

MILESTONE OR MILLSTONE? THE 1959–1961 PLOWDEN COMMITTEE AND ITS IMPACT ON BRITISH WELFARE POLICY*

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ABSTRACT. *The Plowden committee on the control of public expenditure has been described as a milestone in the modernization of postwar British government. Certainly it effected major changes in both the Treasury's structure and personnel and, by securing the establishment of the public expenditure survey committee, gave subsequent governments the opportunity to plan public expenditure rationally in relation to prospective resources. Ultimately, however, the committee was a failure. The civil service was re-examined by the Fulton committee within five years and public expenditure soon escalated out of control. The Plowden committee thus represented a major lost opportunity. The time had been ripe for a fundamental political and administrative adjustment to the needs of the extended postwar state; but the committee failed to build the necessary political, parliamentary or public support for its recommendations. The reason for failure was its restricted nature as an internal enquiry with largely ineffectual 'outside' members, which enabled vested Treasury interests increasingly to dictate its deliberations. A more open enquiry would have stimulated and brought the best out of the 'modernizers' within the Treasury. The committee, therefore, proved to be not an administrative milestone but a prime example of how British institutions, under the guise of reform, have traditionally deflected criticism, truncated discussion and thereby stifled the fundamental reforms required to halt Britain's decline. In relation to welfare policy, the committee failed to examine the relative efficiency of collective provision in given policy areas, opposed contracyclical demand management and covertly sought to cap welfare expenditure. In short, it accepted the electoral necessity but not the legitimacy of the welfare state.*

During the expansion and contraction of central government in twentieth-century Britain, the period between 1958 and 1975 was one of exceptional peacetime expansion. Public expenditure, by contemporary definitions, rose from 41 to 58.5 percent of GDP and public employment from 25 to 31 per cent of the labour force.¹ More importantly, there was at an administrative and political level a fundamental adjustment to the enhanced role, and electoral expectations, of government set in train by the wartime Beveridge report. It

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¹ For a brief summary and qualification of these figures, see R. Lowe, *The welfare state in Britain since 1945* (Basingstoke, 1993), appendix.

is perhaps unsurprising that, in relation to continental Europe, such an adjustment should have been so belated.² Immediately after the war occupied countries had had to restructure their governments and build a civic consensus, whereas existing institutions and values in Britain seemed to be validated by victory. What is surprising is that when it finally came, fundamental change occurred under a Conservative government. The Labour government in the 1960s projected itself as modernizing and purposive; but, as has been noted, most of the policies that Labour claimed as distinctively its own ‘had already emerged in the far-reaching reappraisal that went on inside the Treasury and other government departments around 1960–1’.³ The purpose of this article is to examine, in the light of recently released government papers, this ‘far-reaching reappraisal’ through one of the key agencies in the modernization of government, the Plowden committee on the control of public expenditure.

Three main factors precipitated reappraisal: the Suez crisis of December 1956; the unprecedented resignation in January 1958 of the chancellor of the exchequer, Peter Thorneycroft, with his two junior Treasury ministers (Powell and Birch); and growing concern after 1959 over Britain’s relative economic decline. Suez accelerated a re-evaluation of social values and institutions within Britain, which had already tentatively commenced with the staging of Osborne’s *Look Back in Anger*. It was to mature in a plethora of books on the theme of ‘what is wrong with Britain?’ which, as Kenneth Morgan has remarked, had ‘as potent effect on the national psyche as the works of the Left Book Club in the thirties’.⁴ In this re-evaluation, government was an obvious target for attack and, in particular, the civil service after the publication of Balogh’s 1959 essay on the ‘apotheosis of a dilettante’. Civil servants quickly became aware that, if they did not reform themselves, they would be reformed. As one in exasperation complained of the archaic language in which the ‘Lords Commissioners of Her Majesty’s Treasury’ continued to express themselves:

what is the impression to the outside reader? Surely one of an institution in which quill pens, ink horns and sand are still in daily use? It must create in the mind of MPs, economists and financial journalists the idea that a body which expresses itself in this sort of language could not be capable of serious economic analysis or effective control of public expenditure in modern conditions.⁵

The need to modernize government was urgent.

Suez, had little direct and – if anything – a negative impact on the welfare policy. Recognition of the strength of nationalism abroad led to rapid decolonization, with independence being granted to the major colonies in

² The best and most entertaining expression of frustration at Whitehall’s failure to respond to ‘that well-known expert in public administration, Adolf Hitler’ is P. Hennessy, *Whitehall* (London, 1989), ch. 3.

³ S. Brittan, *Steering the economy* (Harmondsworth, 1971), pp. 227–8.

⁴ K. Morgan, *The people’s peace* (Oxford, 1990), p. 199.

⁵ McKean to J. Macpherson, 1 July 1960, London, Public Record Office (P.R.O.), T291/5.

Africa and the Caribbean between 1957 and 1964. This, together with summitry, distracted the attention of the prime minister (Macmillan) without whose interest and authority no far-reaching domestic reform could be achieved. It also diverted from domestic policy his senior political confidante on welfare policy, Iain Macleod, who was colonial secretary from October 1959 to October 1961.⁶ Of equal importance, there was no peace dividend. There were calls for Britain to abandon nuclear weapons and to place greater reliance on economic and cultural initiatives to maintain her influence overseas. Such options were, however, rejected by a major policy review led by the head of the civil service (Sir Norman Brook) and endorsed by Macmillan in June 1958.⁷ Britain was perceived to have a unique international role as the link between the U.S.A., Europe and the commonwealth. She therefore had to play – and pay for – a full military role in defeating ‘the efforts of Russia and China to dominate the world’. Before 1957, a decrease in defence expenditure following the Korean war had enabled welfare expenditure to expand relatively uncontroversially because it required neither an increase in taxation nor a rise in public expenditure as a percentage of GDP. This option was now closed.

Brook’s review did, however, contain one significant passage on welfare policy. In the search for resources to switch into defence spending, it acknowledged that welfare expenditure was not a legitimate – or, rather, a practical – target. ‘We recognise’, Brook admitted, ‘that earlier efforts to reduce expenditure on the social services and education have achieved little’.⁸ This admission was a reference to a series of special reviews, economy exercises and royal commissions in the early 1950s which, unlike their counterparts in the interwar period, had failed to identify or effect any major economies. These exercises had culminated in a Treasury-inspired five year survey of welfare policy and the appointment in 1955 of a cabinet social services committee to implement the necessary cuts; but the committee had rebounded against the Treasury by providing a robust defence of welfare expenditure and by challenging the logic behind its repeated calls for retrenchment.⁹ The Brook review was thus the formal acceptance by the civil service in general, and the Treasury in particular, of the impracticality of welfare cuts and, by inference, the permanence of the welfare state.

As such it provided the official counterpart to the formal political acceptance of the welfare state by the Conservative government, symbolized by the

⁶ Macleod’s tenure of the colonial office did provide, however, the occasion for one major change: the final supplanting of the old aristocratic leadership of the Conservative party by the new when, in a notorious house of lords debate on Central Africa in March 1961, the leader of the former (Salisbury) unavailingly attacked the leader of the latter (Macleod) for being ‘too clever by half’. See A. Sampson, *Anatomy of Britain* (London, 1962), pp. 80–1 and R. Shepherd, *Iain Macleod* (London, 1994), ch. 8–10.

⁷ ‘Reassessment of UK interests abroad’, P.R.O., PREM 11/2321.

⁸ The review, however, did recommend wage control and an end to subsidies for national industries (which would have adversely affected welfare in the short term) as well as an end to agricultural support.

⁹ R. Lowe, ‘Resignation at the Treasury’, *Journal of Social Policy*, xviii (1989), 505–26.

resignation of Thorneycroft and his ministerial colleagues. Faced by a sterling crisis in the autumn of 1957, the chancellor had sought to introduce a package of expenditure cuts similar to that rejected by the social services committee. The most important was the proposed withdrawal of family allowances from the second child. This the cabinet rejected. Macmillan, in his reply to the chancellor's letter of resignation, made plain his conviction that 'in modern society' government had 'an inescapable obligation to large sections of the community – the evasion of which would be both inequitable and unacceptable to public opinion'.¹⁰ Thus ended the significant anti-collectivist lobby within the cabinet, inherited from the interwar years and sustained by the reception of Hayek's *The road to serfdom* in 1944 (which, within informed circles, was almost as enthusiastic as that popularly accorded to the Beveridge report only two years earlier). By 1958, in other words, both the Conservative cabinet and the civil service had accepted the permanence of the welfare state and the way was open for its more effective management.

The third force for change was the growing public awareness by 1959 of Britain's relatively poor economic performance and the frustration of both the Treasury and industrialists with the debilitating effect of 'stop-go' cycles in the management of the economy.¹¹ There consequently arose a demand for greater 'planning'. The most dramatic consequence of this demand was the government's acceptance in August 1961 of the need to identify a target for economic growth and to create a tripartite forum (the national economic development council) to bring the trade unionists, industrialists and independent professional advisers into the heart of policy formation. These innovations were preceded by a cluster of smaller initiatives, such as the publication of clear financial criteria for nationalized industries. They also coincided with the 'pay pause', the Conservative's first acknowledgement of the need for an incomes policy, and – more significantly – with Britain's first application to join the EEC, which many regarded as vital not only for the acceptance of planning but also for institutional change. It failed but institutional reform was nevertheless achieved, not least in the Treasury itself where (with the redeployment of over 1,300 officials and half a million files) staff were divided into three new 'groups' reflective of a bolder approach to economic policy: finance (responsible for monetary policy and international finance); public sector (responsible for government spending); and national economy (responsible for demand management).¹² There was also a revolution in administrative leadership. On 1 January 1963 the three most senior posts – head of the civil service, joint permanent secretary of the Treasury and the cabinet secretary – all changed hands. The early 1960s certainly were, as Brittan noted, years of radical change.

