adviser to Stephen Byers, the Labour Secretary of State for Transport, Local Government and the Regions (DTLR) during 2001-2. Discontented permanent officials leaked details to the press of her alleged attempts to use events such as the 11 September 2001 terrorist attacks in the US as opportunities for announcing ‘anything [ie: bad news] we want to bury.’ In its report on this affair, the Select Committee on Public Administration judged both that Moore had improperly assumed management functions and that ‘a number of civil servants abandoned professional standards by leaking information and misinformation in a way intended to undermine Ms Moore.’\textsuperscript{60}

\textsuperscript{58} Donoughue, \textit{Prime Minister}, p.22.
\textsuperscript{59} Ibid, p.22.
\textsuperscript{60} \textit{These Unfortunate Events'}, Select Committee on Public Administration, Eighth Report 2001-2, HC 303, July 2002, p.5.
By the 1980s and 90s, the policy influence of permanent secretaries had declined, with special advisers gaining influence in this area. Under Blair, the power of temporary aides also began to expand in other ways. Following his election victory, 'executive powers over civil servants' were granted to up to three Number 10 aides through an amended 1997 Order in Council. These were taken up by two special advisers, Alastair Campbell, the Chief Press Secretary, and Jonathan Powell, the Chief of Staff. In a 1983 BBC Reith Lecture, Sir Douglas Wass, no doubt speaking for many permanent bureaucrats, stated that he favoured the existing arrangement of 'special advisers working with permanent officials, but not directly responsible for the implementation of policy.' This convention was now overturned. Balogh in particular saw the use special advisers as a means of establishing an alternative establishment. Since the 1960s, other politicians have viewed the Civil Service as a traditional institution to be displaced, especially Thatcher, who, as has been shown, also made extensive use of temporary officials. Perversely, in the Blair era, the Treasury, the power of which Balogh in particular sought to reduce, reached what was arguably its zenith in terms of detailed policy influence, although it was subject to greater political direction from Brown’s team of aides. Control of personnel, however, (though not of labour costs) was long since lost.

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61 Peter Barberis, The Élite of the Élite, p.37.
62 Reinforcing Standards, Vol.1, Cmd. 4557-1, p.70.
64 Kevin Theakston, Leadership in Whitehall, p.232.
65 Hennessy, The Prime Minister, p.477 and p.480.
During 1964-70, there were no clear rules governing the conduct of special advisers. Given the growth in numbers and power of aides, the lack of formal regulation became an increasing concern. In 1974, between them, the Head of the Home Civil Service, Douglas Allen, and Wilson agreed the ground rules for the large batch which were appointed upon Labour’s return to office that year. According to Allen, Wilson made most of the suggestions. The total possible number was capped, Allen recalls, at 38. Appointments were subject to prime ministerial approval. Special advisers would leave with a change of government. Their contracts, although varying in length, were all short, meaning ministers, if so inclined, could remove them quickly. Crucially, they had no power over permanent civil servants.66 Wilson initially contemplated forbidding special advisers from serving as local councillors,67 but eventually a Cabinet decision was taken to the contrary.68 By the early twenty-first century, there was a degree of alarm within political circles that, particularly since 1997, the use of special advisers had gone too far, too quickly, without being given sufficient consideration. For example, in 2001, concerned by issues such as the possible politicisation of the neutral Civil Service, the Public Administration Committee stated that ‘[n]ot only should the experiment not be extended but the existing arrangements should be reviewed.’69

66 Lord Croham in conversation with Andrew Blick.
Under pressure of this type, in 2001, the government published a ‘Code of Conduct for Special Advisers’, as part of a Model Contract for aides. One of its most important stipulations was that special advisers were limited in their activities to the ‘areas that Government and Party...overlap’ rather than exclusively party political territory.\(^{70}\) Also in 2001, following a degree of confusion about the numbers that could be appointed, the government changed the sections of the Ministerial Code (the guidebook for ministers) relating to special advisers, to realistically reflect existing practice. It was now made clear that there was no limit on the total which could be appointed to Number 10. Others within the Cabinet (and those who attended regularly but were not official members) were restricted to two each, although with prime ministerial approval, could appoint more.\(^{71}\)

