

In his book *The Socialist Case*, first published in 1937, Douglas Jay wrote: ‘in the case of nutrition and health, just as in the case of education, the gentleman in Whitehall really does know better what is good for people than the people know themselves.’¹ This phrase was quoted in Conservative Party propaganda in 1949-50, in an attempt to discredit the Labour government of which Jay was by then a member.² It has also gained a longer-lasting notoriety,³ and is often misquoted, even by writers sympathetic to Labour, as ‘the Gentleman in Whitehall is usually right’, or ‘the gentleman in Whitehall knows best’.⁴ As Jay’s *Times* obituarist commented, ‘In spite of his protests that the implications drawn from a selective quotation conveyed the reverse of his general argument, his political opponents cherished and endlessly repeated these words as a classic statement of Fabian arrogance and elitism.’⁵

However, the task of putting the quotation in its proper perspective is complicated by the fact that, by 1947 Jay’s views had altered significantly. As Jim Tomlinson, Martin Francis and Daniel Ritschel have all noted, he

gave a Fabian lecture in November of that year, in which he indicated that war-time and early post-war experience had made him more favourable to planning than he had been in the pre-war years.⁶ Moreover, a new edition of *The Socialist Case*, published the same year, reflected a significant shift in his views on the question of consumer choice which the ‘gentleman in Whitehall’ remark addressed: the overall context of the remark changed.⁷ The purpose of this paper, therefore, is to explore in detail, via comparison of the two editions, the way in which his opinions on this, and the related issues of planning and the price mechanism, evolved. The changed role envisaged for Jay’s ‘gentleman in Whitehall’ not only illustrates important points about the impact of WWII on the Labour Party’s attitudes to planning and consumer sovereignty, but also casts light on the relationship between the socialist revisionism of the 1930s and that of subsequent decades.

For *The Socialist Case* is not merely known as the vehicle for an infamous remark, but also as a seminal work marking a departure from the Labour Party’s traditional ideology. Much, in particular, has been made of the book’s ‘Keynesianism’ – perhaps to an exaggerated degree.⁸ As Noel Thompson has pointed out, Jay was clearly influenced by Barbara Wootton, J.A. Hobson and Evan Durbin as well as by Keynes (and James Meade): ‘the work is characterized more by its eclecticism than by its theoretical

coherence.’⁹ Yet even so, the book undoubtedly did differ in important respects from contemporary mainstream Labour economic thought. Noting this, some historians have seen the work of Jay, and other Labour ‘young economists’ with similar inclinations, as providing ‘the intellectual inspiration for the party leadership in the 1940s and 1950s’.¹⁰ As Ben Pimlott has put it, the 1930s revisionism of Jay, Durbin, Hugh Gaitskell, Colin Clark and others ‘eventually became dominant in Labour Party thinking ... embryonic “Gaitskellites” established a tradition of reformist economic management which Labour’s 1945 document *Let Us Face the Future* plainly reflects, and which soon became the basis of post-war British socialism.’¹¹ However, the development of Jay’s own views during this period sheds a rather different light on the nature of this process of ‘catch-up and convergence’.

The life of Douglas Jay

Douglas Jay was born on 23 March 1907 in Woolwich, London, the second of four children. His father represented Woolwich on the London County Council as a Municipal Reformer (as the Conservatives then called themselves), recalling later: ‘I was by conviction an individualist, and regarded the Socialist schemes of our opponents as a real menace to freedom. At the same time I was uncomfortably aware that the attitude of

many of my supporters was a purely selfish one.’ Douglas, educated at Winchester College (where he was a contemporary of Richard Crossman) inherited his father’s social concern. In 1926, the year he went up to New College, Oxford to read Greats, the miners’ strike (which dragged on for months after the end of the General Strike of that May) ‘aroused my political feelings and left me by the autumn an ardently convinced supporter of the Labour Movement.’ Having narrowly taken a First, in October 1929 he joined *The Times* as a sub-editor. Concurrently, he began to study economics, and in 1930 was elected a fellow of All Souls, Oxford. In 1933, he left *The Times* and joined *the Economist*.¹²

