

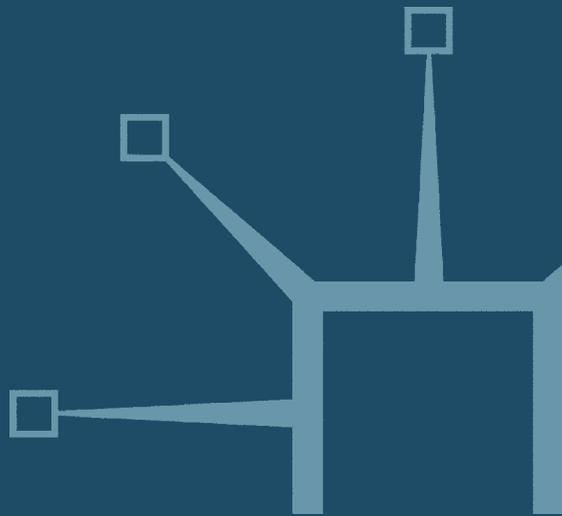
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# Governing Post-War Britain

The Paradoxes of Progress, 1951–1973

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Glen O'Hara



## Governing Post-War Britain

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# Governing Post-War Britain

## The Paradoxes of Progress, 1951–1973

Glen O'Hara

*Reader in the History of Public Policy, Oxford Brookes University, UK*

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*This book is dedicated to my PhD supervisor,  
Professor Kathleen Burk*

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All errors and inaccuracies remain, of course, entirely my own.

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# 1

## Introduction: Progress and its Paradoxes

Post-war Britain was a remarkable economic success story by historical standards.<sup>1</sup> Yet this tremendous material success did not translate into a boom in political popularity. Economic growth did bound ahead, far outstripping pre-war performance and reaching a climacteric of over 3 per cent a year in the late 1960s and early 1970s.<sup>2</sup> Total economic output rose by 83 per cent between 1951 and 1973, while real personal disposal incomes rose by 77 per cent and consumer expenditure by 79 per cent.<sup>3</sup> Consumer goods of all types filled British homes. The figure for households containing televisions leapt from 35 per cent to 96 per cent between 1955 and 1975, and the figure for telephones rose from 19 to 52 per cent.<sup>4</sup> Governments constantly entreated British workers to greater efforts, but as the economist Clare Griffin noted as early as 1950, 'the worker is told Britain is poor ... but the worker doesn't feel poor. He has more money than before and his job is more secure'.<sup>5</sup> This book intends to examine this central paradox in British economic, social and political life.

Most Parliaments saw the incumbent government falling further and further behind its principal rival as measured by the opinion polls. The Conservatives fell 20 percentage points behind Labour in June 1963; Labour 26 points behind the Conservatives in December 1968; and Edward Heath 24 points behind Harold Wilson during 1971. All of those governments went on to lose office at the next General Election. The evidence is, to be sure, scattered and difficult to interpret before the early 1970s.<sup>6</sup> The immediate post-war period had hardly been a time of all-round consensus and agreement, after which there was only precipitate decline.<sup>7</sup> There was enough apathy and alienation to go round even in 1944, as Mass Observation's qualitative surveys revealed. That year *Picture Post* thought soldiers' wariness of signing up to vote evidence of 'a distrust, wide and deep, of politics in general and politicians in particular'.<sup>8</sup>

Still, what statistics there are demonstrate that there may thereafter have been a marginal drift downwards in the public's regard for their governors.

In 1944, 36 per cent of the Gallup Poll's respondents thought that politicians were out to help 'the country', and a bare minority, at 35 per cent, 'themselves'. By 1972 some citizens took a more jaundiced view, for only 28 per cent of the public thought that politicians were patriotically motivated, while 38 per cent thought that they were primarily selfish.<sup>9</sup> By 1973 39 per cent of electors trusted governments 'just about always' or 'most of the time', but 57 per cent did not. Large majorities agreed that 'those we elect as MPs ... lose touch with the people pretty quickly' and that 'public officials' did not care much about 'what people like me think'.<sup>10</sup> Nor were the new welfare services immune from public doubts. The National Health Service remained broadly popular throughout our period, but some other sectors – for instance the welfare state's 'wobbly pillar' of housing policy – attracted increasing opprobrium and scepticism as the post-war era wore on.<sup>11</sup>

This volume intends to look at one specific element in the British state's travails: the unintended consequences of purposive government action itself. The American sociologist Robert Merton's classic 1936 essay on the theme is a necessary starting point, and he brought out three key reasons why the type of 'purposive social action' launched in 1944–48 might have different consequences to those intended. The existing state of knowledge can form an insuperable barrier, especially for the stochastic understandings so familiar in the social sciences, in which past associations have to stand in for the 'functional associations' of the physical sciences. There is also the problem of allocating enough time and energy to break through those limitations, especially when trying to make many complex decisions and judge many interrelations at once; and third and finally, the 'immediacy of interest', one's own investment in or commitment to a certain set of end points, may prevent policy actors from assessing all possible outcomes.<sup>12</sup>

