

ROUTLEDGE REVIVALS

**The Robert Hall  
Diaries  
1947-1953**

*Edited by*  
**Alec Cairncross**



## The Robert Hall Diaries

Lord Roberthall was economic adviser to a succession of Labour and Conservative governments from 1947 to 1961. During that time, he served under eight Chancellors and exercised more influence on economic policy than perhaps any other official. Fortunately – though it was contrary to Civil Service rules – he kept a diary in which he documented and reflected on day-to-day events. This first volume, published in 1989, deals with the years between 1947 and 1953, in which Robert Hall acted as Director of the Economic Section and was faced with a variety of lingering uncertainties. This is a highly readable and fascinating account of what went on inside government in the post-war years. The book provides a unique picture of the relationship between Whitehall and Downing Street, and those people who shaped this challenging period in British economic history. Edited by Sir Alec Cairncross, who succeeded Lord Roberthall as Economic Adviser to HM Government in 1961, this reissue will interest any student researching policy and decision-making in the post-war period.

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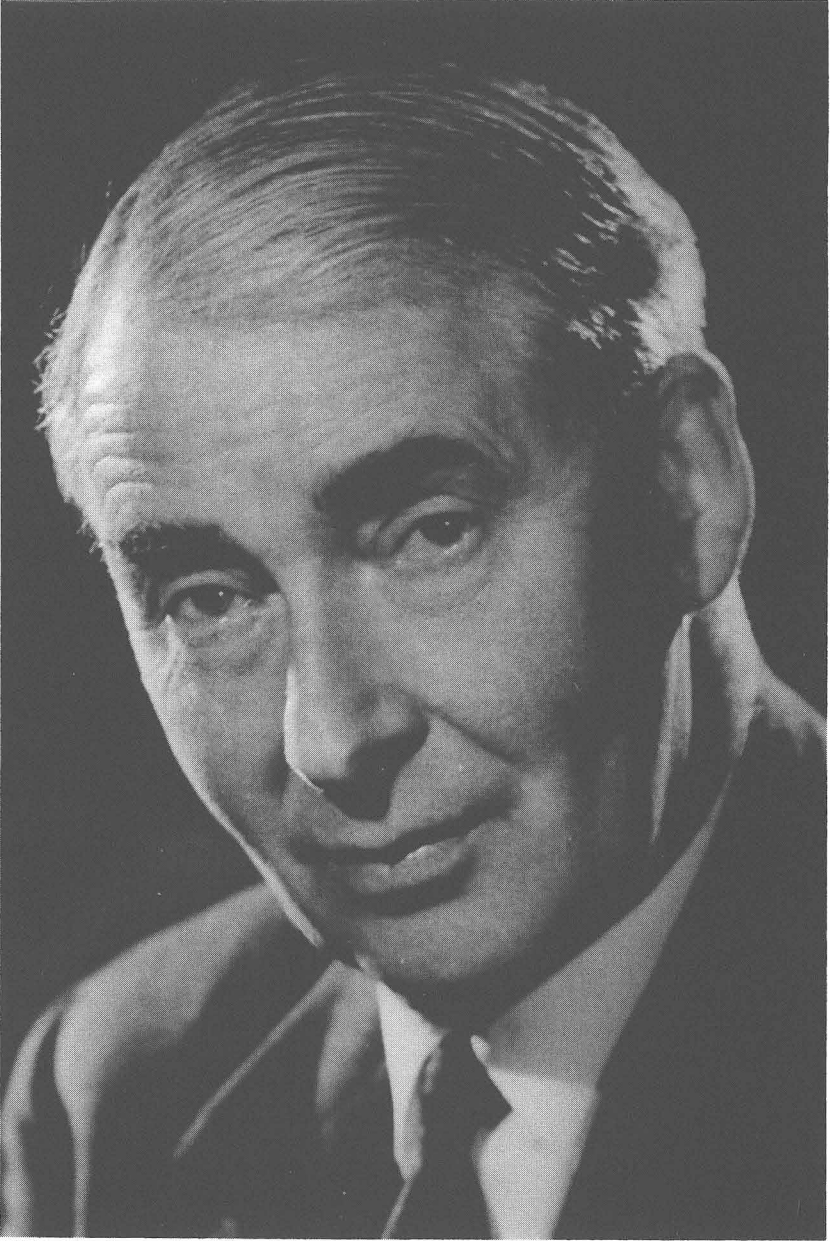
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**Lord Roberthall**

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*Edited by*

ALEC CAIRNCROSS

London

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## Preface

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Robert Hall (as he then was) came to Oxford as a Rhodes Scholar in 1923 after taking a degree in civil engineering at the University of Queensland (his father was a mining engineer). He read for the newly established PPE degree, specializing in philosophy but taking three optional papers in economics, and was awarded first class honours. This led to his appointment in 1927 to a Fellowship in economics at Trinity College where he continued to teach until the outbreak of war in 1939. There were at that time many young economics dons in the new PPE school at Oxford and they were encouraged by their seniors to join in an 'Economists' Research Group' of which Hall became a prominent member. The Group undertook empirical research on business behaviour in order to test how far it conformed to what was assumed in economic theory and reached rather negative conclusions that attracted much attention. Particular interest attached to pricing behaviour, which was the subject of an important article in 1939 by Hall in collaboration with the American economist C. J. Hitch.<sup>1</sup> Hall also published before the war a book on *The Economics of a Socialist State*.

During the Second World War he was recruited to the Raw Materials Department of the Ministry of Supply and was assigned shortly after America's entry into the war to service in Washington, where he spent two years in the Combined Raw Materials Board. There was in fact very little combined planning as distinct from exchange of information; but the experience allowed Hall to familiarize himself with the ways of a large government machine, get to know America and American institutions and make many American friends.