This appointment coincided with Hitler’s coming to power in Germany. Although initially optimistic about European events – ‘I have a vision of all the reactionary Governments falling at just about the time that prices begin to rise and Socialist Governments coming in everywhere and getting the credit for the recovery’¹³ – he was no supporter of appeasement. His faith that Nazism could be defeated through firm action was bolstered by the firm convictions of Hugh Gaitskell, a figure with whom he would become closely associated. Although the two men had overlapped at Winchester and New College, they only got to know each other in 1933-4.¹⁴ Jay’s reading of economics had led him to reject Karl Marx in favour of

Alfred Marshall: ‘Marshall, so it seemed to me, offered the secret of the whole controversy in lucidly explaining that in a pure *laissez-faire* system, despite its genuine merits, the demand represented by the rich man’s pound would tend to be over-weighted in terms of need as compared with the poor man’s pound – a basic truth which fully explained the worst human consequences of *laissez-faire*, but whose significance was often neglected both by some Marxists and the orthodox followers of Adam Smith.’¹⁵ He was therefore attracted by Gaitskell’s ideas on the inefficiency and injustice of the financial system, and in particular by his contribution to G.D.H. Cole’s edited collection *What Everybody Wants to Know About Money* (1933).¹⁶ The contacts with Gaitskell that followed helped bring Jay into the Labour movement in an active role, as did Hugh Dalton’s patronage – which was owed in part to the latter’s admiration for Jay’s hill-walking skills, demonstrated when they met socially in or around 1934.¹⁷ Jay joined the New Fabian Research Bureau (NFRB), participated in the activities of XYZ (Labour’s unofficial group of financial experts), and served on various sub-committee’s of the Labour Party’s National Executive Committee.¹⁸

In January 1937, Jay started work as City editor of the *Daily Herald*, the newspaper of the Labour movement, where his determination to follow a socialist line frequently brought him into conflict with the ‘No gloom’ policy

of the paper's commercial management.¹⁹ *The Socialist Case* was published later the same year. Already, he had demonstrated a strong interest in the work of John Maynard Keynes, having reviewed both the *Treatise on Money* (1930) and the *General Theory* (1936); the latter he found formidable and illuminating, but thought that Keynes overrated the importance of investment in comparison with consumption.²⁰ Thus although Jay made efforts to ensure that the doctrine of effective demand advanced in *The Socialist Case* 'was at least consistent with Keynes's argument', his commitment to Keynes should not be overstated.²¹ For instance, a memorandum he co-wrote with Gaitskell, Durbin and Colin Clark in June 1936 accepted that the Budget should be unbalanced in exceptional circumstances ('when economic conditions were not merely bad but rapidly becoming worse'). But its authors thought that such 'general' or macroeconomic measures could only reduce the numbers of unemployed by 400,000 – although in fact unemployment fell by 700,000 within a year.²² Moreover, Jay, unlike Keynes, emphasised redistributionary taxation; in 1938 he argued privately that the multiplier effect was 'a red herring', and that Keynes's emphasis on investment laid too much stress on public works and the rate of interest.²³ Likewise, he differed with Keynes on specific points of practical policy. For example, he rejected (in violent terms) the

National Government's 1937 decision to borrow £400 million for defence purposes – whereas Keynes believed that the borrowing could be achieved without inflation and was likely to help postpone industrial recession.²⁴ Jay was, however, willing to act as a point of contact between the great economist and the Labour movement; but when he and Francis Williams (the *Herald's* editor) held a meeting with Keynes, it proved impossible to convince the latter of the political allowances and concessions of understanding that he would have to make when trying to persuade trade unionists of his views. 'I never appreciated until today,' Jay said to Williams afterwards, 'how much Keynes thinks like a rich man.'²⁵

After the outbreak of war in 1939, Jay remained at the *Herald* until he was recruited into the Ministry of Supply in December 1940. The task of his section of the ministry was to recruit, via the Ministry of Labour, all the workers needed for Ministry of Supply's industrial activities. In September 1943 he became personal assistant to Dalton, now President of the Board of Trade. In this role (and from June 1944 as a principal assistant secretary) he focussed on post-war regional development policy, drawing up plans to steer industry into areas of threatened unemployment. He also discussed with Dalton and Herbert Morrison the manifesto for the general election expected in 1945: 'I argued for inclusion in "Let us Face the Future" of a pledge on

the Beveridge national insurance plan, suitably improved; a big space for Full Employment and the Development Area policy; and public ownership for the Bank of England, the coal industry, railways electricity, gas and civil aviation, but not iron and steel.' Iron and steel was included nonetheless. He stated in his autobiography that this was a mistake, and that the 1945 Labour government could have saved itself much trouble if it had concentrated on industries like coal and the railways, where the workforce had itself demanded nationalisation, and electricity and gas where there was a proven technical case.²⁶