Many other theories have been put forward to explain the contradiction of a successful material politics that still failed to evoke popular contentment. But most of these are highly instrumental and focus on what Colin Hay, writing about a later era, has termed 'demand-side' politics which blame the electorate for its own disenchantment. This book, like Hay's recent contributions, will focus on the supply-side of political and governmental performance itself.<sup>13</sup> The idea of class dealignment, detaching electorates from the rhetoric and social experiences of party leaders, has often and firstly been utilised to explain post-war political disengagement.<sup>14</sup> National politicians' declining ability to act on their own has been another important trope.<sup>15</sup> Those same politicians' lower apparent fidelity to their promises in an age of media intrusion and scrutiny, as well as 'focus group' politics, is a third subject of critical interest – for trust seems to have receded even as 'openness' and 'transparency' have increased. Politicians' declining trustworthiness became a powerful late-century discourse. In Pietre Sztompka's influential treatment, the 'normal' function of distrust that helps to keep democracy flourishing, including

the institutional checks and balances of the courts and the press, perhaps became hyperactive or overloaded.<sup>16</sup>

Competitive scrambles for social position have also been blamed for post-war 'affluenza' – though more so recently than they were at the time. As more and more consumer goods became available to an increasing number of citizens, a type of social crowding developed that caused individuals to compete more and more desperately for indicators of status and success.<sup>17</sup> Avner Offer's work on the challenges of affluence has brought this concept of 'myopic consumption' centre stage.<sup>18</sup> Finally, declining levels of 'social capital' and citizens' links with one another have been shown to have knock-on effects on trust and even competence in the political sphere.<sup>19</sup> Francis Fukuyama has posited that a 'balkanised' British social system always suffered from low levels of political trust between classes, while Richard Wilkinson and Kate Pickett's influential *The Spirit Level* controversially argues that levels of social trust have deteriorated as societies (particularly the USA and UK) have become less equal.<sup>20</sup>

These explanations do not, however, really pertain to the period stretching from the 1950s and 1970s. Class 'dealignment' occurred only slowly and sporadically.<sup>21</sup> By any objective measure, globalisation and the apparent feeble incapacity of national states' economic and social policies had reached only a nascent stage compared to its heights in the 1990s and early 2000s.<sup>22</sup> Political leaders were not as distrusted, nor as lacking in decisive power, as they were later to become. As the British economy recovered after the disastrous sterling crisis and IMF intervention of 1976, Prime Minister James Callaghan's standing slowly but surely rose until he could feel reasonably confident of winning a General Election held in the autumn of 1978. His mixture of social conservative and centrist Labourism seemed to chime well with voters' own views.<sup>23</sup>

The so-called 'Easterlin paradox', in which developed societies become richer but no happier due to raised expectations and competitiveness, has recently been assailed from many directions.<sup>24</sup> Reassessments of the international data, using new evidence from East Asia in particular, has tended to show that there *is* at least some relationship between Gross Domestic Product per capita and life satisfaction.<sup>25</sup> Once we control for unemployment and other life-cycle setbacks such as divorce, British people may have experienced a gradual increase in their life satisfaction since the 1960s.<sup>26</sup> Even aside from these concerns, the 'hedonic treadmill' of competitive consumption began to turn only slowly in the post-war era – one of the reasons why the 'embourgeoisement' or the increasingly middle-class outlook of working-class voters, and 'dealignment', proceeded so slowly.<sup>27</sup>

It does not seem as if 'social capital' and charitable association fell away either. Lawrence Black, for one, has recently pointed out just how prevalent broader political engagement really was in post-war Britain: whether in the Young Conservatives, the Consumers' Association, or in narrower groups

such as the Viewers' and Listeners' Association.<sup>28</sup> Britons' membership of and involvement in voluntary organisations may have reached its peak in the post-war era. Youth work, sporting community and community volunteering all rose between the 1950s and the 1970s.<sup>29</sup> The churches did well at recruitment throughout a brief golden age in the 1950s, though involvement with organised religion did fall away precipitously from about 1960 onwards. Trade union membership kept on growing until the end of the 1970s.<sup>30</sup> Lastly, inequality did not rise in the post-war 'golden age': the disparities of income across most geographical regions and social classes were greatly lessened by the post-war economic boom and the welfare state.<sup>31</sup>

On the other hand, ever more complex ambitions and trade-offs definitely *were* a characteristic of post-war governance. Governments of that era aspired generally to 'modernise' their own country's economy and society, most explicitly during the winter of 1962–63 when Harold Macmillan reacted to public and expert pressure by pursuing an agenda he himself specifically termed 'the modernisation of Britain' in a series of diatribes in full Cabinet. Central government itself, Macmillan urged, should at one and the same time relieve economically 'distressed' areas, re-equip British industry and raise productivity.<sup>32</sup> The very idea of 'modernisation' became an all-encompassing aim at the time.<sup>33</sup> Its theoretical implications have been incisively analysed by Helen Margetts: it focused, first, on economic efficiency and the application of high technology; second, on social integration and interconnectedness; and third, on the application of 'specialization, scientific advancement, expert knowledge and technology in economic, political and social life'.<sup>34</sup> This cluster of concepts was borrowed, however distantly, from American structural sociology and development theory – ideas that posited an irreversible and homogenising 'progress' towards both knowledge of, and the ability to change, 'man's environment'.<sup>35</sup>