At the end of the war the Raw Materials Division of the Ministry of Supply was absorbed by the Board of Trade. Hall returned to Oxford but continued to engage in work for his old department on a part-time basis, helping in the preparation of a buffer stocks scheme for staple commodities. In April 1945 James Meade had tried to induce him to join the Economic Section, in effect as his Deputy, but Hall declined. When approached two years later to take over the direction of the Economic Section, he agreed. He was released to join the Section on a part-time basis in June 1947 before taking up his duties full-time from 1 September.

From 1947 to 1961 Hall was adviser to a succession of governments.

<sup>1</sup> R. L. Hall and C. J. Hitch, 'Price Theory and Business Behaviour', reprinted in *Oxford Studies in the Price Mechanism* (ed. Wilson and Andrews), Oxford, 1951.

He served under eight Chancellors and exercised more influence on economic policy than perhaps any other official. Fortunately – although it was contrary to Civil Service rules – he kept a diary and in it he recorded events as they occurred from day to day and his reflections on them. The diary is an absorbing account of what went on inside government in the postwar years and provides a valuable insight into the shaping of high policy in those years.

More than any other source it reveals the thinking and argument that lay behind the advice on economic policy offered to ministers. It does so in a lively and readable way and allows us to trace, week by week, the current preoccupations of the Chancellor's advisers – something very difficult to do from the vast mass of official papers in the Public Record Office. It also contributes to a judgement of the grounds on which policy was based and the capabilities of those who shaped it, whether as ministers or officials.

The post which Hall held throughout was that of Director of the Economic Section, a body which originated in the Cabinet Office in 1939–40 and moved to the Treasury in 1953 when Hall was given the title of Economic Adviser to HMG and knighted. The Economic Section was the first group of professional economists to serve as economic advisers at the centre of government in Britain (or perhaps in any country). A history of the Section from 1939 to 1961, which has just appeared, provides a useful amplification of some of the material in the diary. Other recent or forthcoming accounts of the period covered by the diary are listed in the Bibliography.

This diary is not the first to appear by a former Director of the Economic Section. Robert Hall's immediate predecessor, James Meade, has recently published his diary for the period between November 1944 and September 1946. For about half of that period, however, Meade's diary is almost entirely blank and the entries are limited to three short periods at the end of 1944, the end of 1945 and the middle of 1946. Hall's diary, on the other hand, extends over the whole of his fourteen years in the Economic Section with only minor breaks in 1948 and 1953.

There is another difference between the two. Meade made long entries at weekends, giving a systematic account of the work in hand. His diary dwells more on what was going on within the Section, and deals with it in a more considered way, than Hall's diary which looks outward from the Section and usually records his immediate reactions, although there are lengthier entries when he is abroad or on board an aeroplane and free from office duties.

It was not originally Lord Roberthall's intention that his diary should be published during his lifetime. Its very existence remained a secret (except from Lord Trend, Cabinet Secretary in the 1960s). Under the thirty year rule none of it could have been released for publication before 1977 and what appears in this volume would have had to wait until 1984 at the earliest. Soon after he had begun to consider publication, Lord Roberthall had a stroke that ruled out any prospect of his editing the manuscript himself. With his agreement I undertook the

task but he died on 17 September 1988 just as the editing was completed.

I have been anxious to let the diary speak for itself wherever possible and have therefore confined my intrusions to a few passages intended to provide a background for readers unfamiliar with the period. Once the narrative gathers pace and the same names recur, any initial difficulties in following the course of events soon disappear. Where someone is first referred to I have inserted in square brackets (provided I thought it necessary) some indication of the post they held or the department to which they were attached. I have also inserted in square brackets, for the convenience of the specialist reader, the reference number (and sometimes the PRO call number) of documents mentioned in the text where I have been able to trace them. All other explanatory Notes are put at the end of the text (pages 283 ff.) and so also are four Appendices describing the main committees mentioned, with their functions and PRO call numbers, providing fuller details of the main official characters in the story, listing the members of the Economic Section in the years covered by this volume and spelling out the various abbreviations scattered through the diary.

The present volume covers only the years 1947–53 but it is the intention to issue a second volume covering the years 1954–61 as soon as authority to publish can be obtained.

My task as editor has been made materially easier through the assistance I have had from Neil Rollings, especially in tracking down papers in the Public Record Office and in preparing the note on committees in Appendix I, and from Mrs Anne Robinson who typed the not always very legible diaries with unfailing accuracy. This assistance was possible thanks to grants from the Nuffield Foundation and the Leverhulme Trust to both of which I gladly acknowledge my indebtedness. Others to whom I am indebted are Mrs K. Jones of the National Institute of Economic and Social Research, J. D. Bailey of St Antony's College Oxford, Rodney Lowe of Bristol University and Charles Slansky of *The Economist*.

A.K.C.

*To my wife  
Perilla  
without whose love and support  
my life would be the poorer,  
and these diaries could not  
have reached publication.*

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## Introduction

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When Robert Hall took over the direction of the Economic Section they were a small group in the Cabinet Office numbering about a dozen. Most of the older and more experienced members had left or were on the point of leaving; by the end of the year nearly half the staff he inherited from Meade had gone. There was no full-time Director between April and September and the staff were also without ministerial direction since Morrison, the Lord President, to whom they reported, had also fallen ill early in the year and was now fully occupied in other directions. In contrast to the apparent decline of the Economic Section, a new Central Economic Planning Staff, announced in March 1947, was being manned up over the summer months. This staff, under Sir Edwin Plowden, the government's Chief Planning Officer, was at first located in the Cabinet Office and attached, like the Economic Section, to the Lord President, Herbert Morrison. By the end of September, however, Morrison had given up his duties as co-ordinator of economic policy, and from then on, both the Economic Section and the Planning Staff served under Stafford Cripps in one capacity or another.