¹⁰ Committee on civil estimates, P.R.O., CAB 130/139, GEN 625.

¹¹ S. Brittan, *Steering the economy*, pp. 239–41.

¹² For a brief description, see R. W. B. Clarke, 'Formulation of economic policy', *Public Administration*, xli (1963), 17–24. The new incumbents were Sir Laurence Helsby, Sir William Armstrong and Sir Burke Trend.

The key link between planning and the modernization of government was the Plowden committee because, as this article will demonstrate, its principal objectives were to establish a five-year rolling programme of public expenditure, planned in relation to prospective economic resources, and to modernize controls over its implementation. The committee has a chequered reputation. On the one hand, its report has been called a 'revolutionary and critical document' and a 'milestone' in the administrative revolution by which the civil service was transformed from serving the needs of a non-interventionist state (as symbolized by Gladstone's ministries) to those of a directly interventionist one (as propounded by Beveridge and Keynes). The report has also been described as a 'great conceptual achievement' for providing the first picture of the totality of public expenditure, while the committee itself has been praised for a feat 'of will and organisation' in securing the implementation of its major recommendations.¹³ Its most important innovation, the public expenditure survey committee (PESC) and the subsequent annual publication by government of its long-term expenditure plans, has also been heralded by two celebrated American political scientists as the 'most important innovation in its field in any western nation'. It is little wonder, therefore, that another expert in public finance has concluded that 'the Plowden Report raised the level of discussion to an entirely new plain and its proposals mark a decisive break with all that had gone before'.¹⁴

However, when attention is turned from its immediate impact to its longer-term achievements, the picture changes. One of the committee's subsidiary objectives was to create a more constructive partnership within Whitehall by minimizing the Treasury's detailed control over other departments. This was not achieved.¹⁵ More importantly, PESC in the mid 1970s became the vehicle not for the control but for an explosion of public expenditure, which forced the then Labour government to introduce cash limits and drastically to reduce in real terms, for the only time in postwar history, both public and welfare expenditure. This shock led commentators and practitioners (many of whose doubts had never been fully allayed) publicly to recant. Brittan, for example, concluded that 'the whole planning movement was a bad tactical mistake'. Pliatsky questioned whether the PESC system was altogether 'sensible'. Even Heclo and Wildavsky admitted that the years after 1972 ruthlessly exposed the 'pitfalls of planning'.¹⁶ In Plowden's defence it might be argued that PESC provided an ideal mechanism for the more cost-effective expenditure of public money which later politicians wilfully misused. That, however, would be to overlook the realization, implicit in previous forms of Treasury control, that

¹³ Sampson, *Anatomy*, p. 284; G. K. Fry, *The administrative 'revolution' in Whitehall* (London, 1981), p. 35; and L. Pliatsky, *Getting and spending* (Oxford, 1982), p. 49.

¹⁴ H. Heclo and A. Wildavsky, *The private government of public money* (London, 1974), p. xvii; Sir S. Goldman, *The developing system of public expenditure and management control* (London, 1973), p. 5.

¹⁵ Brittan, *Steering the economy*, p. 119.

¹⁶ Brittan, *Steering the economy*, p. 16; L. Pliatsky, *Getting and spending*, p. 47; H. Heclo and A. Wildavsky, *Private government* (1981 edn, pp. ix, xxvii).

it was not just administrative inefficiency but also political reality (in the form of the ‘natural’ profligacy of politicians) that had to be contained.¹⁷

Such doubts over its longer-term achievements serve to refocus attention on the actual work of the committee. At the start of the ‘satirical movement’ in Britain, the opaqueness of its language became the subject of a famous spoof.¹⁸ As will be seen, it was vague and contradictory on the key issue of how better to inform the public and parliament. It was also unrealistic about the extent to which public expenditure could be protected from short-term political considerations. These weaknesses raise questions about the openness of debate, which it is held to have fostered, and expose a fundamental flaw in the ‘managerial revolution’ it sought to initiate. The committee may also be depicted as reactionary. In its definition of public expenditure, for instance, it ignored tax expenditure to which Titmuss had already drawn attention; it opposed the contracyclical use of public expenditure; and it paid only lip service to the positive contribution that welfare expenditure can make to economic growth. The greatest irony of all, however, was that having been appointed to investigate widespread complaints against the Treasury, the committee concluded by greatly strengthening it. Does the committee’s greatest historical significance lie, therefore, not in what it achieved but in what it represented – a prime example of how British institutions, under the guise of reform, have traditionally deflected criticism, truncated discussion and thereby stifled the fundamental reforms required to halt Britain’s economic and political decline? In the modernization of government and the evolution of the welfare state, in other words, was the Plowden committee not a milestone but a millstone?

I

The genesis of the Plowden committee was the publication in July 1958 of a report by the house of commons select committee on estimates on the Treasury control of expenditure.¹⁹ On the surface it was a mild report which concluded that control ‘worked reasonably well’. However, it did contain certain criticisms of Treasury control and Treasury officials. Was, for example, the regular need for supplementary estimates evidence of a consistent under-estimation of expenditure? Was the cost of existing, as opposed to new, policy adequately scrutinized? Were Treasury officials as ‘lay critics’ competent to monitor increasingly complex expenditure programmes? Was their relationship with other departments one of constructive partnership? The committee recommended *inter alia* the fuller examination of existing expenditure and the introduction of ‘forward looks’ to establish departmental needs and

¹⁷ G. C. Peden, *Keynes, the Treasury and British economic policy* (Basingstoke, 1988), p. 12.

¹⁸ W. J. M. Mackenzie, ‘The Plowden Report: a translation’, *The Guardian*, 25 May 1963, reproduced in R. Rose, *Policy making in Britain* (London, 1969), pp. 273–82. For the committee’s reputation for stimulating debate and managerialism, see T. Smith, *The politics of the corporate economy* (Oxford, 1979), p. 148.

¹⁹ Sixth report (1957–8), HC 254. The quotes are from paragraphs 95, 46 and 94.

appropriate spending programmes, which departments might then be trusted to implement themselves. It also recommended, allegedly as an afterthought, the appointment of an independent committee to consider such issues more fully. ‘It really is an abuse of language’, it concluded rather tartly,

to speak of a ‘system’ of Treasury control, if by the word ‘system’ is meant methods and practices that have at some time or another been deliberately planned and instituted. What is called ‘Treasury control’ is better described as a complex of administrative practices that has grown...over the centuries, natural rather than planned, empirical rather than theoretical. The question...at issue is whether a system, many features of which emerged in times when government expenditure played a relatively small part in the national economy, is appropriate to the middle of the twentieth century.²⁰

Nothing could have been better designed to infuriate senior Treasury officials. They drafted an acrimonious, and not altogether honest, reply upon which the chancellor of the exchequer (Amory) belatedly assured cabinet that the report was ‘not in truth a very valuable document’.²¹ Such a conclusion is contestable. Whatever its findings, it raised the pall of secrecy that had long enveloped Whitehall and thereby created an irresistible demand for further enquiry. It was also a relatively thorough report, containing four hundred pages of memoranda and evidence, which identified many of the issues that the Plowden committee was later to regard as crucial.²² It provided, in other words, a genuine opportunity for an open and informed discussion of the modernization of government. This was an opportunity, moreover, that many inside as well as outside Whitehall did not want to lose. For example, the permanent secretaries of the defence departments (who felt particularly hard hit by the insensitivity and the instability of Treasury control) responded by calling for ‘nothing of lesser stature’ than a royal commission. An internal enquiry was wholly unacceptable because ‘there are no experts; those who know most about it are too deeply involved to have a fresh eye and are trained as amateurs anyway. If, as is understood, the select committee have in mind an ex-minister and two or three ex-civil servants, this objection is far from removed.’²³ Even within the junior ranks of the Treasury there was support for a wide-ranging royal commission to examine four broad relationships: Whitehall and industry; Whitehall and parliament; the Treasury and departments; and departmental finance officers and departmental spenders.

²⁰ ‘Report by the estimates committee’ by D. H. Amory, 16 March 1959, P.R.O., CAB 129/97, C (59) 54. No witnesses had recommended a committee and Treasury officials had not been asked their opinion.

²¹ Ibid. The reply was published as the seventh special report of the estimates committee, HC 227 (1959). The claim in paragraph 10 that forward looks in civil expenditure were long established was admitted privately to be incorrect (P.R.O., T 291/81).

²² This was perhaps because the estimates committee had been briefed and encouraged by dissident officials in Whitehall, see Hecla and Wildavsky, *Private government*, p. 208.

²³ Sir R. Powell to Sir N. Brook, 21 October 1958, P.R.O., T 291/81. The same file contains the Treasury welcome.