Many wartime or post-war reforms buttressed post-war Britain's own 'modernisation'. Three of the most powerful and problematic will come to the fore in the present volume, for together they help to explain some of the most critical relations between state and citizen: an emphasis on international expertise and co-operation, dedicated to concert national efforts in the common good; the managed economy, so administered as to ameliorate the perceived evils of the inter-war Depression and to some extent to democratise decision-making; and national education, which would create a citizenry that was both democratically well informed and economically efficient. The first two ambitions were admirably expressed in the wartime coalition's White Paper on *Employment Policy*, published in May 1944. This promised not only 'the maintenance of a high and stable level of employment' after the war, but also 'to create, through collaboration between the nations, conditions ... which will make it possible for all countries to pursue policies of full employment to their mutual advantage'.<sup>36</sup> The concept therefore presaged a thoroughgoing regeneration of transnational economic

co-operation, and the creation of a General Agreement on Tariffs and Trade (GATT), an Economic and Social Council of the UN (ECOSOC), 'Marshall Aid' and the Organisation for European Economic Co-Operation (OEEC).<sup>37</sup>

The 1944 Education Act made similarly far-reaching claims: secondary education would be free at the point of use, and separated from primary or 'all-in' schools to provide a rigorous training for all children; every state school would be brought under the same code.<sup>38</sup> R.A. 'Rab' Butler, the Conservative Minister of Education, argued that this would promote a conjoined moral and economic revolution. As the 1943 Education White Paper had it, young people would be provided both with 'a fuller measure of opportunity' and a 'means ... of developing the various talents with which they are endowed and so enriching the inheritance of the country whose citizens they are'.<sup>39</sup> The radicalism of these new measures can be exaggerated. The Education Act, for instance, did little to wipe out geographical or class inequalities in access to secondary education truly separate from the old elementary schools.<sup>40</sup> But these were still key elements in post-war Britain's political settlement, which owed a great deal to the Labour Party's social democratic outlook but was also built on older Liberal and Conservative traditions.

The problem with such 'modernisations' was that, as its theorists increasingly understood, they were extremely homogenising and centralising.<sup>41</sup> And a world too complex fully to analyse and understand can defy and then undermine solutions. The public policy expert Christopher Hood has pinpointed just this phenomenon as the process by which 'policy' can become 'its own worst enemy': 'as it develops, a policy can come to weaken the social foundations on which it rests, like ivy killing the tree on which it grows'. Many of the concepts integral to modernising social democracy – internationalism, regulation, nationalisation, highly progressive taxation, public spending and management – came to seem outdated by the 1980s. To be sure, a new and extremely virulent set of alternative ideas emerged; and the populace's interest in co-operating with government deteriorated in the stagflationary 1970s. But 'institutional self-destruction' among social democratic organisations struggling with unintended consequences and complexity also played a critical role, as we shall see.<sup>42</sup>

One might end any such survey of faltering public confidence with an appeal to the acute economic crisis of the 1970s, an approach evident among political scientists such as Dennis Kavanagh who have stressed the 'specificity' of discontent at that time, as well as familiar from synoptic accounts of that decade.<sup>43</sup> The economic pain of those years was real enough. Inflation surged upwards due to the shock of oil-producing OPEC nations refusing supply in 1973, as well as the country's relatively poor productivity performance. Rising prices soon became the public's top priority, helping to set off a series of wage-related strikes across industry.<sup>44</sup> In November 1973, successive clashes with the miners left the Heath government no choice

but to announce the fifth state of emergency in three years, followed up the next month by restricting industry to a three-day week.<sup>45</sup> By 1975 a Labour Secretary of State for the Environment, Anthony Crosland, was telling local councils and trade unionists that, as far as public spending was concerned, 'the party's over'. Some of the deepest public expenditure cuts in post-war history followed.<sup>46</sup> The run of policy humiliations culminated in the emblematic September 1976 run on sterling, which forced Chancellor Denis Healey into his famous return from Heathrow Airport to try to stem the crisis and then convinced the Cabinet to apply for the IMF loan.<sup>47</sup>

Even so, the mood of self-flagellation, at popular and elite level, went too far back to be explained only by this immediate crisis. Public discontent was widespread by the mid- to late 1960s: in the aftermath of devaluation in 1967, only 24 per cent of the electorate expressed any confidence in the government's ability to handle the economy, a figure that fell further by the end of the year.<sup>48</sup> The state of the political book market, for instance the popularity of radical and critical Penguin Specials in the late 1950s and early 1960s, also illustrates this point. Michael Shanks' 1961 book *The Stagnant Society* – which sold 60,000 copies – is usually cited in this regard.<sup>49</sup> But many others chimed in with Shanks' view that Britain was becoming economically and socially outmoded. To be sure, as Matthew Grant has reminded us, these were the preserve of the 'commentariat'; they often focused on foreign affairs. And they were by no means straightforwardly gloomy.<sup>50</sup> But their overwhelming thrust, and their sales figures, are also indisputable.<sup>51</sup> Geoffrey Moorhouse's *The Other England*, which spread the poverty debate to deprived areas in the south and south-east of England and showed just how distant London's 'commuterlands' were from the rest of the country, started to sell out within hours of its publication.<sup>52</sup> Rex Malik's 1964 Penguin Special *What's Wrong with British Industry?* was only tepidly received on its publication.<sup>53</sup> But it still managed to reach the relatively impressive sales figure of 15,000 copies in a year.<sup>54</sup>

The conjoined ideas of complexity and its oft-attendant unintended consequences will allow us to witness the emergence of these problems, if in inchoate form at first. No attempt is made here to argue that these were in any sense confined to late twentieth-century Britain. To take just one other example: British liberalism, in general the governing credo of the country's nineteenth- and early twentieth-century elites, always contained its own store of paradoxes and unforeseen knock-on effects. An ideology that stressed the promotion of self-help and independence was enmeshed in a world in which state action might be required to underpin its achievement.<sup>55</sup> More narrowly, reform after reform often had more radical effects than were ever intended – for instance, entrenching national party politics via avowedly localist municipal government reconstructions during the 1830s.<sup>56</sup> Elsewhere, 'progressive' legislative action inevitably involved governments in apparently unrelated controversies that Whitehall and