Nineteen forty-seven was a year of crisis. First there had been a fuel crisis in February when a large part of British industry had been forced either to close down for lack of electricity or to curtail output for lack of coal. This had meant a serious loss of production and exports and set back the process of conversion from war to peace. A foreign exchange crisis followed. There was throughout the year a dangerous imbalance between exports and imports and an even larger one between exports and imports paid for in dollars. This produced a drain of gold and dollars from the reserves which gathered force with the introduction of convertibility of the pound in July 1947 in fulfilment of an obligation under the Loan Agreement with the United States. Within six weeks, on 20 August, convertibility had to be suspended and what was left of the US dollar loan was frozen. It was still uncertain whether the Marshall Plan for European recovery would win the approval of Congress. It was necessary, therefore, to review urgently how much could be imported in 1948 without trenching too deeply on the limited reserves still available.

It was with these problems that Robert Hall had to grapple as he took up his duties. Not only was the import programme under revision but it had been decided to introduce an autumn budget in order to reduce the inflationary pressure that had become increasingly obvious. On his very first day as Director he circulated to the Budget Committee an

assessment of the economic situation with proposals for higher taxes and lower food subsidies.\* Dalton was still Chancellor until November, but at the end of September a new ministry was created under Sir Stafford Cripps to manage economic policy, Harold Wilson taking over from Cripps at the Board of Trade. Six weeks later Dalton resigned and Cripps was appointed Chancellor, merging his new Ministry of Economic Affairs and its staff with the Treasury. Within three months from the commencement of the diary there had been two major political upheavals. First Morrison and then Dalton had gone and Cripps was left the undisputed overlord of both economic and financial policy.

Three separate staffs were now advising Cripps: the official Treasury under its Permanent Secretary, Sir Edward Bridges; the Central Economic Planning Staff (CEPS) under Plowden, now part of the Treasury; and the Economic Section, still in the Cabinet Office, but virtually an independent part of Cripps's staff. It had been agreed earlier that Plowden would rely for technical economic advice on the Economic Section and he and Hall soon entered into a powerful partnership which continued throughout the period covered by this volume. For his first year, 1947-8, Plowden also had the benefit of advice from Austin Robinson, who brought with him from Cambridge three young economists, Kenneth Berrill, Robin Marris and Patricia Brown. This did not make for an altogether happy relationship with the staff of the Economic Section, but as time went on, the two staffs worked increasingly closely together.

One of the principal activities of the Economic Section from 1945 to 1947 had been the preparation of an *Economic Survey* which was the nearest thing the government had to a plan and which dealt with the prospects and problems of the coming year. The early Surveys were intended only for ministerial consideration but in February 1947, for the first time, an *Economic Survey for 1947* had been published after being completely rewritten by Stafford Cripps and R. W. B. Clarke, a Treasury official. The Economic Section had also been engaged in 1945-7 in preparing, in collaboration with the CSO, a *Long-Term Economic Survey* looking five years ahead. Work had proceeded in a rather desultory way in consultation with the government departments concerned but had never been completed. Much of Hall's time in the summer months was taken up with this task. On his return from America early in June 1947 one of his first duties had been to take the chair at a meeting to consider a draft *Economic Survey for 1948-51*. The draft was subsequently revised and a new text was circulated in mid-October.

Cripps had asked for the completion of the *Survey* by mid-November with a view to publication in December. As was pointed out by the Treasury, however, this was out of the question. How could any published document base itself firmly on the assumption that there would be no Marshall Aid (as in the draft) or alternatively that there was some specified amount of Marshall Aid (when Congress had still to

\* 'The inflationary pressure', note by the Head of the Economic Section, 1 September 1947, in PRO T 171/392, '1947 Supplementary budget'.

vote on the subject)? The Planning Staff were also laying claim to responsibility for the *Long-Term Survey* and arguing that the Economic Section should confine itself to an annual *Survey* of the usual kind for 1948. What was finally agreed in October was that effort should be concentrated on an annual *Survey*, looking ahead where necessary and indicating perhaps that a long-term plan would appear at an early date. A draft for ministers was circulated in January 1948 and the published version appeared in March.

The *Economic Survey for 1948-51* was never submitted to ministers. Instead, Austin Robinson embarked in 1948 on an *Economic Survey for 1948-52* which was completed in July (EPB(48)25) and formed the basis for a *Long-Term Programme* submitted to the OEEC in Paris on 1 October and published in December (Cmd 7572) after a leak in New York (see the diary entry for November 23rd).

The really pressing problem was that of the balance of payments in the wake of the suspension of convertibility. Advice on this was mainly the responsibility of OF (the Overseas Finance Division of the Treasury), which came under Sir Wilfrid Eady, a second secretary, but in which R.W.B. ('Otto') Clarke, although only an assistant secretary, was the man who mattered. As a staff advising on economic policy as a whole and engaged in the drafting of an *Economic Survey for 1948*, the Economic Section could not avoid pursuing the subject. The Treasury, as Meade had found earlier, was not very forthcoming and this led to a good deal of friction.

As the diary opens, the problems uppermost in Hall's mind were staff shortages, relations with the Planning Staff and the Treasury, the drafting of the *Long-Term Economic Survey* and the outlook for the balance of payments. He made almost daily entries until mid-November and then broke off for four months before resuming, more intermittently, towards the end of March 1948. From then until the middle of 1953 the diary continues without any similar break.