The eventual scope of the committee was more narrow. Its terms of reference, which remained unpublished, did extend beyond a mere consideration of Treasury control to the ‘principles and practice which govern the control by the executive of public expenditure’. However, particular attention was to be paid to

- (a) The present requirements of parliamentary control and the extent to which they determine the pattern of control exercised by both the Treasury and spending departments...
- (b) The role of the Chancellor of the Exchequer, and the methods by which, and the limits within which, he exercises control through the Treasury over the spending departments. This would...include the general arrangements by which financial and economic consideration are brought to bear on the formulation of government policy at all levels...
- (c) The methods of control followed by spending departments themselves both in their headquarters and in the field...to ensure that due importance is attached to efficiency and economy right down the line.²⁴

The examination of Whitehall’s broader relationship with industry and the needs (as opposed to the consequences) of active demand management were therefore discouraged.

Once established, the committee then restricted itself still further. On its own admission it did not ‘go deeply into the relations between Parliament and the Executive’. Indeed the sub-committee responsible for this subject was disbanded, as will be seen, after four meetings and the solution of mainly technical problems delegated to the Treasury. Key constitutional issues were thereby evaded, such as the maintenance of parliamentary authority over long-term investment decisions that exceeded the life of one parliament. It also failed thoroughly to investigate the implementation of policy ‘right down the line’ and neglected whole areas of policy, such as the social services, which had initially been targeted for particular attention. Finally, it failed to develop, as Plowden on his appointment had hoped, an international perspective.²⁵ A major reason for these restrictions was the government’s rejection of a royal commission in favour of an internal enquiry, assisted – in order to assure some public credibility – by ‘outsiders’. There were three main justifications for this decision. In descending order of validity they were: government expenditure was dependent on government policy and outsiders could not be granted access

²⁴ ‘Control of public expenditure’ by D. H. Amory, 30 April 1959, P.R.O., CAB 129/97, C (59) 77.

²⁵ Cmnd 1432, para. 60; ‘List B’ in Brook’s minute of 11 Aug. 1959 and note of a meeting between Plowden and Treasury officials, 9 Oct. 1959, P.R.O., T 291/1. Cmnd 1432, *The control of public expenditure*, published on 9 June 1961 is the committee’s public report whilst T 291 is the class of records at the Public Record Office which contains its working papers. The protracted appointment of the committee was as follows. The cabinet agreed to its appointment in principle on 19 March and in detail on 7 May 1959. Plowden was approached and accepted the chairmanship between 12 and 15 June. This was announced to parliament on 30 July. The terms of reference and outside members were announced on 11 Aug. and 12 Sept. The Committee first met on 14 Oct. six days after the general election.

to files, up to cabinet level, revealing the nature of bargaining between ministers and departments; parliament would resent a scrutiny of its procedures by non-parliamentarians; and people without an existing knowledge of how Whitehall functioned would take an unconscionable time to acquire it and thereby delay the report.²⁶

The selection of the committee's 'outside' members lasted from February to September 1959.²⁷ To ensure vigorous, independent leadership the Treasury initially recommended Lord Bridges (the former head of the civil service, aged 67), Sir James Grigg (the former secretary of state for war who had joined the Treasury as an official in 1913, aged 69) and Lord Crookshank (the Conservative minister of health who had commissioned the Guillebaud report on the NHS as an economy measure, aged 66). These proposals were rejected and the choice of chairman eventually narrowed to three by Sir Norman Brook and the cabinet. Were a politician required to reassure parliament, the preferred candidate was Lord Ingleby (aged 62) who, as Osbert Peake, had been a junior Treasury minister and chairman of the public accounts committee in the 1940s and minister of pensions between 1953 and 1955. Were an industrialist to be preferred, the favourite was Lord Plowden (aged a mere 52) who was currently chairman of the atomic energy authority. He had ended the war as the chief executive of the ministry of aircraft production before becoming the government's chief economic planner between 1947 and 1953. He was well regarded as a practical organizer and vulgarizer, and was 'well liked' within the Treasury.²⁸ The standby was Sir Eric Speed (aged 64), a former Treasury official and private secretary to Baldwin who had retired as head of the war office in 1948. For the other outsiders, prior experience of government was also essential. The Treasury's initial and successful suggestion was Sir Jeremy Raisman (aged 67), then deputy chairman of Lloyds Bank and chairman of the public works loan board (which, since it had been obliged to charge local government full market rates, had 'earned' the Treasury £500m per annum). He was a former member of the Indian civil service and had been the finance member of the Indian government during the war. The two other appointees were Sir John Wall (aged a mere 46) and Sir Sam Brown (a more conventional 56). The former had been an under-secretary at the ministry of food until 1952, before proceeding through the finance department of Unilever to a directorship in EMI. He was the committee's management expert. The latter had been in the wartime ministry of aircraft production with Plowden and was a partner in a firm of London solicitors.

With these appointments, the defence ministry's suggestion of more senior industrialists (such as the managing directors of BP and Shell) and of officials with more extensive administrative and business experience (such as J. H. Woods) were rejected. This, it could be argued, prejudged the willingness and ability of the committee fundamentally to reassess Whitehall's relationship

²⁶ P.R.O., CAB 129/97, C (59) 54.

²⁷ The selection process is recorded in P.R.O., T 233/1710 and T 291/82.

²⁸ Hennessy, *Whitehall*, pp. 152–3.

with industry, in which the defence ministries were particularly interested. Rejected too were those with professional qualifications who might more actively have challenged departmental practices ‘down the line’. A later unguarded remark by a future head of the civil service reveals the likely reason for this. When greater publicity for the committee’s work on revising exchequer accounts was being mooted, it was opposed on the grounds that ‘representative accountants and economists... would want to get in on the act and break Treasury monopoly’.²⁹

A balanced team of official members was more easily assembled. It consisted of Sir Thomas Padmore and Bruce Fraser, respectively second and third secretary at the Treasury; Evelyn Sharp, the formidable permanent secretary at the ministry of housing and local government, with a specialist knowledge of the social services and grants-in-aid; Sir Richard Way, deputy secretary of the ministry of supply, who became permanent secretary of the war office in 1960; and Henry Hardman, deputy secretary at the ministry of agriculture, with a specialist knowledge of large government subsidies. To these were added, at Plowden’s insistence, his friend and chief economic adviser to the government, Sir Robert Hall.³⁰ The secretary was another Treasury official, Jim Macpherson. The only major but nevertheless highly significant change to this team was the replacement of Fraser, on his promotion to permanent secretary of the ministry of health, by R. W. B. (Otto) Clarke. One of the few wartime temporaries permanently to join the civil service, Clarke was a leading modernizer within the Treasury and an extremely forceful character.³¹ He had earlier been the driving force behind the commissioning of long-term surveys of expenditure within Whitehall, and from the start of the committee, had gained access to its papers. Once he had joined it officially in February 1960, he quickly became its ‘theologian and life force’ with the result that by July the secretary was discussing policy and tactics with him rather than with Padmore. He was the author of many of the interim reports and indeed of the final report itself. He thus exercised a dominant influence, at which his published account only hints.

The committee’s working methods were agreed between Plowden and the Treasury before the other members’ appointment. The main committee was merely to provide the nucleus of the enquiry. Its outside members were to chair the eight sub-committees, at which the detailed work was to be done.³² It was also to vet these sub-committees’ conclusions before forwarding them to

²⁹ P.R.O., T 291/9. The official who was not so economical with the truth was Sir Robert Armstrong, 9 March 1961.

³⁰ Minute of 7 July 1959, P.R.O., T 233/1710. An additional Treasury member during the peak of the committee’s work in early 1960 was G. Humphrey-Davies.

³¹ Clarke’s personal account is in *Public expenditure, management and control* (London, 1978). His growing power may be seen from Macpherson’s minute of 21 Jan. 1960 in P.R.O., T 291/4 and his later minutes starting in T 291/7. See also Hennessy, *Whitehall*, p. 179.

³² Six committees were established immediately, the final two in Oct. 1960. Two (sub-committees 1 and 8) included all the members of the main committee. The main committee met 14 times between 14 Oct. 1959 and 6 June 1961. The subcommittees met 77 times, co-opting 72 officials, and interviewing 87 witnesses.

the chancellor of the exchequer as interim reports. This procedure, Plowden hastily assured permanent secretaries, was not to subject them to an inquisition but merely to minimize their workload. They could make their specialist contributions as coopted members on the sub-committees, without having to become involved in the full range of the committee's concerns. No evidence was to be taken in public or sought from the public; and the question of whether the committee's recommendations should be published remained a matter of contention to the end.³³ Much secrecy, therefore, surrounded the sub-committees and the interim reports and this gave rise to considerable contemporary speculation and misconceptions. To clarify the situation, they are summarized below (Table 1).