Labour's landslide election victory came as surprise to Jay, as did the subsequent invitation to him to serve as personal assistant and adviser on economic policy to Clement Attlee at No. 10. He participated in discussions on the US loan, and gave repeated and prophetic warnings of the impending coal crisis. In July 1946, with Attlee's encouragement, he was elected MP for Battersea North, the previous incumbent having been appointed Governor of Malta. In October 1947, he became Parliamentary Private Secretary to Dalton as Chancellor. Shortly after Dalton resigned – to Jay's distress²⁷ – the following month, Jay was appointed to the new post of Economic Secretary to the Treasury. In 1949, in the absence of Cripps, Dalton's successor, he played a key role, together with Gaitskell and Harold

Wilson, in the decision to devalue the pound. The episode confirmed his regard for Gaitskell and distrust of Wilson. He became Financial Secretary to the Treasury after the election of February 1950, and after Labour's 1951 defeat he became a front bench opposition spokesman.

During the 'thirteen years of Tory misrule' Jay acquired a reputation in left-wing Labour circles, along with Roy Jenkins, as one of the 'implacable extremists' in the Gaitskell coterie.²⁸ (Gaitskell became the leader of the Labour Party in 1955). This was due in part to an article he wrote in *Forward* after the 1959 general election, suggesting that Labour should rethink its nationalisation proposals, and should consider changing the party name to 'Labour and Radical' or 'Labour and Reform'.²⁹ This generated a furore, even though Jay was by no means suggesting that public ownership should be abandoned; and though, contrary to left-wing allegation, there was no Gaitskellite 'plot' behind the article. Unsurprisingly, after Gaitskell's death in 1963, Jay's relations with Wilson, the new leader, were strained. Nonetheless, after the election victory of 1964, Wilson appointed him President of the Board of Trade.

Jay's time at the Board of Trade was marked by his renewed efforts to promote regional development, by his opposition to devaluation, and by his resistance to the idea that Britain should join the EEC. Partly because of this

last factor, Jay became the victim of a campaign by Cecil King, the newspaper magnate, to persuade Wilson to get rid of him.³⁰ The Prime Minister - whom Jay by now viewed as a 'little crook'³¹ - finally succumbed in August 1967, using the excuse that Jay was now over the retirement age of sixty that Wilson had laid down informally. Jay, who was on holiday in the West Country, was summoned to meet Wilson at Plymouth station. He took the news of his dismissal badly,³² but within two weeks had become 'certain that my chief aim from now on must be to explain to all capable of understanding it the harm which the narrow Common Market obsession must, if pushed too far, do to this country'.³³ He took a prominent role in the 'No' campaign during the referendum of 1975, and remained an MP until 1983. He entered the House of Lords in 1987, and died on 6 March 1996.

The first edition of *The Socialist Case*

Jay recalled that he started writing *The Socialist Case* after the general election of November 1935, and it was published in September 1937.³⁴ He also recalled Gaitskell giving 'a great deal of time and scrupulous trouble' to advising him on the book, 'on which I had rashly embarked ... in order to expound popularly our joint social democratic non-Marxist views'; and that to James Meade's book *An Introduction to Economic Analysis and Policy*

(1936) ‘I owed more than to any other printed work.’³⁵ He recalled in his autobiography that his book had three main theses:

First that the case for greater social justice tested on Alfred Marshall’s “broad proposition” that “aggregate satisfaction can *prima facie* be increased by re-distribution of wealth, whether voluntarily or compulsorily, of some of the property of the rich among the poor”, and had been sadly distorted by Marx’s obsession with ownership and out-dated theory of value. Secondly that there was no rational ground for believing re-distribution could not be peacefully and democratically achieved. Thirdly that unemployment and cyclical depression were monetary phenomena which could be overcome by intelligent management of what I boldly labelled “total effective demand”. I called the book *The Socialist Case* to emphasize the extent to which Marx was a revisionist, whose dogmatism and stridency were not shared by earlier socialists such as Robert Owen.³⁶