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# I

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From the convertibility crisis  
to devaluation,

1 September 1947 to 15 September 1949

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### *Monday, September 1st 1947*

Today I began as full-time Director of the Economic Section of the Cabinet Office, in succession to James Meade who had to resign because the strenuous life gave him stomach ulcers. I think he took everything too seriously. I was asked to take the post in April and was transferred on a part-time basis from the Board of Trade from June 1st. This was mainly to work on the draft Economic Survey, 1948–51. But as the balance of payments position became worse I had to spend more and more time on it, including a good deal of August when I was supposed to be on leave.

Nothing much today but I was sent for by the Lord President [Herbert Morrison], mainly to be told that I must get more staff. This is a worrying problem as four of Meade's senior people have left or will be gone by Christmas. It is not at all easy to get people back from the Universities as there are so many undergraduates there now and no one who is starting again after the war wants to interrupt his career once more so soon.

### *Tuesday, September 2nd*

Saw Plowden [Chief Planning Officer] today. He wants us to make a study of the current position as he is convinced that it is more serious than Ministers suggest. I said we couldn't do it until we got new Treasury estimates [of the balance of payments] as no one knew what exactly the reserves and liabilities would be after the heavy losses of August. But we would ask the Treasury.

### *Wednesday, September 3rd*

Saw Norman Brook (Secretary to the Cabinet) today and discussed various things including staff. Told him that the Lord President's idea, that because there was a crisis everyone would rally round, was wrong – many economists felt that the present Government was hopeless. In any case all universities had raised their salaries and the Economic Section was not as attractive as it used to be. We also talked about the events leading to suspension of convertibility and he said he would see Marcus Fleming (Deputy Director, Economic Section) who had all along been nervous about Treasury freedom with the sterling balances but had been assured by Eady [Treasury Second Secretary] that the Treasury had this well under control.<sup>1</sup> Marcus and his assistant Nita Watts feel very bitter about this but it is partly their fault as they never succeeded in getting the Lord President to see the point, so that they made him feel that all was well when even on their own analysis it wasn't. But to lose all the American loan so quickly shortens our remaining time.

I suggested to Brook that we try to get [Donald] MacDougall, now at Wadham [Oxford], and he welcomed the idea but doubted if it would come off.

***Thursday, September 4th***

[Economic] Planning Board. The TUC members were away at the annual conference and we had quite a pleasant time discussing methods of cutting investment – the FBI members want industry to do their own but it is hard to see how this would work. However even an exhortation might help.

***Monday, September 8th***

The Treasury refused to make any balance of payments estimates as they were getting new programmes in to ERC [Exchange Requirements Committee] and couldn't say. We will have to do our own. Austin Robinson [Planning Staff] began to draft the survey, which Plowden wants to put to the Planning Board.<sup>2</sup>

***Wednesday, September 10th***

Robinson and Marcus Fleming working all the time on the current survey. Fleming doesn't make it look very bad, but we think he believes that exports can be forced into dollar countries if we refuse to let the other countries draw their sterling balances. Tress [Economic Section] thinks that this involves an easier diversion of exports than is practicable.<sup>3</sup>

***Friday, September 12th***

Plowden showed Bridges [Permanent Secretary of the Treasury] the draft tonight. The Treasury are furious that we have dared to make our own estimates and Bridges has given them till 10.30 tomorrow to reply. They wouldn't let Austin Robinson and me go to Bridges with Plowden unless B. had all *his* staff along. After dinner P., Austin Robinson and I went to see Stafford Cripps [President of the Board of Trade], who had just made a very good broadcast on his new export programme. He is acting for the Lord President and we wanted his permission to circulate the survey to the Board. As it is very critical of the adequacy of the present measures, we felt he should see it. He is very nice and extremely able and I enjoyed the evening – he only wanted a few changes in tone to suggest the determination of the Government instead of the difficulties of the task. I got the 12.05 to Oxford and arrived very tired.

***Monday, September 15th***

An exhausting weekend as Paul Butler [a retired diplomat] was there all the time and several other people were in and out. Today Otto Clarke

[OF Division, Treasury], who was just back from Paris, made a violent attack on our survey because it was too optimistic. He objected mainly to Fleming's assumption that if we limited drawings on the sterling balances, we could sell increased exports to dollar countries. He wanted to do it mainly in terms of the dollar difficulty and we agreed. Otto and I lunched together at St Stephen's Tavern and he attacked the Economic Section for consistently overlooking the hard currency problem. He thinks that we ought to think mainly in terms of bilateral bargains and altogether believes in Henderson and Balogh as against Keynes, Robbins and Meade. Events have supported this and it is clear that everyone on both sides of the Atlantic was absurdly optimistic in 1945 about the prospects of recovery. Now all Roosevelt's advisers are gone and nearly all the UK side – Liesching is [Permanent Secretary] at Ministry of Food, Keynes dead, Robbins and Meade retired. Only Will Clayton [US Assistant Secretary of State for Economic Affairs] is left to plague us. I think Otto is too extreme and he minimizes the faults of the Treasury, who so arranged things that we lost about \$600 mn for unblocked sterling in 6 weeks.<sup>4</sup> But our general attitudes are similar and we both hope we will get no more American help until we mend our ways.

### *Tuesday, September 16th*

[Trevor] Swan, who has been lent to Economic Section by Coombs [Australian Prime Minister's Department], arrived today. He is said to be the best of the young Australian economists and to have been carrying a heavy load in Canberra. I lunched with [Duncan] Burn today. He is now Industrial Adviser to *The Times* and seemed to hold sensible views. We talked over our mistakes and both decided that our worst was to under-estimate the post-war level of activity in the USA, which has led to the present enormous demand for food and raw materials and altered all the prices. We could not have foreseen the troubles with Russia or the coal crisis or the bad harvests, but we ought to have done so on USA.