The actual work of the committee may be divided into two. Until July 1960, the predominant issue was the annual compilation of a long-term survey of expenditure and resources. Such a survey was identified as the key to effective Treasury control because it could provide both the stimulus and a basis for 'responsible' behaviour by ministers, for informed discussion by parliament and for better relations between the Treasury and the rest of Whitehall. The main committee, acting as sub-committee 1, agreed its specific recommendation in March 1960 and circulated a draft to all permanent secretaries.³⁴ In June a revised report was submitted to the chancellor of the exchequer (Amory) just before he resigned, to be replaced by Selwyn Lloyd. One of the more controversial recommendations was the creation of a ministerial committee on public expenditure which would use the survey to review both future commitments and major policy initiatives in relation to prospective resources. Amory had approved of such a committee. Lloyd and Macmillan as prime minister were more sceptical. A meeting with the prime minister, scheduled for 11 July, was cancelled and all action officially halted during the parliamentary recess. In October, Lloyd reconsidered the report and a small *ad hoc* committee was finally appointed on 1 December, first to consider the principle of a survey and then to look in detail at the Treasury's long-term projections.³⁵ Apart from the chancellor, the initial members were a non-spending minister (Hare, the minister of labour) and a medium-spending one (Macleod as colonial secretary). They were later joined by a high-spending minister (Brooke, minister of housing). The official advisers were Padmore and Clarke, with Wass as secretary. The committee reported to cabinet in March 1961 that it accepted both the principle of a survey and the Treasury view that, on existing commitments, public expenditure would rise from 42.5 to 44

³³ In the original Cabinet proposal, it was suggested that – as indeed occurred – there should be a 'series of reports to ministers, with distillation in a White Paper' (P.R.O., CAB 129/97, C (59) 54) but Plowden announced at the committee's first meeting that there would be no report (P.R.O., T 291/43, minute 1).

³⁴ The full developments between March and October may be followed in P.R.O., T 291/5–6, 14–15 and 82.

³⁵ The group's political conception is covered in P.R.O., PREM 11/3290. Its meetings are summarized in P.R.O., T 291/8. The relevant Cabinet memoranda and conclusions are P.R.O., CAB 129/104, C (61) 43–4 and CAB 128/35, CC 19 (61) 4, 28 March 1961.

Table 1.

Sub-committee	Chairman	Interim report	Date
1 Determination of policy and distribution of resources	Plowden	1 Procedure 2 System of decision-making in government expenditure	3 June 1960 3 June 1960
2 Parliamentary control*	Raisman	4 Form of estimates 5 Losses and special payments 6 Exchequer accounts 7 Parliamentary committees	30 January 1961 4 May 1961 10 May 1961 June 1961
3 Health services	Brown	9 The hospital service	30 March 1961
4 Defence departments	Plowden	3 Management and control of defence expenditure 10 Appendix 2	27 July 1960 15 Dec 1960
5 Agriculture, fisheries, food and forestry	Wall		
6 Central-local government relations	Brown	10 Appendix 1	17 June 1960
7 Management services	Wall	8 Establishments control and management services 10 Final report	June 1961
8 Control of establishments	Plowden		
Main committee	Plowden		June 1961

* Sub-committee 2 dissolved itself after its fourth meeting on 18 January 1960 and devolved its responsibilities to the Treasury. A complete set of reports is preserved in T 291/85.

per cent of GNP by 1965. Cabinet duly agreed (as Clarke had always wanted) that public expenditure should be pegged at 42.5 per cent. It also called for an examination of both the financing of such expenditure and its implications for economic growth, taxation and the balance of payments. This was the official sanction for the creation of PESC.

The second half of the committee's work had a lower political profile. By March 1960 Plowden's concern about departmental antagonism towards the Treasury had abated in the absence of specific evidence and in the hope that stable expenditure under a long-term survey would lessen friction. Two new sub-committees, on establishments and management policy, were nevertheless appointed and both uncovered much that was wrong with past Treasury practice. The committee's other main concerns were largely technical – the presentation of departmental estimates and accounts, and the Treasury's handling of exceptional losses (such as those to fraudulent contractors). This work was delegated by sub-committee 2 (chaired by the Treasury's nominee Raisman) to the Treasury itself; and an internal Treasury committee was formed under Clarke's chairmanship to agree a specific 'departmental view' so that its officials on, as well as witnesses before, the main committee could speak with one voice.³⁶ Its final meeting was on 20 November 1960 by which time Clarke, involved in persuading the cabinet committee to accept the long-term survey, was agitating for an end to the whole enquiry. 'If we can carry through what we have embarked upon', he confided, 'we should have done very nicely'. More pertinently, the Treasury feared that 'going on for longer' might 'suggest that the select committee on estimates were right in thinking all was not well'.³⁷

Because of unexpected complications in the establishments and management sub-committees, the enquiry in fact continued until 6 June 1961 with a spate of reports being tabled at the very end. Among these was the final report drafted by Clarke, allegedly over a weekend. He had finally won the battle for its compilation on the grounds that parliamentary and public expectation was high and that it would be better to have the committee's recommendations 'expounded in a careful and considered manner by people who had formulated [its] views' than a 'hashed-up rewrite in the Treasury' or a compromise ministerial statement.³⁸ His draft concentrated on the committee's broad philosophy rather than detailed recommendations and, despite contemporary rumours, neither caused controversy within the committee nor required major redrafting. For political as well as presentational reasons, however, detailed references were omitted to the public accounts committee, the methods of ministerial policy-making, civil service pay and detailed Treasury–departmental relationships in the fields of defence and health. Wholly omitted

³⁶ The committee's papers are in P.R.O., T 291/63–5. Clarke's admission is in a minute to Padmore on 29 March 1960 in T 291/65.

³⁷ Minute of 18 October 1960, P.R.O., T 291/7.

³⁸ Clarke's full reasoning is summarized in minutes to Padmore on 17 March and 14 April 1961 in P.R.O., T 291/9.

also was the committee's advice to the chancellor on the future role of the head of the civil service and the need to reorganize the Treasury.³⁹

This summary of its proceedings demonstrates that, far from stimulating an open and wide-ranging debate on the modernization of government, the committee was a restricted enquiry which tended to grow ever more restricted. Plowden asserted his authority at the start to allay fears in Whitehall – although the continued reluctance of most officials (who knew where the road to promotion lay) to voice their grievances against the Treasury suggests that he was not altogether successful. Thereafter Treasury officials, and in particular Clarke, had an increasingly dominant influence. As Plowden announced at the committee's final meeting, all the 'outside' members were indebted to 'their civil service colleagues for their efforts... Although it would be unwise to say so in any of the reports, published or unpublished, the outcome of the Committee's work and any fruits it might bear could be almost wholly attributed to them'.⁴⁰ This predominance of Treasury influence was in part a consequence of the inability of the outside members to devote sufficient time to the enquiry. Plowden himself took up a new job, as vice-chairman of British Aluminium, in January 1960; and at the most critical time for the committee, July 1960, its secretary noted that neither he nor Raisman had sufficient time to read its memoranda.⁴¹ This was a peculiarly British way in which to effect a revolution in public administration. More importantly, it would appear that Plowden deliberately gave the Treasury its head once he had assured himself that the committee was 'on the right lines' and that the modernizers within the Treasury were in command. Thus Padmore could talk conspiratorially in November 1960 about 'those of us who have been unobtrusively attempting to steer the Plowden Committee'; and Clarke could assert that 'we always had the intention of using the Committee as a means of strengthening our hand to get the changes we wanted to make'.⁴² They may, however, have been pushing at an open door.

The critical question nevertheless remains as to whether a fundamental review of government institutions and even the interests of the Treasury modernizers themselves were best served by so restrictive an enquiry, which shielded officials from the need publicly to defend and refine their views. As even Clarke himself admitted, somewhat ungrammatically: 'I would regard the Committee as being a good machinery for developing our own ideas (where they are in line with Lord Plowden's views and philosophy) but a poor machinery for considering the problems for which we do not know the answers.'⁴³

³⁹ The private advice is best summarized in a draft letter of 13 March 1961 in P.R.O., T 291/42.

⁴⁰ P.R.O., T 291/43, CPE 14, 6 June 1961.

⁴¹ P.R.O., T 291/5, minute of 5 July 1960. Letters drafted within the Treasury, most ironically those requesting departments to voice complaints about overbearing Treasury influence, were referred back unamended to senior officials for approval before being dispatched under Plowden's name.

⁴² Plowden to Trend, 22 Nov. 1960, P.R.O., T 291/84; Clarke to Padmore, 2 Feb. 1961, P.R.O., T 291/9.

⁴³ Clarke to Trend, 13 May 1960, P.R.O., T 291/40.

II

The long-term survey of expenditure and resources was, as its final report acknowledged, the core of the committee's proposals for the modernization of government and the planning of welfare expenditure. 'Decisions involving substantial future expenditure', it urged, 'should always be taken in the light of surveys of public expenditure as a whole, over a period of years, and in relation to prospective resources.'⁴⁴ The object was twofold. Policy decisions were traditionally taken piecemeal without due regard for their inter-relationship or their long-term consequences. A survey of *expenditure* would force policy-makers to consider them in aggregate. Secondly, public and parliamentary pressure – in contrast to the nineteenth century and even the interwar period – was demanding increased government expenditure. A survey of *prospective economic resources* would oblige ministers to judge whether expenditure plans in aggregate could be afforded. If not, a combination of the two surveys would provide a basis for a rational determination of priorities. Details of machinery for the compilation and consideration of the survey were not provided in the report. In private, however, it was proposed that each December the Treasury should appraise existing expenditure commitments over the following five years in order to provide a framework for bilateral discussions with departments on their future spending plans. Provisional decisions would then be matched in the following summer to the Treasury's predictions for long-term economic growth, first by a committee of permanent secretaries and then by a small group of ministers. These ministers would then report to cabinet on future expenditure plans and their consequences for taxation.