This represented limited movement towards formalisation. However, there were demands, particularly from Lord Neill’s Committee on Standards in Public Life in early 2000, that rules controlling special advisers should be included in a proposed Civil Service Act.\(^{72}\) In July 2000, the government committed itself to do this, but at an unspecified point in the future.\(^{73}\) In March 2002, prompted by concerns that have been described, the Committee on Standards in Public Life, by this time chaired by Sir Nigel Wicks, embarked on an extensive investigation ‘into the


\(^{71}\) *Ministerial Code* (London: Cabinet Office, 2001), paragraph 50.

\(^{72}\) *Reinforcing Standards*, Vol. 1, Cmd 4557-1, p.83.

relationship between Ministers, special advisers and permanent civil servants',
due to report at the end of 2002. Hennessy, in his appearance before Wicks, in
support of the Neill objective, said that '[t]he human side of these operations is
going to be always very fluid and not to be codified...the reason for codes...is that
if it does get out of hand we have all, by and large, signed up for something which
Parliament has passed, about what the relationship should be in the round, so that
we can be clear about what the 'rubbing points' are.75 In an unusual move,
nearing retirement, the Cabinet Secretary, Sir Richard Wilson, publicly entered
the fray in March 2002, in a lecture to the Centre for Management and Policy
Studies, part of his own Cabinet Office. He, too, favoured codification in law, in
order to provide negative controls on the conduct of aides. As he stated, 'we
should say clearly and firmly what they cannot do.76

Certain conclusions can be drawn as to the nature of special advisers during all the
periods under examination. There can be no doubt that the introduction of
partisan elements into the neutral bureaucracy took place. They represented a
genuine, lasting innovation. While additional expertise was incorporated into the
Civil Service as a result of the use of special advisers, much of the work of aides
was generalist in nature and specifically political counsellors grew in number.
Sometimes they were actors in their own rights. The proliferation of temporary

74 For details of this, see: Defining the Boundaries Within the Executive, Ministers, Special
Advisers and the Permanent Civil Service, Issues and Questions Paper, Committee on Standards in
Public Life.
75 The Wicks Committee on Standards in Public Life, Public Hearings, Day Four, Morning
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76 Portrait of a Profession Revisited, Speech by Sir Richard Wilson, 26 March 2002.
bureaucrats made an important contribution to a quantitative growth at the prime ministerial centre. Foreign influences were an important, although probably not pre-eminent, factor. Special advisers have been continuously involved with many important policy-related activities.

The 1964 instigation of the special adviser was partly motivated by a desire to displace a supposed existing establishment. Whether this objective was ever achieved is very difficult to determine. However, particularly since 1997, as a result of the use of temporary aides, the relative power of the permanent bureaucracy declined significantly. This heightened anxieties regarding propriety and led to calls for codification of the conduct of temporary bureaucrats. Finally, in the period from 1964, all senior ministers became equipped with their own aides, appointed on a basis of personal patronage, who owed their first loyalty to their employer. At times, the mutual dependence which emerged was a more important characteristic than any other.

From 1964 onwards, special advisers became an established constitutional fixture. For the foreseeable future, it is difficult to envisage their being abolished. As the case of Thatcher demonstrated, even those who regarded these temporary civil servants with scepticism could find them extremely useful once in office. The period 1964-70 was a formative one, in which the characteristics attributable to the special adviser were combined for the first time in a single post. All of the functions, from the supply of expert counsel to presentation, were there, as were
the human and propriety-related difficulties which have attained prominence recently. While the emphases may have changed in the subsequent decades, an unbroken tradition can be traced from Wilson’s first wave to the present batch. Special advisers must be understood in this context.
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