### *Wednesday, September 17th*

The review was finished and looks very gloomy. Mrs Wyndham Goldie [of the BBC] lunched with me at Boulestin – she is in charge of economic talks on the Third Programme but finds it hard to get suitable economists. I said I would try to help but could not broadcast myself as it would get civil servants into politics, however careful I was. I said I would advise her unofficially about the various points of view that might be held. In the afternoon I went to the Investment Programmes Committee to support Bensusan-Butt [Economic Section], over machinery diversions. Depts were very obstructive but after a few rows we got them into a better frame of mind. If we can't divert machinery into exports we might as well give up.

**Thursday, September 18th**

Planning Board took the current review.<sup>5</sup> A useless discussion but they broadly accepted the conclusions and Plowden persuaded them to ask for draft recommendations to the Government on the additional measures needed. Afterwards I saw Plowden and said that I thought that we ought not to be discussing the failings of the Government with outsiders unless we had *first* told Ministers. The Planning Board was really a new constitutional development and quite contrary to all Civil Service practice: however it seemed that Ministers had intended this. We agreed to send a Minute to Cripps [President of the Board of Trade] telling him that we thought that more severe measures were needed and that we expected the Board to recommend this. I lunched with Howard Sykes [formerly secretary of the wartime Combined Production and Resources Board] who is on a visit for some slightly mysterious purpose. The State Dept had wanted to help him but he had refused. He seemed however to be on good terms with Snyder (Secretary of the US Treasury). He thought UK would not get any more US help until we showed that we could get by ourselves: it was thought that we were being demoralized by loans which concealed the extent to which we were living beyond our income. The US also considered that our failure on coal showed that nationalization was a disturbing factor and that if we nationalized steel, output would fall and US help to Europe would need to increase. Why should they pay for our experiments, especially when they disliked the objective?

**Friday, September 19th**

The new Committees for dealing with balance of payments are getting under way. The principal one is the Overseas Negotiations Committee, presided over by [T. L.] Rowan [PPS to the Prime Minister] who has come from No. 10. First meeting today – Rowan obviously has instructions to take a tough line. I think it will be a very useful Committee; the old B. of P. Working Party [a subcommittee of the Steering Committee] hardly ever met but this is to meet almost daily and to approve all negotiations and the general principles to be followed. Eddie Playfair is the Treasury man: he called Humphrey Mynors (Bank of England) *Roger* all through the meeting: an easy confusion as they look much alike.<sup>6</sup>

The other Committees are ERC which is little changed, and a new Export Targets Committee under Harold Wilson [Secretary for Overseas Trade], very like the old Export Promotion Committee.

**Wednesday, September 24th**

Plowden, Clarke, Hugh Weeks [Plowden's deputy], Austin Robinson and I met Cripps and J. H. Woods [Permanent Secretary, Board of

Trade] today on the Review and our Minute. He (Cripps) is really a very able man; he sees all the points and remembers relevant things which he has met before. He seemed quite prepared to let the Planning Board go forward even if it were critical of Ministers.

The ON Committee is meeting every day and making some progress. Rowan is a very good chairman and the Treasury seem genuinely anxious to get the best advice available.

The Investment Working Party is hard at work and reaching the end of their report.<sup>7</sup> They hope to cut the total by something like the £200mn announced by Cripps in his speech [on 12 September]. This £200 mn was just a guess I made at a meeting with Plowden, Weeks and Robinson, as Cripps was insisting on putting down some firm figure. It seemed to me the most we could have any chance of implementing, but the Working Party feel very gloomy about the building labour as they think it will nearly all go into the black market or under £10 house repairs.<sup>8</sup>

#### *Thursday, September 25th*

Planning Board. Plowden did a wonderful job and railroaded all the recommendations through with hardly a change. It was like a College meeting where no one dared to speak because the issues were so serious. We recommended more cuts in imports, stopping dollar leaks through sterling releases, measures against inflation, proper measures to get labour and material for exports, and full publicity about the gravity of the situation. John Henry Woods entered a caveat about the position of civil servants who must not criticize Ministers, but everyone supported the recommendations. Now they ought to go to Ministers. It will be interesting to see if they dare to turn them down.

#### *Saturday, September 27th*

At Oxford for weekend. Oliver Franks [Provost of Queen's College, Oxford] came in for an hour or so. He looked tired but seemed in good form; he talked about what he had to do in Washington in presenting the 'Marshall Plan' scheme.<sup>9</sup> He is very gloomy about the prospects for the UK until we realize how bad everything is. I think that he is very anxious to get back into public life if he can (a) square Queen's, (b) time his reappearance so that he can pull us out of our troubles. He thought that the 40s should replace the 60s – at least the former had some ideas and some knowledge of how to carry these out. When I took my new job I did not agree with Oliver's gloom, but now I suspect that he is right. Ministers are (so far) incapable of taking painful decisions.