The long-term survey was not only the core but also the achilles heel of the report.⁴⁵ Administratively, there were grave reservations about its practicability both within and outside the Treasury. There had been earlier surveys on, for example, public investment (since the 1940s), defence (since 1955), technical education (in 1956) and, significantly, Plowden's own atomic energy authority (in 1959). Like the abortive 1955 social services survey, none – apart from those on public investment – had been regarded as a success. Moreover there were admitted to be additional technical problems in the compilation of aggregate, rather than sectoral, surveys. They included major areas of uncertainty (such as wage costs) and of incomparability (such as the optimum time for the planning of different services).⁴⁶ As a result many senior Treasury officials, led by Padmore, initially opposed the concept of a long-term survey – not least because it would consume a disproportionate amount

⁴⁴ Cmnd 1432, para. 7. The full objectives are revealed in the minutes and memoranda of sub-committee 1, preserved in P.R.O., T 291/13 and 14.

⁴⁵ The political reasons are examined more fully in the following section.

⁴⁶ Estimates normally looked three years ahead. Clarke initially favoured four year surveys, before becoming the advocate of five year ones. Treasury objections were voiced in the second memorandum and at the second meeting of sub-committee 1 (P.R.O., T 291/13 and 14).

of overworked officials' time. These objections were overruled by Plowden at the critical third meeting of sub-committee 1 in January 1960. However, they continued to influence ministers. For example, the meeting with Macmillan in July 1960 was cancelled in part because he had been briefed by his principal private secretary (on the secondment from the Treasury) that in the past underestimates of wage increases and overestimates of economic growth had resulted in overoptimistic forecasts which had been 'misleading to the point of disastrous'. Macmillan consequently concluded, with some prescience in the light of the mid-1970s, 'that it was better to have no forecasts and rely on a general feeling that existing commitments are casting a longer and longer shadow than to have inaccurate five-year forecasts'.⁴⁷ Doubts also lingered on in the civil service where Clarke was regarded for some years as a 'figure of fun' and PESC as an irritating 'bore'.⁴⁸

The technical difficulties were admitted both in private and in public by the advocates of the long-term survey. An earlier survey, that for 1948–52, under Plowden's authority as chief economic planner, had brought such exercises into disrepute by attempting to quantify the unquantifiable. The principle, however, had been revived by Clarke when he became head of the planning staff in 1955, and when all Treasury divisions were required to pool their suggestions at the start of the Plowden exercise, his experimental *long-term economic assessment* was duly singled out as the most promising. It was then secretly matched within the Treasury to more detailed estimates of public expenditure to produce a *long-term resources review*, which was completed in February 1960 – just in time to reassure Plowden that such combined surveys were practical and to persuade the committee that expenditure should be matched against aggregate economic resources and not government revenue (which had previously been favoured).⁴⁹

The author of the *assessment and review*, F. R. P. Vinter, was the first to admit they were little more than 'a bluff'.⁵⁰ The model for economic growth, he confessed, was 'grounded as firmly as possible in "known" elements' but then applied to 'such extrapolation of past and current trends as appear reasonable in the light of common sense and such scanty knowledge as we have of the laws of economic development'. Amongst the major unknowns were the

⁴⁷ P.R.O., T 291/14; minute of 19 April 1960, P.R.O., PREM 11/3290. Padmore's objection to and then advocacy of the survey was characteristic. Identified as the future cabinet secretary in 1951, he was passed over as the Treasury's permanent secretary in 1959 because 'he was very wise but... not... tough'. See Hennessy, *Whitehall*, p. 142 and A. Carncross (ed.), *The Robert Hall diaries* (London, 1991), p. 170.

⁴⁸ Hecló and Wildavsky, *Private government*, p. 240.

⁴⁹ Davies to Padmore, 9 Feb. 1960, P.R.O., T 291/84; 26 Oct. 1960, P.R.O., T 291/7; 2nd and 3rd meetings, P.R.O., T 291/14. Clarke's reasoning in T 291/14, CPE (SCI) 2 was 'taxation expresses the claims of Government upon resources; but it is also the mechanism of redistribution of income, and also one of the main instruments for keeping the economy in short-term balance. These diverse modes of taxation make it difficult to use government revenue as the central criterion' of long-term assessments.

⁵⁰ The following paragraph is based on the two reports, preserved respectively in P.R.O., T 291/84 and 14. The admission of the 'bluff' is in a minute by Vinter to Peck, 26 Oct. 1960 (P.R.O., T 291/7).

future course of productivity, the balance of payments, private investment and savings. As was acknowledged: ‘the international background is changing all the time, and the long-term behaviour of the private sector (people both in their capacities as spenders and savers and in their capacities as entrepreneurs and producers) cannot be predicted within close enough limits to provide a practical basis for public sector decisions’.⁵¹ With regard to public expenditure, analysis was confined to that which consumed resources to the exclusion of transfer payments (although the latter was the faster growing sector and equally affected tax rates). The cost of such payments, such as national assistance, could not be forecast because it was ultimately determined by market conditions and not government. There were major problems in translating departmental estimates into functional economic categories (such as ‘social services’) used in national income accounting – the only remedy for which, as will be seen, was the wholesale reorganization of government accounts and even of the Treasury itself. There was also considerable uncertainty over future wage costs which made up some 56 percent of public expenditure. As a result the *review* was forced to concede that ‘in some areas we can make no useful statement at all’.

These problems were revealed to the committee, to ministers and in the final report. To the committee, Clarke admitted that the surveys would have to ‘remain experimental and tentative for quite a considerable time’. In the brief for the July meeting with the prime minister, he also warned ‘that we must not try to run before we can walk. This is a very difficult (and to a considerable extent unexplored) territory, and there is a great danger of making the wrong decision’. The final report was equally explicit. The long-term survey, it conceded, involved ‘techniques of management and measurement that are in their infancy, and ... are at an experimental stage, which is full of technical and administrative pitfalls’.⁵² Such caution, however, was matched by wilfulness. In June 1960, officials drafted a letter for the chancellor to send to the prime minister stating that ‘it is fortunate that the new techniques which the Treasury have developed will enable us to put in hand a regular series of appraisals’. The final report also brushed aside reservations to assert that it was ‘technically practical and administratively necessary to develop long-term surveys’. In these bold but essentially contradictory statements (albeit endorsed by others) there was evidence of the more unpalatable side to Clarke’s character, which a sceptical colleague summarized as being ‘a strong Napoleonic streak combined with a contempt for facts and a pleasure for experimental novelties’.⁵³

Why did the Treasury, through the committee, eventually abandon its native caution and embrace so untried and potentially dangerous a strategy? One overt reason was to ensure greater value for money through increased

⁵¹ ‘The long-term resources review’, para. 43, P.R.O., T 291/14.

⁵² P.R.O., T 291/46, CPE (SCI) 3, 25 Feb. 1960; Clarke to Padmore, 11 July 1960, P.R.O., T 291/82; Cmnd 1432, para. 13.

⁵³ P.R.O., T 291/46; Cmnd 1432, para. 17; Hall, *Diaries*, p. 167.

stability in public expenditure. Sudden variations caused immediate losses with the need, for example, to compensate contractors. More seriously they demoralized staff whose constant financial vigilance was essential to economy. As the report made explicit: ‘if policy blows hot and cold, projects will be rushed to decision in order to take advantage of a favourable wind: Departments will feel entitled to seek quick and ill-considered changes: an air of irresponsibility is bound to slip in.’⁵⁴ The survey could be used to achieve the required stability by avoiding over-commitment and thus the need for emergency economy campaigns. Far more controversially, it could also be used to minimize the contracyclical use of public expenditure in the management of the economy. The 1944 *Employment policy* white paper had maintained that ‘in the past the power of public expenditure... to check the onset of a depression has been underestimated’. The Plowden report retorted that over the past decade it had been greatly overestimated. Not only had variations in current expenditure been ‘rarely successful and sometimes damaging’ but

there has been a tendency in the past to overestimate the possibilities of useful short-term action in public investment, and to under-estimate the indirect losses caused by sudden changes. Experience shows that at least six to nine months (and often more) must elapse before short-term changes in either direction take full effect. In the two-year period from high to low, which seems to characterise post-war fluctuations in the economy, the effect of the action taken may well appear at the very moment when the economy is already on the turn. The remedy may, therefore, be worse than the disease.⁵⁵

Both Plowden and Clarke acknowledged that government could not abandon all attempts to manage the economy. Plowden (pressed by Hall) stated that it was ‘idle to suppose’ such an option to be viable but expressed a strong preference for variations in public consumption rather than expenditure. Clarke was even more explicit in declaring that ‘it is manifestly impossible to have the public sector “contract out” of the measures for keeping stable employment’.⁵⁶ The final report tried to reconcile competing tensions by recommending that ‘small but significant’ programmes of public works should be kept in reserve. This, however, was a classic piece of double speak. Apart from being a long-discredited proposal from the 1930s, was the reserve to be small or was it to be significant?⁵⁷

Another overt objective was the reassertion of Treasury control. The urgency of attempts to win acceptance for the principle of a long-term survey in July 1960 reflected officials’ concern for an immediate over-commitment

⁵⁴ Cmnd 1432, para. 24.

⁵⁵ *Ibid.*, paras. 22–23.

⁵⁶ P.R.O., T 291/13, CPE (SCI) 5th, 28 March 1960; T 291/14, CPE (SCI) 4, no date.