Westminster had never foreseen. 'Democratic' reforms of the franchise, in particular rural electoral rolls in the counties during the 1880s, were intended to secure 'sensible' Liberal influence in country areas, but ended up speeding the progress of aristocratic conservatives out of the party.<sup>57</sup> Nor were the domestic or practical consequences of liberal 'progress' immune. The heat and light brought by local gas and electricity networks were often interrupted as increasingly sophisticated infrastructure broke down.<sup>58</sup>

However, what is most obvious with hindsight about the three policy areas under investigation in this volume during the 1950s and 1960s is that they above all invoked synoptic, linear solutions that operated to some extent in 'straight lines'.<sup>59</sup> These plans were furthermore dependent on a certain level of mid-century optimism that outputs would bear some, albeit imperfect, relationship to the inputs that drove them. The moral or even religious elements of liberal Victorian governance usually implied an ongoing series of *acts* that in themselves defied Adam Smith's 'invisible hand' if it implied only a collection of mere unintended but munificent consequences.<sup>60</sup> These had by our period been gradually replaced with an emphasis on final *outcomes*.<sup>61</sup> Victorian political parties were loose coalitions; local government was highly variegated; more humdrum gas, light and sewerage duties were local responsibilities, albeit under national guidance. But during the twentieth century governments were increasingly expected to provide universally, across the entire geographical space of the state – a much more difficult *political* proposition, and one more likely to reveal any caesura between state and people. James C. Scott has analysed just these problems in his classic *Seeing Like a State*, in which he emphasises how these problems were multiplied by the sheer magnitude of planners' large-scale development schemes during the twentieth century.<sup>62</sup>

The evident decrease in confidence came increasingly to the fore as layers of complexity – and therefore the extent of uncertainty – increased. Historians have hardly been unaware of them. Nirmalo Rao, for instance, has emphasised how the comprehensive revolution in England's secondary schools often achieved exactly the opposite – lower social mobility for working-class children – that Labour ministers at the time hoped.<sup>63</sup> Policy results were inevitably as varied as their convoluted birth. Labour and Conservative governments of the 1940s and 1950s wanted to plug the gaps caused by labour shortages, and to hold together a Commonwealth that was increasingly passing its own national citizenship laws. They ended up acquiescing in the large-scale arrival of African, Commonwealth and Asian immigrants that they certainly did not intend or welcome.<sup>64</sup> The spread of mass radio and television ownership and the provision of more and more programming was supposed to elevate the populace; many elite politicians, commentators and theorists alike eventually regretted the broadcast media's supposed powers to coarsen and to distract.<sup>65</sup>

Knock-on effects can then amplify the unintended outcomes. The impact of immigration policy was increasingly met with hostility on the part of

the 'host' population, to the shock of many political leaders; taste, refinement and the choice of entertainments became defining hallmarks of class and 'civility' in the age of the television.<sup>66</sup> These policy arenas also had implications just as far-reaching as transnational advice, economic management and education, interacting with understandings of nationality, class, employment, housing tenure and even the desirability of new foods.<sup>67</sup> That is, of course, one of the key reasons that unintended consequences were so ubiquitous in all of these areas – both those covered here, and those addressed by other authors. But there has been some reluctance to knit different instances of such unexpected effects together, and to see them mutually as one of the key reasons for Britons' political scepticism and the apparent infirmity of state action by the late 1970s.

What follows will redress this imbalance by mobilising cross-disciplinary theories of policy uncertainty and perverse effects, as well as new archival evidence, in some of the most intricate and multi-dimensional areas of public policy. This will provide us with a series of 'core samples', in-depth studies of 'the sites and hosts of bigger' debates on lines recently recommended by Black among others, and drawing up those samples in policy areas as general as global currency markets and as specific as specific schools in particular cities.<sup>68</sup> These will help reveal the acute complexities of 'progress' itself, as well as being subject to rich and detailed examination given the wealth of materials available.

Bringing Britain's future successfully into being depended on involving the country in a worldwide thrust for 'progress', on managing the economy, and on securing mutually dependent social well-being and productivity yoked to nationally determined 'goals'. All of these projects were to be managed by central government, in an attempt to meet and satisfy the demands for planned outcomes, universal benefits and geographical equality outlined here. It is this technocratic focus which means that most of the evidence is drawn from the archives of central government, politicians and national political parties, though given governments' aims and reach those files are often more revealing as to interactions with 'mid-level' advisers and voters than might be expected.<sup>69</sup> Chapters 6, 8, 9 and 10, on the Parliamentary 'Ombudsman', land reform, education policy and selective educational funding for 'priority' areas of social need, are necessarily the most revealing in the latter respect. However, we turn first to our opening topic, which set the tone for the entire intellectual debate and for different administrations' relationship with 'experts': the post-war world of transnational policy advice.