**Tuesday, September 30th**

This morning it was announced that Cripps is to become Minister of Economic Affairs, and Harold Wilson President of the Board of Trade. I went to a meeting of the Exports Target Committee and saw Harold. The changes are very good in the sense that Cripps is a realist and able to understand a problem extremely quickly. It ought to be good for the Section, as I am very doubtful if Morrison could understand the long briefs we gave him. My own impression is that the Section has overdone its academic integrity and taken the line that it should tell the truth, however difficult it is and however long it takes: and that this applied to all its activities. It is a problem as I quite agree that the Section would be useless if it thought of itself as an administrative unit: there is enough of that already. To be any use we must be a technical unit. But the truth in these cases depends on the impression you make. If Morrison goes away *thinking* that the Economic Section is such and such, it doesn't help that his brief didn't say that. It is a dangerous field as if you go too far you begin to ask what you want done and what advice is most likely to lead to that result. The only danger with Cripps is that he may set up a new Ministry of Production which I am sure is not suited to Whitehall as it is now.

I lunched with Maurice Green, one of the City page men of *The Times*. He seemed a nice man – we talked about inflation but he couldn't really say how bad the situation was. It is technically impossible to measure an inflationary gap but I think we are fairly close to the proper order of magnitude.

**Wednesday, October 1st**

I lunched with Heymann who does Commodity Policy for *The Times* [and *The Economist*] and is correspondent of the *Neue Zürcher Zeitung*: he brought his Swiss editor [Aschinger?] who seemed a charming man. We talked about planning and how hard it was to *do* anything. Dined with Howard Sykes who was full of ideas. The one that interested me most was the suggestion that US capital should finance urgent Empire development, such as Wankie Colliery [in Rhodesia] or the petroleum companies: on a debenture basis with some share in the equity. He thought that US business would feel that London houses understood these things better than they (US) did, and that there would be no real trouble if it were properly explored.

**Thursday, October 2nd**

Talked to Austin Robinson about the Survey.<sup>10</sup> It is very obscure as he really wants to do it and I think it would be giving up too much of the

Section's work to agree. In any case, it is extremely difficult and he is very erratic – he would need to use my staff and why shouldn't they get the credit? I spoke to Butt who was very much opposed to the idea and later saw Plowden and warned him not to do anything precipitous.

### *Friday, October 3rd*

Saw Plowden again. Cripps wants a memo on the inflationary position and what might be done on it, and also on the line he should take on wages.<sup>11</sup> The PM [Attlee] and Isaacs [Minister of Labour] had seen the TUC about the letter calling attention to the Government's desire that wages should stay put, and had run away from it: S.C. wanted to retrieve the position if possible.

Later in the day Marquand [Paymaster-General] sent for me – he had also been asked for his views and wanted us to write something. This sort of situation occurs quite often and one has to be very candid – I told him we were already at work but would give him a copy. He was rather annoyed and felt that he ought to have been told but said he would clear with S.C. He has had a bad time as almost immediately after he was made Paymaster-General with an eye to long-term plans, Plowden was appointed and since then he has been almost in the cold. Now he hopes to be drawn more into the picture.

We worked until midnight and I got the first train or rather the 9.45, on Saturday, having left a draft for Plowden.

### *Monday, October 6th*

Discussed our draft with Plowden who said we were too weak on wages: but I pointed out that there *was* no remedy in an inflation except to deflate and meanwhile to make appeals. The Government would not use a wage-stop and there was the trouble that the least desirable occupations are those least easily controlled. No one could stop employers paying more than minimum rates and they would do so if profits were easy and they had to keep their labour.

Fennelly [Board of Trade] dined with me at the Reform and afterwards we talked to Maurice Hutton [British Food Mission in Washington] and A. Robinson. Maurice thinks that we shall have to get a US loan and that we are mad not to begin now – it will take a long time. We all argued that we ought not to get US help until we had showed that we could help ourselves, and that Ministers would not face the situation until they had to.<sup>12</sup> He has been so long in Washington that the usual trouble has set in – he can see *his* problems very clearly and thinks that it is only *our* incompetence that prevents us doing the things here which will ease *his* path. I have often felt the same myself when I was in Washington.

*Tuesday, October 7th*

We settled (I hope) that Economic Section could take the responsibility for the re-write of the [Long-Term] Survey with Austin Robinson's help – he would take it over perhaps at Planning Board stage. Plowden didn't seem to mind at all – I think the trouble is that Hugh Weeks committed himself to A.R. without discussion.

Party at night at the Gorell Barnes [Adviser to Prime Minister at No. 10], who have a very nice house in Hampstead and had provided an opulent supper. Plowden and Lady P. were there – she is keen on farming. I had a long talk with Peggy Jay [wife of Douglas Jay, then Adviser to Prime Minister at No. 10] who told me the names of the new Ministers. Everyone was delighted that Shinwell has gone from Fuel and Power and Hugh Gaitskell got the job [of Minister of Fuel and Power]. Shinwell consistently refused to believe that coal was going wrong last winter or that he needed more men: I think he is more responsible than any other man for our troubles now, as it is impossible to say where we might have been if the export drive had not been checked and especially if we had been able to bargain with a little coal. Cripps has now got three young men whom he seems to trust in the Board of Trade [Wilson], Supply [Strauss] and Fuel and Power [Gaitskell]. Marquand is to take the allocating committees so it won't be for lack of power if Cripps fails – he has all the key posts.

*Wednesday, October 8th*

Lunched with Plowden, mainly to discuss whether we needed any help from US. He agreed that we ought not to start until we were sure we would cope at this end, and I agreed to do a memo for S.C. Gorell Barnes agreed to brief the PM in the same sense.<sup>12</sup> In the afternoon we had a first Survey meeting with Campion [Director, CSO] and A. Robinson and got the lines cleared except for the question of 1948 or 1948/51.