⁵⁷ Cmnd 1432, para. 23. The underlying contradiction was spotted by a former Treasury official, E. Compton (the comptroller and auditor general) who wrote of an earlier draft: ‘the Report rightly says that in order to operate Keynes “the Government needs all the weapons it can get”, but if everyone’s advice is taken the Government will be left without any Keynesian weapons at all’ (letter to Macpherson, 21 June 1960, P.R.O., T 291/16).

threatened by the convergence of proposals for a major road-building programme, the replacement of the Queens and the 'civilian' Blue Streak project. More fundamentally, officials were fearful that permanent public and parliamentary pressure for increased expenditure was destroying the basis of former fiscal responsibility by turning all departmental ministers, and even governments seeking re-election, into 'spenders'.⁵⁸ Thus the second interim report gave priority to the political imperative for the long-term survey, although the subject was more tactfully relegated to the last consideration in the final report. In this respect the survey had three specific ends. The first was to force ministers to face the consequences for taxation of aggregate expenditure plans – for if there was one demand from back benchers which Conservative ministers feared to refuse more than increases in expenditure, it was cuts in taxation. Secondly, the projected ministerial committee on public expenditure would provide a core of support for the beleaguered chancellor of the exchequer in cabinet and thereby act as a catalyst for making the 'theory of collective responsibility... a reality'. Thirdly, at an administrative level, the survey would predetermine the assumptions on which departmental negotiations with the Treasury were based. It would also oblige departments to stop combining to defeat the chancellor and instead to compete against each other for a fixed amount of resources. As Hecló and Wildavsky were later correctly to conclude, 'the entire rationale of the Plowden Committee was an attempt to find a basis on which the Treasury could not be defeated'.⁵⁹

There was a further covert objective for the survey, at least in Clarke's mind: the reassertion of Treasury control at the existing level of public expenditure. This ambition had been evident in the 1955 social services review and it remained his ambition. When the *long-term resources review*, for example, revealed that the consumption of GNP by public expenditure had actually fallen between 1953 and 1958 by three per cent, he was not assuaged and concentrated instead on a slight upturn in 1958 and the conviction that future commitments had been underestimated. He was duly warned by colleagues not to 'rig the controlling assumptions too much on the side of prudence'.⁶⁰ This highlights a further contradiction in the final report, in addition to those concerning the practicability of the survey and the size of the public work reserve. Its conclusion recognized that 'public opinion, as we see it' had accepted that public expenditure 'neither is intrinsically good or intrinsically bad'. Political differences only remained over the proper balance between it and private expenditure. In the committee's working papers there had even been passing references to the positive contribution which public expenditure could make to economic growth. However, the report contained ambivalent

⁵⁸ The Treasury had in fact been bemoaning the same fact since 1890, see Helco and Wildavsky, *Private government*, pp. 204–7.

⁵⁹ P.R.O., T 291/14, CPE (SCI) 10, para. 13; Hecló and Wildavsky, *Private government*, p. 202.

⁶⁰ Lowe, 'Resignation at the Treasury', pp. 521–2; Robertson to Clarke, 2 Feb. 1960, P.R.O., T 291/14. Departments had traditionally sensed that any move to forward planning was a 'further device to cut down expenditure' and this informed their initial opposition to the survey (P.R.O., T 291/43, CPE 3rd, minute 2).

allusions to the ‘excessive social services’; and these allusions were, in reality, a thin veil for a Treasury exercise demanded by Clarke during his drafting of the report to identify waste arising from two sources:

- (1) the tendency to spend public money...as an excuse for avoiding social and economic adjustments or changes
- (2) the tendency for subsidies and grants to continue long after their original purpose has been forgotten (and long after the original economic and social case for the grant had ceased to exist).

Acceptable though such an exercise was in principle, the main examples of ‘waste’ – omitted from the final report – which Treasury officials identified were significant: regional policy and family allowances for the second child. Public money was being ‘spent in buckets on Scotland’ and family allowances (the cause of Thorneycroft’s resignation in 1958) were being used to ‘supplement the purchase of frills and inessentials’.⁶¹ Such examples were evidence of both the reluctance of these officials and of Clarke himself to accept the social and economic value of public expenditure and their continuing conviction that economic efficiency could only be achieved through reduced taxation. As a colleague later confirmed, ‘Clarke’s pre-eminent concern’ was to avoid any increase in the ‘burden of taxation’. It was this underlying motivation within the Treasury that was well recognized by Macmillan and provided another reason for his initial reluctance to accept long-term surveys. ‘There is a substantial body of opinion, including Conservative opinion’, he was privately advised, ‘which accepts higher taxation... The weight of taxation could be increased without fatal results.’⁶² It is quite clear, therefore, that the administrative – if not political – acceptance of the welfare state was far from complete.

III

Outside the civil service, the committee identified three major controlling influences on the level of public expenditure: ministers, parliament and public opinion. Sub-committee 1, as has been seen, regarded the strengthening of collective ministerial responsibility as of paramount importance although its significance was downplayed in the final report. Instead the report emphasised that the ‘system of control of public expenditure depends upon the attitude to public spending both of Parliament and of public opinion’.⁶³ As has also been seen, however, sub-committee 2 quickly divested itself of responsibility for the examination of parliamentary control. Public opinion was also hardly considered either by the committee or in the report. These shortcomings exposed the weakness of the committee as an internal inquiry. They also reflected a latent contempt for both politicians and parliament throughout the committee’s proceedings.

⁶¹ Cmnd 1432, paras. 105, 101–2; Clarke to Treasury divisions and replies, May 1961, P.R.O., T 291/10.

⁶² Pliatsky, *Getting and spending*, p. 57; P.R.O., PREM 11/3290, 27 March 1961.

⁶³ Cmnd 1432, para. 9.

The long-term survey, as has already been noted, was a political as much as an administrative device to force ministers to accept a scarcity of resources and thereby resist pressure for increased expenditure. Treasury officials were ever ready to cite examples of economical administration undermined by ministerial irresponsibility and their ideal of a-political administration was best summarized by the head of the social services division who had fought a losing battle against the rising cost of national insurance and assistance. ‘The main difficulty’, he complained,

has been the single-mindedness and ability of the minister concerned. Though it is a house secret, if a Minister has the time and inclination to delve into every aspect of administration, control of expenditure is bound to suffer. Hence the case for arranging that ‘Executive Departments’ in this field do not have a Minister in direct charge of them.⁶⁴

A similar scepticism about ministers – able or not – was a factor in Plowden’s own formal endorsement of the principle of the survey despite its patent technical shortcomings. As he summed up the critical third meeting of sub-committee 1, no fundamental obstacle had been raised that ‘ruled out the possibility of *confronting* Ministers with expenditure and revenue over some years ahead. The picture would not be accurate [but] the hope was that if Ministers were given the best forecasts...they might have a *moderating influence*.’⁶⁵

Once the principle had been established, the practical problem was how to incorporate the survey effectively into the policy-making process. The answer advocated in the second interim report was a ministerial committee of public expenditure to examine major new initiatives and aggregate expenditure in the light of the survey’s predictions. The first proposal was a further ratchet in the chain of control, extending the 1920 convention whereby all proposals for increased expenditure had to be submitted to the Treasury before going to cabinet. The cabinet was thus to be insulated still further from departmental enthusiasm and expertise. The objective of the second proposal was to provide core support in cabinet for the chancellor. A ministerial committee was initially opposed by senior Treasury officials who feared that its decisions might bind the chancellor’s hand and prejudice his budgetary independence. Consequently the final report made it clear that the committee could only strengthen and not weaken the chancellor. However, ministers (and particularly Lloyd) remained sceptical. They questioned – with, as events proved, some justice – whether senior ministers would have either the time or the will to serve. Political careers depended on securing increased expenditure and on building alliances. Little credit could be gained from cutting expenditure and disappointing colleagues. In other words, the Plowden

⁶⁴ The quotations are all from P.R.O., T 281/84. A similar attempt to implement social policy through executive agencies had been made in 1920, and continued with the creation of such semi-autonomous bodies as the unemployment assistance board in 1934, see R. Lowe, *Adjusting to democracy* (Oxford, 1986), pp. 182–3. ⁶⁵ P.R.O., T 291/45, CPE (SCI) 3rd, 25 Jan. 1960.

committee was guilty of naively ‘trying to make Ministers change their spots, in the hope that their existing spots can be attributed largely to inappropriate diet and to faults in their digestive system both of which can be put right’.⁶⁶ Lloyd, as has been seen, was ultimately persuaded to chair a ministerial committee in December 1960 and its establishment did resolve two smaller bones of contention. Initial opinion was divided over whether the committee should contain spending or non-spending ministers, and whether it should be permanent or *ad hoc*. It was eventually decided that it should be a mixed committee of spending and non-spending ministers (as favoured by Plowden) and was *ad hoc*. The irony was not lost on Macmillan that greater stability in public expenditure was to be achieved by a transient committee.