# **Part I**

## **Ideas from 'the Outside'**

# 2

## The Use and Abuse of Foreign Archetypes in British Economic Policy

### The 'imaginative geography' of post-war economic ideology

In February 1961, Thomas Balogh, the Oxford economist – and *eminence grise* of Labour Party economic thought – submitted a paper to that party's economic policy committee. In it he summed up many of the perceived dangers, and many of the anxieties, inherent in Britain's so-called 'golden age' of economic growth:

Unless we can increase our rate of growth ... we shall have to stifle something. The Commonwealth has not been conspicuous in granting us ... favourable markets ... How are we to compensate ourselves then, in order to promote growth, for the advantages enjoyed both by the United States and the Common Market industrialists in their own protected markets? The traditional 'free imports' argument ... doesn't answer that question. If we can't [compensate ourselves] then I suggest we shan't enjoy cheap food. We shall not be able to pay for it ... [because] the day is near, if it has not already been passed, when current output per head in Germany and France are higher than in England. This is what growth does.<sup>1</sup>

Balogh's fears illustrate many interwoven themes, but chief among them were the problems of a commodity-importing country in a world where the USA and European Economic Community (EEC) subsidised and protected their own farmers and producers, who then enjoyed huge markets in which to sell their goods. The overriding impression was of a loss of confidence in Britain's economic strength and future, summed up in the uncomfortable idea that 'current output per head in Germany and France' might be 'higher than in England [*sic*]'. For a man who was later to become Prime Minister Harold Wilson's special adviser on the economy, this is an extremely illuminating list of fears.<sup>2</sup> Balogh was hardly alone in this, for despite Britain's post-war economic advance the period was so marked by an overwhelming fear of national economic decline that historians have given the complex

a name: 'declinism'.<sup>3</sup> Encouraged by international league tables that showed Britain's economic growth rate lagging behind those of other developed nations, these indicators now became a popular and indeed pervasive part of national discourse.<sup>4</sup> Foreigners, *The Economist* noted in 1963, 'say that Britain is badly governed, badly managed, badly educated and badly behaved – and the striking thing is that more Britons are saying the same, more stridently still'.<sup>5</sup> And if Britain was 'failing', it was all the more natural to look elsewhere for salvation.

This chapter will attempt to deconstruct and analyse some of these British views of the European economies so vividly brought to life by Balogh's memorandum – but which often turned out to be entirely inaccurate. Many theorists have covered the way in which citizens' *own* nations are perceived, and numerous examples could be given in the context of modern British history. Tony Kushner, Sonya Rose, Paul Ward and Richard Weight have in their different ways considered the colliding and complementary roles of class, gender, region, nation and ethnicity in forming the amalgam of twentieth-century 'Britishness'.<sup>6</sup> To take just three narrower but varied examples of more specialist work in an extremely crowded field, Martin Francis has analysed the emotional pressures that Conservative Prime Ministers were under in the 1950s, a period in which 'being British' apparently meant deploying self-restraint, reticence and cool detachment. Max Jones has analysed the role of the British 'hero' in shaping modern Britons' self-image, while Ina Zweiniger-Bargielowska has shown how the shock of apparent 'physical deterioration' helped to privilege and reinforce the 'perfect' British male body.<sup>7</sup> These histories owe a great deal, at least implicitly, to the Marxist thinker Benedict Anderson. '[The nation] is an imagined political community', he has argued, 'because the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communities'.<sup>8</sup> But if that is true of the way Britain was constructed by its inhabitants, it should be even more pronounced in the way Britons 'imagined' other nations.

'Imagining', rather than truly understanding, is probably the appropriate term. Looking back on the period, other countries' faster growth can often be explained within a 'catch-up and convergence' framework. Since France, for instance, started off so far behind Britain, it was far easier for her to 'catch up' through employing cheap labour, importing other countries' technology and applying it in industries where vested interests were not yet strong enough to complain.<sup>9</sup> Sure enough, Britons were nearly a third richer than the French in 1950, but about 8 per cent poorer in the mid-1970s, a gap that then began to close again.<sup>10</sup> Though this is not to pretend that everything about the British economy was perfect, it does at least set the constant emphasis on *rates* of economic growth, rather than actual per capita income, in context. So perverse does the national soul-bearing now appear that some authors have now condemned Britons' tendency to see 'what was wrong

rather than what was right ... failures relative to other nations rather than successes'.<sup>11</sup> Given the questionable evidential basis upon which 'declinism' rested, economic *ideas* and *opinions* become an even more important part of British history.

Transnational policy constructs and influences were not an entirely novel twentieth-century phenomenon. Malcolm and Tom Crook have recently shown how French experts such as Tocqueville were called in to give evidence to the House of Commons on franchise reform in the nineteenth century.<sup>12</sup> Such 'French' precedents were often denigrated in a political culture that saw Britain as an exemplar of ordered progress as compared to continentals. 'Europeans', indeed, were sometimes portrayed in the early Victorian period at least as if they laboured under a chaotic political culture that was impractical and 'too clever by half'. Bernard Porter's work on those ideas has been available for many years, though, as he himself pointed out, the condescension did not last unchallenged, as Britain's relative economic position at least appeared to come under strain in the late nineteenth century.<sup>13</sup> As early as 1886 the Royal Commission on the Depression of Trade and Industry concluded that 'our position as the chief manufacturing nation of the world is not so undisputed as formerly'.<sup>14</sup> In domestic politics, E.P. Hennock's 1987 book on New Liberalism's debts to Germany was and is a fascinating study of Edwardian reformers' later and generally positive views of that country.<sup>15</sup>