At night I called for the Chancellor [Hugh Dalton] who drove me to our dinner with Mrs Cannan [widow of Professor Edwin Cannan of the LSE]. I was surprised that he had accepted – it was a gracious act towards the wife of an old teacher. Rita [Cannan] had ordered a table for 7.30 and we were late – the table was given away and we had to wait. The Chancellor didn't seem to mind and at dinner he boomed away about old mutual friends. Rita asked him how he would invest some money and he took it very well, advising Dalton 2½s – it would have been a good tip if she had taken it! She went early and he took me back to No. 11 and talked a while of the difficulties of a deflationary budget: but he seems to be going to introduce one. They are of course most worried about reducing the subsidies. I left early and worked late.

*Thursday, October 9th [Friday 10th?]*

Lunched with George McGhee [a former Rhodes Scholar] who is in charge of US aid to Greece and Turkey and is on his way back to US. He talked a good deal about the conditions US would certainly attach to any loan to UK, and whether we could accept. I told him that I thought conditions *could* be useful – the Harriman Mission was useful whereas the export White Paper had been disastrous.<sup>13</sup> We both felt that it would be extremely useful if we got a UK Mission going in Washington again – we are very short-handed there.

After lunch I discussed inflation with Cripps, Plowden and Rowan [Cripps's Permanent Secretary]. Stafford Cripps was full of ideas for possible taxes, and gave me a great deal to do including notes for a speech. The Section had a busy afternoon but we got through – the main trouble is that they *will* write briefs that are too long. No wonder Morrison could not understand them.

Dined (late) with Kennedy. Fennelly, Westerman and Bugbee (US Embassy) were there. A good dinner. Bugbee is leaving and his successor (?) was there too. Talk was very general. I got the 9.50 and had a lazy weekend as I was tired.

*Friday, October 10th [Saturday, 11th?]*

Spent most of the day in Trinity giving [Anthony] Crosland a lead; I dined there and everyone extremely nice to me.<sup>14</sup>

*Monday, October 13th*

Planning Board all the morning and Steering Committee [of Permanent Secretaries] most of the afternoon. All on the Investment Working Party report (EPB(47)17). No real criticism except on small points – no one could cope I suppose. Nearly everything is taken at such short notice that if you don't participate in writing the drafts you have to be very strong to have any effect. Bridges has an even better technique for steam-rolling than Plowden – he seems conciliatory but gives nothing away.

It's odd how £200 mn has stuck: it was a figure [for investment cuts] I thought of quickly one day at a meeting with Plowden, due to the fact that Stafford Cripps was determined to put *some* figure in his speech.<sup>15</sup> The main snags are (a) can building labour really be diverted, (b) will there be steel enough with these cuts, for the export drive. But Whitehall is being increasingly worried about the dollar problem which means that if we reach the export targets we will be sending a good deal of stuff to places that can't pay.

***Tuesday, October 14th***

Cripps at 10, the rest of the day mainly on the new balance of payments statement which the PM has demanded at once (before the House meets).

Cripps had Marquand there and was very nice though he let the talk wander too much. It was partly on the staff question, where he did not have any suggestions: partly that he wanted me to do various things and especially a review of the economic situation for the debate on the King's Speech. The staffing is almost impossible – we want a senior man and they aren't available.

At 10.30 Bridges took a special balance of payments meeting to consider the new proposals, for fairly heavy food cuts and more export direction. Ince [Permanent Secretary of the Ministry of Labour] was very anxious for a realistic statement, while he always takes the line on labour proposals that the Ministry of Labour is powerless. On the whole, everyone agreed – the paper is to go up from the Chancellor [Dalton] and Stafford Cripps and we met in Bridges' room at 6 to consider a new draft. Otto Clarke did all the work – he is obviously a very hard driver and when we dispersed at 7.15 he had to draft again and get copies to the Ministers and the printers before 8 a.m. It is to be taken at Chequers on Sunday.<sup>16</sup>

I lunched with Lionel Robbins at LSE and got some good advice about the Section and relations with A.R. He says that the latter was very temperamental when he was himself with the Section when Lionel was Director. The best thing was to get help from Norman Brook. Lionel as usual is very bitter about the Chancellor. He is closely identified with the Loan and regards its failure as due to the Chancellor's bad monetary policies. I think there is a little in this but that the chief internal villain is Shinwell. Outside, we all under-estimated the American boom, and the slowness of recovery, and most people (but not Churchill or I) the political deterioration with Eastern Europe.

One thing that horrified me today was Eady's attitude during the final drafting. He really did not seem to understand the problems of 'unrequited' and 'frustrated' exports which now bothers Whitehall so much.<sup>17</sup> Yet he is the chief negotiator for all the bilateral deals we are expecting. I do get the impression that we are going to make the worst of our new bilateralism – all the odium in US and all the downward spiral, and none of the cakes and ale.

***Wednesday, October 15th***

Mostly working on an outline for Stafford Cripps' speech. I lunched with Max Nicholson [Lord President's Office] at PEP [Political and Economic Planning] to see a possible candidate for the Section – Ogilvy Webb. Hard to decide – I am a bad chooser. Saw Plowden later and

suggested Oliver Franks as the US Ambassador – he could be just the man to keep the conditions for the loan tolerable. Plowden very favourably impressed and will ‘float it’ as he says.

The Section hard at work – Butt, Nita Watts and I all worked till nearly midnight. Butt is doing very well with the Survey but he will need to as Stafford Cripps wants to *publish* in December. It all has to be re-written and the two crucial divisions – on imports and on investment – still to be taken.

Talked to Campion in the Club at dinner. He suggested that the Treasury were promoting Rowan to be Cripps’ Permanent Secretary in order to fill up his time so that Clarke (Chairman of Exchange Requirements Committee) could get back for the Treasury the general authority on balance of payments questions now with Rowan as Chairman of Overseas Negotiations Committee. *If*, as I suspect, the PM put Rowan there, it is a very subtle move *if* Campion is right. I can believe it though don’t think it would be altogether conscious. ‘In tragic life God wot no villain need be’. The Treasury is the tragedy and there may well be no villains.