The experiment of a ministerial committee was only repeated once in the 1960s and public expenditure soon started to escalate. This is evidence that the committee ultimately failed to curb ministerial ‘irresponsibility’. Failure, however, was not total. The chancellor was strengthened by the appointment of a second Treasury minister, the chief secretary, to cabinet between 1961–4 (and again between 1968–70). Against the committee’s expectations, the government’s long-term spending plans were also published in 1963 and 1966, and then annually after 1969 – less to inform the public, perhaps, than publicly to commit ministers to privately agreed targets. Above all, cabinets were given the *opportunity* to act responsibly. As Clarke himself later reflected:

Cabinet takes their decisions on public expenditure in much the same way they take decisions on anything else – push and pull, threats and cajolery, bluff and counter-bluff, the day-to-day battle of the Cabinet room. PESC cannot change this at all, for this is the nature of political life. But with PESC they are now talking and bargaining about all the right questions... making real choices not artificial ones... This is the real gain... and an important one.⁶⁷

Although he perhaps exaggerated the technical capacity of PESC to identify the ‘right questions’, this was an accurate summary of the limited political ambitions to which the committee’s managerialism could realistically aspire.

Officials’ cynicism about ministers was matched, and even exceeded, by that for parliament. Although – or perhaps because – parliamentary questions and select committee reports could so embarrass Whitehall, parliamentary discussion of both past and future policy was judged very critically. When it was suggested, for example, that parliament should be weaned away from annual budgets and given greater control over long-term commitments, the proposal was abruptly dismissed on the grounds that parliament had neither the flexibility nor the expertise to discharge such a responsibility.⁶⁸ No consideration was given to how greater flexibility or expertise could be attained. It was, however, the select committees which attracted most venom.

⁶⁶ B. Fraser to Plowden, P.R.O., T 291/15. Opposition was voiced at the second meeting of sub-committee 1 and in T 291/7. The validity of the political reservations is confirmed in hindsight in Hecló and Wildavsky, *Private government*, pp. 184–5. ⁶⁷ Hall, *Diaries*, p. xviii.

⁶⁸ Cmnd 1432, paras 72–4. See also the fourth interim report in P.R.O., T 291/8. Heath, as chief whip, favoured an autumn ‘resources’ budget but this was ignored.

The estimates committee was condemned for its 'irremediable amateurism'.⁶⁹ With a traditionally weak chairman and an inefficient secretariat, its reports were dismissed as inconsistent and ill-informed. Neither outside allegations nor their own conclusions were checked for accuracy with Whitehall. Consequently it was little more than a 'time-wasting nuisance'. The public accounts committee was adjudged more professional, not least because it was served by the comptroller and auditor-general (a former Treasury official) who liaised closely with the Treasury. Nevertheless its remit was only to criticize, never to praise, the civil service and it was too narrowly concerned with financial propriety, not value for money.

Without leadership from a parliamentarian, and indeed without any guidance from the outside members of the committee, the Treasury produced a stream of damning reports on parliamentary procedure. They were modified by Plowden on the grounds that they were 'too critical and patronising' but their vehemence was still evident in the final report. The select committees, for example, were encouraged to become better informed and to concentrate more on the efficient use of resources rather than book-keeping. 'It would be an opportunity sadly wasted', the report warned

if the Committees' influence discouraged modern administration... Unless the Committees accept the change which is in progress the result will be retention of detailed control over the Departments, contrary to good management and to the detriment of the efficiency both of the Departments and the Treasury.⁷⁰

No proposals to enhance parliamentary independence were advanced. A fundamental reform of the estimates was set in train which, by excising much unnecessary detail and repetition, reduced them in size by two-thirds. This, it was hoped, would facilitate parliamentary debate and investigation. By contrast, a demand from outside experts was rejected to place departmental accounts on a resource rather than a cash basis so that, as in business, parliament would be able to estimate a rate of return on capital expended. The long-term survey, it was argued, was a better measure of resource utilisation. This part of the report was 'translated' by the Mackenzie spoof as saying in effect that its aim was to ensure 'effective Treasury control over the Commons'.⁷¹ It is difficult to disagree.

Public opinion was treated even more cursorily. Its importance was duly acknowledged in the final report which accepted that 'the best system and the most up-to-date techniques will succeed only if public opinion is actively stimulated and enabled to take a balanced view of the alternative uses of national resources'.⁷² How was this objective to be achieved? Expert opinion could be stimulated by the reform of the estimates. Ordinary opinion might

⁶⁹ The most explicit criticism of the estimates committee is in P.R.O., T 291/7 (Playfair to Plowden, 29 July 1960) and of the PAC in P.R.O., T 291/47, CPE (SC2) 21 and 23.

⁷⁰ P.R.O., T 291/43, CPE 11th, 27 April 1961; Cmnd 1432, paras. 77, 80.

⁷¹ Cmnd 1432, paras. 63–7; Rose, *Policy making*, p. 281 (para. 90).

⁷² The quotations in this paragraph are from Cmnd 1432, paras. 105–6. The value of the survey for public opinion is alluded to in para. 25.

also benefit from the publication of the long-term survey – and indeed such a benefit was alluded to in the report – but the committee's final (and, as it transpired, incorrect) judgement was that politicians would find it too sensitive to publish. No alternative means of public education were advanced. This omission begs two major questions. First, did the committee ever seriously attempt to breach the secrecy that had enveloped Whitehall since the formalization of Treasury control in 1920? Secondly, what was the real reason for the Treasury's concern for public opinion? An answer to the second question is provided in the report's penultimate paragraph. It expressed the hope that there could be brought to the consideration of public expenditure 'the same qualities of common sense and realism that the average household shows all the time in handling its own financial affairs'. The imagery was singularly close to that of the prudent housewife used in the 1930s and 1980s to justify balanced budgets. Was not public opinion being wooed, just as the cabinet and parliament were being manipulated, to support not just stable but stabilized expenditure?

IV

The modernization of expenditure controls within, as opposed to outside, Whitehall were taken more seriously. As had been noted, the estimates committee had identified much departmental dissatisfaction with the Treasury and, once its substance had been examined by the main Plowden committee, two sub-committees were appointed in October 1960 (under the chairmanship of Plowden and Wall respectively) to consider the future establishment role of the Treasury and the promotion of management skills throughout the civil service. Earlier, specific enquiries had been opened into the administration of four of the most expensive policy areas: defence, agriculture, the NHS and central-local government relations.

More extensive though these investigations were, they were still far from searching. The major critics of the Treasury, Sir Frank Lee and Evelyn Sharp, were silenced – the first dramatically by his appointment as its head and the latter by her agreement to the excising of her comments from the main committee's minutes. The sub-committee on establishment control was then largely fed selected information and propositions from the Treasury which were tested on various witnesses. It was little wonder, in consequence, that the final report could blandly maintain that 'there was no evidence of serious strain in the relationship between the Departments and the Treasury'.⁷³ The individual inquiries equally lacked width and depth. That into the NHS, for example, concentrated solely on hospitals and even then confessed that it had 'not been able to make any real examination of the service'. All the other social services, despite Plowden's initial intention, went unexamined. Even the

⁷³ Macpherson to Plowden, 19 Feb 1960, P.R.O., T 291/3; Cmnd 1432, para. 33. The latter quote was indeed a subtle distortion of the eighth interim report which stated 'the evidence... does not suggest there is ground for serious criticism of the existing arrangements' (T 291/85, para. 10). There may well have been strain.

more hard-hitting subcommittee on management services admitted to having obtained only a 'bird's eye view' so that its recommendations were based on 'a most general impression from evidence which might be quite unrepresentative'.⁷⁴ This was perhaps the reason for most of its criticisms being omitted from the final report.

Lee's criticisms, expressed both to Plowden in private and to the committee, were sweeping. 'All my experience in the Board of Trade', he maintained, 'has convinced me that *detailed* control by the Treasury is nearly always a mistake, a waste of effort and a cause of frustration'.⁷⁵ It was a mistake because blocks of large expenditure (where real economies could be made) tended to be neglected whilst areas of small expenditure were exhaustively scrutinized. It was a waste of effort because senior officials' time – costing far more than any possible saving – was spent in fighting cases which, in the end, the Treasury normally conceded. Finally, it was a cause of frustration because policy-initiatives were delayed, enthusiasm sapped and integrity questioned – although the Treasury had sanctioned the senior appointments in each department and should therefore have been able to trust departmental judgements. The whole system was thus counterproductive because it undermined financial responsibility within departments without achieving any strategic economic gains. The Treasury's response to these charges was instinctive. Such weaknesses that did exist, it argued, were always the fault of others. Intrusive and 'pettifogging' enquiries, for example, were the inevitable result of either select committees' demands for detailed audits or the need to mount regular economy campaigns to repair the damage caused by ministers' profligacy. Plowden, however, seized on Lee's criticism of detailed control to persuade himself that it was 'the frustration and criticism created by ... trivial matters' rather than any 'fundamental criticism' that had brought the whole system of Treasury control into disrepute.⁷⁶ The obvious remedy was a long-term survey which would guarantee the Treasury's control of aggregate expenditure whilst freeing departments, within agreed limits, to implement policy.

The survey could permanently improve relations within Whitehall by creating a new sense of partnership or, in the words of the final report, a feeling of 'joint working in a common enterprise'.⁷⁷ The Treasury would concentrate on developing expertise in its own area of responsibility, whilst allowing other departments greater freedom in theirs. The Treasury had three principal duties. It had to determine the amount of national resources available for public expenditure and to allocate it to departments as speedily and consistently as possible. It had to act as a central depository of, and advice centre on, management skills. This would include the development and propagation of costing techniques and viable yardsticks by which efficiency comparisons could be made within and between services. Finally it was to

⁷⁴ P.R.O., T 291/85, ninth interim report, para. 41; eighth interim report, appendix 1, paras. 1 and 4.