The late twentieth century remains, even so, highly underexplored as to the influence of foreign models – especially in light of the fact that they became more pervasive, increasingly influential and apparently applicable in just those years. The creation of transnational bodies such as the OEEC and ECOSOC only transmitted these concepts ever more quickly.<sup>16</sup> In the place of a really rigorous transnational study there is only a series of individual and episodic analyses, pieces of a mosaic perhaps, but parts of a wider whole that provide only clues to the whole picture.<sup>17</sup> Views of the USA have been more thoroughly treated, although even a more general and thematic treatment is required. Lawrence Black has covered fears of 'Americanization' in post-war British society, though his central concerns have been cultural, rather than economic and social: similar themes are exhaustively covered, though for the inter-war period, by Chris Waters and his contributors in a 2007 special issue of *Cultural and Social History*.<sup>18</sup>

There has been no consistent or comprehensive treatment of Britons' views of Europe in the second half of the twentieth century: the traces are everywhere, and therefore nowhere in particular. Though such a task necessarily lies outside the remit of any one academic work, however long, this chapter will draw on two case-studies, of France and the Soviet Union, to begin to open up a relatively underexplored area of Britain's relations with the continent: a set of concerns that are not only underwritten, but are also vital if we are to understand British *self*-perceptions. Such an examination might help historians unpick the ways in which the transmission of ideas

after 1945 was *different* to that of the former periods explored by the new historians of 'networks', as well as more traditional analyses such as those of Porter and Hennock. The theme might also illustrate how policy research can be self-defeating, for the 'lessons' drawn often appeared to collide with reality inside the British public sphere. For all these reasons, Anderson's framework is adopted here to ask the question: how exactly were other nations' economies 'imagined' between the early 1950s and the early 1970s?

### **The pull of Europe and the relative silence of the West German example**

The first context for these concepts must be Britons' increasing anxiety over the EEC's economic experiment with methods that were at once both neo-liberal and *dirigiste*. The creation of this huge market indeed stood behind Balogh's portrait of a small, cramped and inefficient economy. These fears, and the consequent reflections of Britons' self-image in the framework of others' successes, were widely shared in Whitehall. A mixed group of both permanent civil servants and temporary advisers told the Cabinet in 1965:

The size of the population and economy of the United Kingdom is already proving and will increasingly prove to be an insufficient base either for the maintenance of an expanding economy and standard of life at home or for the discharge of our commitments and responsibilities overseas.<sup>19</sup>

The contemporary emphasis on the large corporation as the engine of economic growth, and more generally on gigantism in economic and social life as a whole, also explains the views of the more explicitly pro-European officials such as Sir Con O'Neill, head of the UK delegation in Brussels between 1963 and 1965.<sup>20</sup> As he wrote privately in 1964: 'there will for the rest of the century be three main centres of effective power: the Soviet Union, the United States and Western Europe'.<sup>21</sup>

The Federal Republic of Germany was eventually to become the new Europe's economic powerhouse. But this was not the model to which Britons turned, a counterintuitive development that requires a great deal of explanation, especially in the light of quick German growth. Until the currency revaluation of June 1948, and especially in the winter of 1946–47, Germany's fate appeared to amount to near-starvation and hyperinflation in those black markets that still operated. But thereafter, German reconversion and progress were rapid.<sup>22</sup> Moreover, they were mounted in a much more libertarian manner than in France, guided by two of the most apparently successful Finance ministers of their era: Ludwig Erhard, between 1949 and 1963, and Karl Schiller, between 1965 and 1972. The former, in particular, was determined to decentralise, decartelise and to some extent Americanise the West German economy.<sup>23</sup>

Erhard's views were summarised in an English edition of his *Prosperity through Competition* in 1958. 'Success has proved me right', he argued: 'German economic policy has produced a steadily increasing output from which everyone has benefited uninterruptedly.' He proceeded to outline the reasons for 'success': lower taxes; political commitment to following economic rules, rather than *dirigisme*; low inflation.<sup>24</sup> Some Conservatives, especially relatively free-market thinkers, were immensely attracted to 'German' ideas. Social insurance payments (rather than incentive-destroying income taxes), for instance, might force employers to economise on their use of 'surplus' labour.<sup>25</sup> Lower taxes on profits, and more rewards for managers, were thought in these quarters to explain German growth.<sup>26</sup>

Deep-seated fears and prejudices about German society prevented some decision-makers from imagining that Britain might have anything to learn from the Federal Republic. Macmillan himself, on a visit to the country as Minister of Housing in the early 1950s, commented that 'we could not have been received with greater courtesy': but also that 'they [the Germans] like being "told". They like a leader ... It is our job to see that Dr Jekyll remains in possession.'<sup>27</sup> Left-wing opposition to German rearmament can partly be seen in this light.<sup>28</sup> Still, popular or mass animus towards 'warlike' Germans, and still less elite dislike, was *not* the main reason for Britons' greater attentiveness to their French neighbours: anti-German feelings seemed stronger, if anything, in the 1970s than they did in the 1950s and 1960s.<sup>29</sup> The *Daily Mirror* ran a highly flattering piece on Germany in 1962 which argued that the citizens of the Federal Republic worked hard, did not strike, had 'spotless' homes and good schools. 'Everywhere I go I can see what they can tell US', wrote the *Mirror's* correspondent: 'but I keep wondering what we can tell THEM.'<sup>30</sup>