One of the most interesting things about the book, however, was its approach to planning, the price mechanism, and its comparatively positive attitude to consumer choice. This must be seen in context of the Labour Party’s adoption, after its disastrous election defeat in 1931, of a concept of the planned economy based on nationalisation and physical controls. Allied to this was the widespread, but not unanimous, belief that consumer sovereignty was an unimportant luxury, at least while the poorest people in society were in want of necessities. As Dalton stated in at a Fabian Society conference in 1934, ‘It was pedantic to think consumers’ preference important so long as there was great poverty. A dictatorship of consumption

was desirable ... There would be less dislocation on the producers' side if the caprice of consumers' expenditure were controlled.' Some voices, such as that of Durbin, were raised against this.³⁷ In *The Socialist Case*, Jay's attitude to consumer choice was in some ways equivocal, but his willingness to speak up in favour of it at all put him, with Durbin, very much in the minority.

In Chapter XXVIII ('Redistributive expenditure'), Jay argued that the money raised in a socialist state via higher taxation should be distributed to the poor partly in kind and partly in money. He claimed that 'ignorance distorts the working of consumers' choice ... where primary necessities are concerned the State will normally be a better judge than the spender of the family's income'; when a family was too poor to afford housing, heating, sanitation, health services, education, food and clothes, 'the State should supply them out of the unearned income at its command.' Over and above this provision of primary necessities, however, money should be distributed to the poor – in the form of pensions, family allowances, or through the remission of regressive taxation – 'and the advantages of free consumers' choice retained.'³⁸ As will be seen, Jay gave a rather more ringing defence of the principle of choice later in the book. Moreover, he put himself strikingly in the minority, not merely by speaking positively about consumer freedom

(with key exceptions), but also by showing himself comparatively sceptical about the idea of economic planning in general.

In a lecture given in November 1947, shortly after the publication of the second edition of the book, Jay said: ‘It would be possible to have a great deal of Socialism, and not much planning. ... I must confess that before the war I used to think there was much to be said for this solution, partly because it combined a great deal of social justice with a great deal of individual freedom, but mainly because I doubted the sheer practical ability of central authorities to control big sections of the nation’s economic life.’³⁹ This belief was manifest in the first edition of *The Socialist Case*. As Jay put it in Chapter XXI, ‘Principles of redistribution’, ‘The tendency of socialists lately to think less of the dispossession of property and more of organization, “planning”, efficiency, and so on, is in many ways unfortunate. What society fundamentally needs is not so much planning as socialism.’⁴⁰

In his doubts about planning, he was strongly influenced by the arguments put forward by F.A. von Hayek, Ludwig von Mises, N.G. Pierson and Georg Halm, in Hayek’s 1935 edited collection *Collectivist Economic Planning*.⁴¹ The central message of the book, summarised by Hayek, was that ‘to-day we are not intellectually equipped to improve the working of our economic system by “planning” or to solve the problem of socialist

production in any other way without considerably impairing productivity’; any attempt to abolish, or even substantially amend, the free market was bound to be economically disastrous.⁴² Naturally, Jay did not accept this conclusion in its entirety, but he was prepared to make key concessions to Hayek’s point of view.

This was shown in Chapter XXIX, entitled ‘Should we interfere with the price system?’. Here, in line with arguments made earlier in his book, Jay posited a world

in which all unearned income would be gradually falling as a result of inheritance-taxation, into the hands of the State, in which many large industries would be operated by public corporations working mainly on the price and profit principle, in which vast numbers of small entrepreneurs would still be working on that principle, in which inequalities of earned income would be slightly but not much less than now, and in which consumers’ choice would be absolutely free. ...