⁷⁵ P.R.O., T 291/44, CPE 4, para. 28.

⁷⁶ P.R.O., T 291/34, CPE (SC8), 1st.

⁷⁷ Cmnd 1432, para. 79.

monitor departmental expenditure, not to question actual decisions but to keep itself abreast of current policy and to ensure the efficiency of management. The corollary of such a policy was that the primary responsibility for the implementation of policy devolved to the spender – be that another government department, regional hospital boards or local government (where the move from specific grants, which required detailed audit, to general grants had been accelerated by the 1958 Local Government Act). As Clarke depicted the new partnership: ‘the Treasury’s job is not to act as a censor or as a back-seat driver’ but rather ‘to ensure that every Department has the best possible cars and drivers and is properly equipped with maps’.⁷⁸ No external form of financial supervision could be as cost-effective as internal self-discipline.

Such seemingly admirable proposals for a new partnership prompt one basic question. Why had it not occurred before? It had, after all, been the explicit intention behind Sir Warren Fisher’s greater formalization of Treasury control in 1920 to build a more constructive and efficient partnership between the Treasury and spending departments. Yet, in the 1950s the inefficiency of Treasury control was universally acknowledged even if no one was prepared to follow Lee’s example and denounce it openly. Even the Treasury’s social services division admitted as it was ‘party to the retention of systems of control that are “phoney”’ and to the pretence ‘that control exists in certain areas where, by their nature or from lack of policy decisions to wield control, there is no effective control’.⁷⁹ Areas of considerable administrative incompetence were also known to exist, not least in the NHS where the ministry of health had been consistently denied the resources for effective supervision. Moreover, although sub-committee 8 may have praised the provision of O and M and computerization (which was duly noted in the final report) it was hugely critical of the slow introduction of training programmes and comparative costing (which was not). Typically, for example, the Treasury had long opposed the staff costs of a ministry of education initiative to compare costs between LEAs, which was duly singled out for praise by the sub-committee.⁸⁰ Departmental resistance to change, such as the long-term survey, and local government opposition to any further extension of general grants were not, therefore, the result of conservatism (as claimed by the Treasury) but of a mistrust of the Treasury and a fear that these initiatives were merely devices to strengthen its financial control.

Was the new Treasury to be trusted? Given the covert ambition, at least amongst certain of its officials, to stabilize public expenditure at a given percentage of GNP, clearly it was not. Moreover the loosening of establishment controls, as proposed in the final report, was to an extent illusory. The Treasury was to retain its key powers in relation to the scrutiny of departmental estimates, the appointment of senior staff and civil service pay.

⁷⁸ Clarke, *Public expenditure*, p. 105. One of the committee’s major recommendations was that permanent secretaries should devote less time to policy advice and more to vigorous management (para. 47).

⁷⁹ Memorandum by J. A. C. Robertson, 10 Oct. 1959, P.R.O., T 291/1.

⁸⁰ Cmnd 1432, para. 44; P.R.O., T 291/55, CPE (SC6), 2nd.

On minor issues, such as the carrying forward of budget surpluses into the following financial year, it strongly resisted departmental requests for greater flexibility. Above all, it retained its power to scrutinize departmental administration (to ensure its efficient management) and departmental staff (to ensure that they were deployed and promoted not in the narrow departmental but the broad public interest). Where was there to be any serious decrease in its power?

Given the need for some centralized control of administration, the Treasury can too easily be criticized for all the shortcomings that inevitably occur. Under Lee's leadership, there was a genuine attempt at reform. Greater devolution was granted in many areas of policy whilst the committee was still sitting. Officials who had responded so negatively to the original report of the estimates committee were replaced by modernizers. A fundamental reorganization of the Treasury was also initiated to enhance both its functional efficiency and its specialist expertise. Nevertheless, the fundamental requirement of any genuine partnership is trust and a consequent surrender of power for mere influence. This, as Brittan noted, did not happen – nor was it likely to happen with a department that still regarded its fellow administrators and indeed the world in general with considerable suspicion. Once again, therefore, there was considerable truth in the Mackenzie spoof which translated the key passage on 'joint working in a common enterprise' as saying in effect:

It should be made perfectly clear in future that this is not to be regarded as a game between equal players.

The Departments are in effect operating companies, and the job of their managers is to manage; not to try to act as directors of the holding company.

The functions of policy-making are now concentrated in the Treasury, and it has been given ample powers to keep lower management in its place. It is in the hands of the Treasury alone to measure the efficiency of management, and to apply rewards and sanctions by posting and promotion.⁸¹

V

Was the Plowden Committee, then, a milestone or a millstone in the modernization of British government and the evolution of the welfare state? Unquestionably it revitalized the Treasury and effected a series of reforms which increased the capacity of the Treasury, and of the civil service as a whole, to respond to the challenges of the extended postwar state. It also put in place an ambitious system for the control of public expenditure which had the potential to raise political, parliamentary and public debate to a more sophisticated and responsible level. Unquestionably, however, it was also a failure. Within five years the Fulton committee had been appointed to enquire again into the working of the civil service and public expenditure soon escalated out of control. Much of the responsibility for these 'failures' may

⁸¹ Rose, *Policy making*, p. 277.

well have lain with ministers who immediately undermined PESC by seizing upon too high a rate of economic growth against which to plot future expenditure and even then, as Clarke had feared, turned a blind eye to many of the hard decisions with which they were confronted. However, at their root – as the ministry of defence had immediately predicted – was the secretive and restrictive nature of the enquiry itself.

The committee was restrictive in both the field of its enquiry and the range of its participants. Attention was immediately and overwhelmingly focused on the political control of public expenditure and thus on the ‘holy grail’ of the long-term survey. Serious discussion was shunned on the equally important issues of parliamentary reform and the nurturing of informed public opinion – without which, as the committee itself admitted, ‘the best system and most up-to-date techniques’ could not succeed. Many criticisms of the management and practices of the civil service, identified by sub-committee 7 as well as the estimates committee (and which were in the power of the Treasury to remedy), were brusquely brushed aside. The failure to scrutinize a wider range of policy areas ‘right down the line’ also represented a major lost opportunity.

That the interests of the Treasury and, in particular, its modernizers were not challenged and refined by the concerns of others, and especially by foreign experience, was a result of both the committee’s reluctance to take evidence in public and of the relative weakness of its outside members, with perhaps the exception of Plowden himself. The corollary was that there went unchallenged in both the committee’s deliberations and its report major contradictions (such as those concerning the practicability of the survey) and covert assumptions (such as the need to cap welfare expenditure at a given percentage of GNP). This was no way in which to build the broader consensus upon which the more effective control of public expenditure depended. Ministers, with reason, remained sceptical of the accuracy of long-term forecasts and the political inflexibility they were designed to encourage. Parliament was treated with thinly veiled contempt and offered no serious reforms. Public opinion was given no guide to the means by which a balanced judgement could be made of the relative advantages and disadvantages of collective provision which, at the time, it clearly favoured. The rest of the civil service also saw little evidence of the weakening of Treasury control which might promise a genuine move towards ‘joint working in a common enterprise’. Rather the committee’s deliberation and report were hurried along exclusively on lines favoured by, and favourable to, the modernizers within the Treasury. In relation to welfare policy in particular, the opportunity was lost to debate the consequences for government of the relative efficiency of collective as opposed to market provision in given areas of policy such as the NHS. The contracyclical use of public investment was also condemned, thereby overlooking the possibility that some ‘inefficient’ use of public money might be justified if, by a reduction of unemployment, the more efficient use of national resources might be attained. In a classic case of ‘goal displacement’, which is an inherent danger

in any restrictive enquiry, the welfare of the government machine was put before that of individual citizens and the economy. In short, whilst the Treasury – and thus the committee – accepted the welfare state as an electoral necessity, they both remained unconvinced of the positive and indeed the essential role it had to play in an advanced industrial society.

Clarke in his published history sought to draw a parallel between the Plowden and Beveridge committees.⁸² Both were admittedly internal enquiries chaired by men of authority and inside knowledge who were assisted by official ‘assessors’. The analogy, however, could not have been more wrong; and it exposed the fundamentally a-historical nature of Clarke’s thinking, which was responsible also for his failure to learn any lessons from earlier unsuccessful attempts to forge a constructive partnership between the Treasury and spending departments. The actual differences between the two committees could hardly have been greater. Beveridge, for example, was as awkward as Plowden was smooth. It was he, rather than Treasury officials, who directed his enquiry and drafted the report. His recommendations also challenged orthodoxy and were expertly leaked to the press in order to maximize publicity. In this way the Beveridge Report came to represent a genuine milestone in British, and even international, welfare policy. In contrast the Plowden Report, with its covert agenda to restrict both public expenditure and public discussion, reflected the resistance of the British political and administrative elite to radical change. It also reflected a traditional scepticism towards collective provision which – because the quality of management was essential to its ultimate success – unsurprisingly became self-fulfilling. Consequently the Plowden committee was not a milestone and, if not a millstone, was at least a buoy marking an undercurrent of hostility towards state welfare which linked the 1930s to the 1980s.

⁸² Clarke, *Public expenditure*, p. 38.