The relative silence of the German example in Britain can be explained more acutely by reference to three specific elements, rather than to general views of Germany. The first concerns timing, for it took many years for the British authorities to believe that West Germany would emerge quickly from the ruins of war to outstrip her economy. For many years before full convertibility in 1958, and even though the German currency had been on a sound footing, Erhard and his colleagues continued to fear that 'they would find themselves ... having access to dollars only through sterling'.<sup>31</sup> German attempts to announce unilateral convertibility for the Deutschmark, transforming it from a 'soft' to a 'hard' currency, were rebuffed even when they envisaged convertibility at the same time as sterling. Long-running efforts to reform the European Payments Union in a manner that would make the Deutschmark more important were also resisted.<sup>32</sup> The Germans appeared at international meetings to be supplicants, rather than confident negotiators in their own right, even after their country's basic industries were acknowledged to be some of the most efficient in the world.<sup>33</sup>

This helped, for a long while, to disguise the changes taking place at industrial level. The head of Britain's civil service, Sir Edward Bridges, visited

Germany to advise on security and intelligence in 1956. While there, he promoted the British system of investment allowances for industry, and advised that Britain's recent part-privatisation of steel might provide a model for the German state to further divest itself of controls in industry.<sup>34</sup> It took two large upward revaluations of the Deutschmark, while the system of fixed exchange rates lasted, to make that currency obviously the most powerful in Europe.<sup>35</sup> By that time, it was the British who were negotiating for help and advice in Bonn.<sup>36</sup>

There were, second, diplomatic factors: the basic community of interest that connected Britain with the Federal Republic, especially during the years in which de Gaulle ruled France. West Germany was keen to see the UK enter the EEC, partly because they perceived this as a way of protecting Europe from French isolationism and American withdrawal. Bonn's views, and appeal, might to some extent be taken for granted.<sup>37</sup> French dominance of the Community's decision-making fascinated and appalled many in London, though it was undoubtedly impressive. To this extent interest in France can in fact be seen as part of a struggle with de Gaulle, whose 'certain *idée de la France*' was asserting that country's leadership of the continent just as British Prime Ministers were finding it impossible to influence the Superpowers.<sup>38</sup>

Macmillan may well have worried in private, as John Ramsden has shown, about 'a boastful, powerful "Empire of Charlemagne" – now under French but later bound to come under German control'.<sup>39</sup> But, for many years to come, the 'Western Europe[an]' bloc that O'Neill foresaw was firmly under French control. An allied reason for downgrading German success concerned the cost Britain and the USA therefore bore for keeping their armed forces in West Germany. The latter was perceived in London and Washington as an increasingly rich country that could look after its own defence, and was living off others' largesse. An ever more rancorous diplomatic wrangle took place over so-called West German 'offsets' that would assist the UK and USA with these costs.<sup>40</sup>

Third, and most fundamentally, it was in fact Erhard's methods themselves that posed the most deep-seated problems for British policy-makers. They perceived themselves, for one thing, to be more 'advanced' and more 'Keynesian' than the Germans. In a political environment increasingly obsessed with economic growth, his emphasis on stability – and his fear of inflation – seemed less relevant. The German argument that they had succeeded in building huge budget surpluses, wrote the economist Graham Hallett in 1973, were 'meaningless' in the context of macroeconomic management. In fact, totalitarianism and inter-war hyperinflation had helped to create a German economic elite who 'were distinctly pre-Keynesian', and who had been refusing to use budgetary policy to manage the economy as a whole.<sup>41</sup> This helped to make the German policy experiment seem less relevant across the political spectrum, even in relatively conservative circles. When Bridges brought back

a series of papers on budgeting from his visit to the German Finance Ministry, the official to whom they were given deprecated the example. 'I hardly think that wholesale translation is justified,' he wrote.<sup>42</sup>

Hallett and most other British economists perceived German success to lie on the supply-side, in 'almost idyllic' industrial relations secured by local consultation and participation, and in infrastructure improvements.<sup>43</sup> Even as German and British economic experience began to move closer together in the 1960s, and both societies experienced inflation and labour shortages, recurrent contacts in 1965 and 1966 between the Labour government's Department of Economic Affairs and the West German Ministry of Economics focused on just these questions. But these cultural, legal and physical reforms were not instantly replicable at the national level. Despite continuous talk of setting up a standing body of Anglo-German officials to work on these questions, little appears to have been done.<sup>44</sup>

The federal West German system was even thought in Whitehall to be holding back Bonn's efforts at reorganisation and technical re-equipment, especially on the scientific front. The appointment of a new Minister for Scientific Research in September 1965 was the occasion for a highly critical Treasury and Ministry of Technology memorandum criticising German science for 'traditionalism', 'structural rigidity', 'decentralization and excessive academic freedom' and 'unwieldy complexity'.<sup>45</sup> French macroeconomic experiments, on the other hand, of an 'advanced' Keynesian type and mounted by a centralised and dynamic state, certainly might be applicable in the medium term. Peculiarly German and French experiences, as well as the 'European' context, explain the difference in London's attention and receptiveness.