Such an economic system, in which free prices, free consumers’ choice, and free competition are retained unimpaired, but unearned income is being gradually distributed in social services, is a perfectly conceivable system. ... we may regard it as a half-way house towards socialism.⁴³

Nevertheless, he believed that it was theoretically desirable to go further; for in the ‘half-way house’ the remaining inequalities of earned incomes, together with the still-existing tendency to monopoly, would mean that the ‘fundamental misdirection of resources’ resulting from a completely free system of exchange would still prevail. ‘It seems desirable, therefore,

that we should proceed beyond the mere abolition of unearned incomes, and if practicable make at least some alteration in the working of the price system itself.’⁴⁴ Here, however, came the caveats.

For interference with the price mechanism, Jay went on to argue, ‘raises some fundamental difficulties, which socialists, it must be admitted, have hitherto been inclined to ignore.’ Socialists had traditionally been vague about how their proposed economic system would actually work. For ‘it is plain that the automatic price system, though it misrepresents real needs and therefore fails to bring about a really “economic” arrangement of production and distribution, nevertheless does bring about *some* arrangement’; socialists thus had a positive duty to demonstrate that socialism could ‘produce the right things in the right quantities.’ Hayek *et al* had ‘clearly if rather aggressively’ stated a key problem – namely that if socialism arrived at an ‘uneconomic’ rather than an ‘economic’ distribution of resources, this could mean the difference between scarcity and plenty.⁴⁵

Nevertheless, Jay did not allow the anti-planners to have it all their own way. The weakness, as he saw it, of the arguments in *Collectivist Economic Planning* was that the authors assumed throughout that an ‘economic’ distribution of resources meant a distribution in accordance with money demand, as it manifested itself under the existing economic system.

That is to say, they took social and economic inequality for granted, and assumed that the allocations of resources that flowed from it were necessarily rational, and that attempts to reduce it would lead to outcomes that were necessarily irrational. Moreover, Jay detected that the anti-planners had, over time, been subtly shifting their ground. For example, Mises (whose essay was originally published in 1920) ‘pronounces any defection from the price system to be “impossible”’. Professor Hayek, writing after the Russian experiment, explains that this means any “rational” or successful” defection to be impossible. He thus jumps from one hot brick to another.’⁴⁶

Nevertheless, Jay went on to make yet more striking concessions to the Hayekian point of view. He wrote: ‘To abandon the price index as the determinant of how much of each commodity is to be produced is to introduce authoritarian human direction into the system.’ (Jay defined the ‘question-begging’ word ‘planning’ as the substitution of such direction for the price system.) The price system itself was also authoritarian, in that it did not reflect real needs; ‘but in arguing that the price index is the only practical method of getting economic decisions reached at all’ the anti-planners were on fairly strong ground:

Imagine, as Professor Hayek quite legitimately imagines, a central economic body which has abandoned the price system *entirely* ... Such a body would have to know months in advance the exact preference of every individual for so many chocolates

rather than peppermints, apples rather than oranges, cinemas rather than football, at all times of the day on every day throughout the year. ... the problem would be utterly beyond dispute impossible; and socialists had better admit this quite unequivocally.⁴⁷

Moreover, were an attempt made to solve the problem in practice, 'this central body would simply have to make decisions which Professor Hayek and Professor Mises may quite fairly describe as arbitrary.' Indeed, to abandon the price system entirely 'would certainly produce a worse misdirection of resources than to obey it entirely. It would result ... in the production of almost all the wrong things in the wrong quantities – in other words, "poverty in the midst of plenty".' In Jay's view, the complete planning of consumption so as really successfully to satisfy needs and desires was probably impossible in any unit larger than the family. (This was slightly ironic in view of his statement in the previous chapter that 'where elementary necessities are concerned ... men in a very real sense do not know what they need, or at any rate what their families need.')

Therefore, the chapter concluded, 'the wiser course would seem to be not, like the Russians, to abolish the price system outright and then reintroduce it wherever its absence was obviously disastrous, but rather to preserve it and modify it bit by bit in all those ways in which modification is indisputably justifiable.'⁴⁸

Chapter XXX, 'Cost and prices in a socialist community', outlined Jay's views on how this might be done, and also contained the 'gentleman in Whitehall' remark. In answer to his own question, 'how should a socialist community determine the production and consumption of goods?', Jay argued that the most crucial issue to be decided was the value of free consumer choice.