#### *Thursday, October 16th*

This afternoon Rowan, Plowden and I saw Stafford Cripps about his speech: he suggested a number of changes and in general wanted the full story on the events since the August debate on the State of the Nation. Rowan took me to dinner with his wife at the Carlton Grill: she seemed very nice. They first met on the QM [*Queen Mary*] when Rowan was Winston’s PPS [Principal Private Secretary] and she was an ATS (or perhaps WREN) going with Winston to Quebec. After dinner we both went back and I worked on the speech till midnight and started again at 8 a.m., getting the first draft done by about 9.

#### *Friday, October 17th*

This was discussed with Rowan who wanted the order changed a bit. I had done it by problems – convertibility, exports, imports – he wanted it by time. This wasn’t very hard and I went back to the June 30th announcement of the first programme cuts. There are two fundamental difficulties: (a) the failure to do anything serious about the dollar drain, though it was evident by August 5th that this would put us through the loan by October, (b) Cripps’ Central Hall speech which, though it was generally agreed to be the most realistic of them all, yet suggested that the export targets would be enough and thus he concealed the magnitude of the dollar problem. After a bit of rewriting, I got the whole thing into shape by about 7 p.m. and managed to get the 7.35. The Inner Council of Ministers is meeting at Chequers on Sunday to take the paper on export [import?] cuts, before the Cabinet meets on Monday.

***Monday, October 20th***

The Cabinet took all the import cuts *and* the whole investment reductions today. I gather that it was a tight thing on the food cuts: Strachey [Minister of Food] had argued that there were other things to be done, especially more investment cuts.<sup>18</sup>

Dined with M. Hutton at the Reform Club; a big party, mainly to talk to Bob Brand [Treasury representative in Washington 1944–6] about how to present the UK case in Washington. Plowden, Tommy Brand [Lazard's], Lionel Robbins, Hugh Weeks, Austin Robinson, Otto Clarke and Feavearyear [Ministry of Food]. A good deal of discussion. The general view was that we ought to have a stronger team in Washington but also that we would have to show that we were going to do something by ourselves before we could expect any help. P. told me later that it had practically been decided that we should ask for US help and that John Henry Woods would probably lead the UK team.

***Tuesday, October 21st***

King's Speech announcing the proposed change in the Parliament Act, which Attlee later said would be to cut the veto to one year. Apparently Nye Bevan [Minister of Health] insisted on this as the price of deferring steel nationalization.<sup>19</sup> Ministers are mad to do this when they are asking for national unity in face of the balance of payments crisis. It is worse than they think. We had a meeting with the Board of Trade to discuss diversion of exports and the Board of Trade argued that it would do more harm than good and that no action should be taken on any account. They are responsible for the export drive and obviously don't feel the urgency of the problem at all.

***Thursday, October 23rd***

Stafford Cripps made his speech which was very well received and hailed on all sides as a realistic and non-party one.<sup>20</sup> But it was said to be ill-matched by the proposals on the Lords.

***Friday, October 24th***

We had to keep Pakenham [Parliamentary Under Secretary, War Office] informed so that he can put the Government's economic case in the Lords. I went to see him and found him on the point of going to Germany and on the hop meanwhile at the call of Bevin [Foreign Secretary]. I arranged for Jefferies [Economic Section] to work with his secretary, March, for the speech he is to make in the Lords on October 28th.

### *Thursday, October 30th*

This has been a week mainly of working on bits of the Survey. Plowden's people have hardly been visible as they were trying to do a White Paper on the investment cuts. However we had a long session with Reeder of the Ministry of Labour about the labour distribution in 1948. The main problem is the number of unemployed, which in the end we put at 465,000 – largely by difference.<sup>21</sup> The only important figures are the coal and textile targets and the building ceilings.

Today there was a paper [CP(47)298] from the Ministry of Food asking for permission to buy more wheat, probably for dollars, to end bread rationing. Strachey is trying all sorts of devices to get out of the food cuts which have been imposed. But so far he has been turned down. The true problem is animal feeding stuffs – if we cannot get these the new agricultural programme cannot be carried through.

### *Monday, November 3rd*

Took Butt to dine at the Reform where we saw Colin Clark [the well-known statistician], who is on a quick visit from Australia. Afterwards we worked late on the Survey. He [Butt] is rather an erratic draughtsman and sometimes tends to put in much too detailed recommendations on things he considers wrong. But he is able to do it, anyhow, and it is wonderful to have someone to take the place of Tress.

### *Tuesday, November 4th*

A long day, mainly on Survey. In the morning there were two papers on an approach to the US to get some help to maintain our reserves: they had already been to Ministers so I had no chance of saying anything. Apparently Lew Douglas [US Ambassador] asked on Saturday for something in a rush.

In the afternoon had a long talk with Plowden. He was furious because Ministers had refused his White Paper on Investment and wanted something much more flattering.<sup>22</sup> He had refused to do this and Stafford Cripps had offered to do it himself which was deflating as Stafford Cripps is already far too busy and in any case the one man P. respects. Nye Bevan is trying to cut out all reductions in building labour, which will make nonsense of the Report as nearly half the investment cuts come there.

Afterwards I talked a bit about the Survey and about affairs generally. P. wonders if he has done any good – I am sure that he has as at least he has got these decisions on imports, exports and investment. I respect him more and more, since he does do things in the right order and on the whole gets them straight. But he thinks Ministers are in a panic both about the very bad situation, and about their own prospects.