### **The French exemplar in British economic policy**

It was therefore France, and not West Germany, that quickly became a model of a 'semi-planned' or 'middle way' economy, in which central government exercised many more controls than the German state, but withdrew from the arena after setting agreed rules and targets. In 1964 Robert Hall, until recently Chief Economic Adviser in London, even wrote a foreword to a book on French economic methods written by Pierre Bauchet, Director of Studies at the *Ecole Nationale*. Hall enthused that:

[The French] have tackled the problem of how to reconcile freedom of choice for the consumer and the business man with centralised direction, and the no less difficult problem of how to reconcile consultation with capital and labour with Parliamentary democracy.<sup>46</sup>

This was a wider issue than just the renewal of enthusiasm for 'planning' which marked British politics in the early 1960s, and which is well known to

historians.<sup>47</sup> There was in fact admiration for France across what the mathematician and Labour MP Jeremy Bray, while critiquing free-market thought in his 1970 book *Decision in Government*, termed 'the role of government in the whole range of economic decision making ... and not just medium term planning'.<sup>48</sup> This attitude can be found explicitly in the 1963 Fabian Society report *The Administrators*, which helped to frame Labour's reforming civil service agenda after 1964; and also in the Fulton Report on the Civil Service which eventually emerged under Wilson.<sup>49</sup> Such was the bureaucracy's power to embody 'Frenchness' in economic and social policy that the model's critics, as well as its friends, focused on the elite's discreet powers as its main peculiar element.<sup>50</sup>

France's extraordinary growth rate during the 1950s and 1960s, so different from the country's experience of the 1920s and 1930s, was the main reason for the contemporary enthusiasm.<sup>51</sup> Here again there is an interesting comparison to be made with the West German experience – and another reason the French experience remained more influential. Although the Federal Republic's 'social market' miracle of the 1950s had indeed delivered the most rapid growth in the OECD, French growth speeded up in a comparable manner during the late 1950s and early 1960s, and indeed became faster than Germany's for the 1960s as a whole.<sup>52</sup> The Glasgow University economist Thomas Wilson noted with amusement in 1964 how 'not so long ago France was regarded as the sick country of Western Europe, staggering from one inflation and currency crisis to another'. Given the surprise of France's resurgence, he thought this 'one-sided' view had now gone to the other extreme.<sup>53</sup>

French economic policies looked at the time like an attractive mirror image of Britain's 'stop-go' crises, during which Britain's economy moved forwards only to be checked by a balance of payments deficit and a crisis deflation.<sup>54</sup> To aid France's recovery from occupation, and speed up her economic modernisation, a planning commissariat had been set up in 1946 under Jean Monnet. This supervised the work of so-called 'vertical modernisation commissions', which brought government officials, trade unionists and employers together to negotiate the medium-term balance of each sector of the economy.<sup>55</sup>

Pierre Massé, at this point the commissariat's head, proselytised for this model on a visit to Britain during the spring of 1962. It was not the first time he had offered policy advice in London. As Assistant Director of the nationalised French electricity company EDF he had advised the British Treasury on the rate of return that governments should expect in that industry.<sup>56</sup> The experience helped Massé establish his credentials within Whitehall, and that of the French exemplar more generally. As Bray was later to argue, it was not only the agreement of targets, but wider methods of accounting, management and scientific advice, that were objectively more successful in France than Britain.

In late April 1962 Massé furthermore contributed to a joint National Institute and Political and Economic Planning (PEP) conference on 'economic planning in France'. This conference was attended by key figures from industry including Sir Robert Shone from the Iron and Steel Board, Wilfred Beckerman, at this point at the Organisation for European Economic Co-Operation (OEEC) in Paris, and Sir Hugh Beaver from the FBI.<sup>57</sup> Beaver was at this stage chairing an employers' inquiry into 'planning', and was part of a powerful group of 'revisionist' businessmen who were willing to contemplate *détente* with the unions and government in return for an end to stop-go.<sup>58</sup> Massé thus had a receptive audience. In his speech to this conference, he emphasised how small his commissariat was, its non-departmental nature, its advisory role and its partnership, or 'association', with the Ministry of Finance. Even right-wing newspapers praised his achievements as 'sensible and empirical'.<sup>59</sup>

One of the attractions of French success was that, for an admired 'planning' system, it in fact seemed so unplanned. As one RAND corporation analyst argued: 'there has been a great deal of *dirigisme*, but not much *planisme*'.<sup>60</sup> Increasing the amount of shared information in the system was supposed to get over the co-ordination problems that blighted unorganised free-market variants of capitalism. The French economist François Perroux put it thus in his guide to the Fourth Plan: 'such an economy is essentially *informed* ... firms and individuals are not simply acting in juxtaposition, each without any knowledge of the rest apart from what can be learnt from price changes'.<sup>61</sup> Another influential book was John and Anne-Marie Hackett's *Economic Planning in France*, published in 1963. There they reflected on the 'small role played by coercion', and promoted government plans as an 'optimistic' guide to action.<sup>62</sup> When Prime Minister Harold Macmillan read the PEP pamphlet based on the conference, he forwarded it to Selwyn Lloyd, his Chancellor, with a covering note that read 'there is no doubt in my mind that something of this kind might meet the case ... I think we could devise something on the French basis which could be Conservative or "Middle Way" planning'.<sup>63</sup> Macmillan had since the 1930s tried to identify himself with 'capitalist planning' and 'middle way' solutions that combined the market with state *dirigisme*.<sup>64</sup>

The French influence can be seen quite explicitly across a wide spectrum of government policies and ideas in the early 1960s. The Treasury's preparatory paper for the expansionist 'new direction' of economic policy implemented in 1961–62 was entirely open as to the influence of Massé's visit and the PEP–National Institute conference.<sup>65</sup> The creation of a more powerful Ministry of Science under Douglas Hogg (who had renounced his title as Viscount Hailsham to sit in the House of Commons) was also explicitly modelled on the French example.<sup>66</sup> The Labour Party's economic advisers, for instance the Cambridge economist Robert Neild, praised the example as the party prepared to take power in the run-up to the 1964 election.<sup>67</sup>