Socialists have been inclined to depreciate the value of free consumers' choice for no better reason than that it has been used as a hypocritical defence of the unregulated price system. ... Gross inequality ... turns consumers' choice into a mockery. But may not the solution be to mitigate inequality rather than to abandon consumers' choice?⁴⁹

Jay pointed out that it would be irrational either to completely abolish or completely accept in all spheres the principle of consumer choice. By general consent, he suggested, there were certain areas, such as education and health, where the collective judgement of the community was more trusted than the unfettered decisions of individuals; hence society's willingness to spend on these areas out of taxation, and to lay down other rules, for example on drugs. Moreover, 'If there is an obligation on society to see that poor children should have medicine before a rich man has a cigar, there is an equally binding obligation to see that they should have milk. ... In fact, where inequality is in question, we are as bound to depart from free consumers' choice as we are in education or health.'⁵⁰

But, he wondered, was there any other reason, ‘apart from inequality and the social necessity for health, education, etc.’ to depart from the principle of free consumer choice? He suggested that, as between two consumers of roughly equal incomes, considering the consumption of, say, oranges or apples, the case against state intervention ‘is surely overwhelming.’ Moreover,

Those who wish to ‘plan’ everybody’s consumption should recall what their feelings are in a restaurant when they order green peas and the waitress brings them onions. For there is no reason to believe that, if *universal* planning of consumption were adopted, the Whitehall authority’s idea of planning would approximate any closer to the individual’s likes and dislikes than the idea of the waitress. [Emphasis in original.]

In ‘neutral’ circumstances, then, when no question of inequality or other moral issue arose, the value of free consumer choice was almost impossible to overestimate: ‘To a large extent, in these circumstances, it *is* freedom and it *is* happiness.’ (Emphasis in original.)⁵¹

Jay’s guiding planning principle, therefore, was to permit the price index to work in all ‘neutral’ cases, and to adjust its working wherever inequality or some other social need made such adjustment necessary. As many important social needs, such as education and justice, were already ‘planned’ by the state, the ‘most pressing necessity at present is consequently for a modification of the price system directly designed to

reduce inequality'. In order to achieve this, all commodities and services produced in the community should be classified as either necessities, luxuries, or 'neutral goods'. Having done this, Jay suggested, the planning authority had various options before it. It could simply redistribute money incomes in the form of family allowances, etc., 'and trust to luck that working-class housewives would spend the money on "necessities"'. But although he believed that this would be a logical way of diminishing inequality while preserving maximum consumer choice, there were also, he suggested, powerful arguments against the exclusion of all other methods.

Then came the crucial passage:

housewives as a whole cannot be trusted to buy all the right things, where nutrition and health are concerned. This is really no more than an extension of the principle according to which the housewife herself would not trust a child of four to select the week's purchases. For in the case of nutrition and health, just as in the case of education, the gentleman in Whitehall really does know better what is good for people than the people know themselves.⁵²

Therefore, as well as enabling poorer people to consume necessities, there was also a need to induce (and even compel) them to do so. Thus, whereas the production and sale of all neutral goods should be left to the working of the price system, the production of necessities should be subsidised out of taxes on the production of luxuries. This would 'gradually transfer resources from the luxury to the necessity industries without

involving the planners in any impossible decisions about the scale of production of every commodity in every year.’⁵³

The first edition of *The Socialist Case*, hardly surprisingly, was by no means a paean to the virtues of the market or to consumerism for its own sake. But, although there was an obvious paternalist element in Jay’s attitude to the working class, exemplified by remarks such as the ‘gentleman in Whitehall’ comment, the argument for state intervention in some areas of consumption was clearly offered as a qualification to an overall argument which stressed both the virtues of consumer choice and the limits and dangers of planning itself. As Jay put it in Chapter XXXII, ‘The limits of planning’, the penultimate chapter of the book, democratic governments found themselves on innumerable in conflict with the vested interests of monopolistic capitalism. But ‘The transformation of this conflict into a real régime of socialist planning will be justifiable exactly in so far as greater security and equality are purchased at the expense of existing monopoly interests and not at the expense of the freedom of the consuming masses.’⁵⁴

Reviews and reactions

Jay found the reception of his book ‘unexpectedly heartening’.⁵⁵ Even the *Times* was polite,⁵⁶ and the *Economist* (Jay’s former employer) noted that the book was honest, practical and undoctinaire, although ‘Purists,

perhaps, may doubt Mr. Jay's Socialism and dub him rather an enlightened democrat'.⁵⁷ The *Times Literary Supplement* likewise commended Jay's 'persuasiveness and moderation'; but also noted that Jay's acknowledgement of the strength of Mises' argument against tampering with the price system 'would not be accepted by the majority of contemporary Socialists, who prefer to ignore or deny the difficulties raised by Professor Von Mises rather than squarely to face them and admit their weight.'⁵⁸

Socialist reviewers, for the most part, tempered their praise with caution. G.D.H. Cole, writing in the *New Statesman*, noted of the book that 'there is very little in it of what most people habitually think of as Socialism' – that is to say, there was little emphasis on nationalisation. He noted that the section on monetary policy was 'broadly on Keynesian lines', and concluded: 'Even those readers who conclude at the end that Mr. Jay is much more of a Radical than of a Socialist in any ordinary sense of the term will find his book an important contribution to the monetary and financial policy which an incoming Socialist Government should adopt.'⁵⁹ Barbara Wootton, in the *Economic Journal*, found the book well-written and deserving of widespread attention, but was clearly not wholly in sympathy with its policy recommendations. She stated, perhaps a little surprisingly given the general belief that Jay was departing from the key tenets of

standard socialism, that these recommendations followed the programme of the Labour Party fairly closely. However, 'Mr. Jay is distinguished by his bold emphasis upon redistributive taxation (especially upon inheritances), and by his indifference to nationalising for the mere sake of nationalising.'⁶⁰

'Cameronian', in the leftwing Sunday newspaper *Reynolds News*, wrote that Jay believed that socialists 'can be cleverer than Tories in making capitalism work and that social revolution can be accomplished almost by inadvertence. ... He correlates a mass of statistics and arguments which establish beyond doubt the economic case for Socialism, even if his hopes are rose coloured and his methods too angelic for this hard new world.'⁶¹ The most enthusiastic review came from J.A. Hobson, the pioneer of the theory of underconsumption, an instinctive liberal who never felt quite at home in the Labour Party.⁶² Hobson, writing in the *Manchester Guardian*, summarised Jay's argument: 'The absorption by the State of ownership and control of monopoly and key industries must proceed apace, but care must be taken to keep this administration free from the central bureaucracy of Whitehall and to allow an improved price system the free play required to meet the choice of consumers.' *The Socialist Case* was 'the most thoughtful, unbiased, and well-informed case for a British Socialism that has yet appeared.'⁶³

Thus, not only did no reviewer pick up on the ‘gentleman in Whitehall’ comment and invest in with sinister implications, but at least one of them, Hobson, read the passage in the anti-*dirigiste* sense that it was intended. Nor, Wootton’s review aside, was there a general tendency to associate Jay’s arguments closely with the Labour Party’s own programme – there was rather an appreciation that there was something unorthodox about his version of the socialist case, whether it was the lack of emphasis on nationalisation, or the acknowledgement of some of the merits of the antiplanners’ viewpoint. (This is significant given that some historians have tended to use his views as evidence for the attitudes of the Labour Party as a whole.) But what effect, if any, did Jay’s ideas have on that programme?

Jay recorded in his autobiography that Dalton – the man with perhaps the greatest influence over Labour’s economic policy in the 1930s - reviewed his book in the *Daily Herald*. However, no such review appeared in the *Herald* from September through December 1937 (when Dalton departed on a five month world tour). He also recorded that, during discussions in the winter of 1944-5, Dalton sympathised with ‘the basic arguments’ of *The Socialist Case*.⁶⁴ If Dalton did write a review, he was likely to have praised the well-written arguments of his gifted protégé, who shared his passion for solving the problem of inequality; he was likely also

to have been gratified at Jay's adoption of his variation of the Rignano death duty scheme.⁶⁵ Nevertheless, like so many other socialist reviewers, he was likely to have had reservations, whether or not he expressed them publicly. In 1935, he had stated his opposition to 'Unplanned Socialism', which he found 'of theoretical interest only, combining public ownership of the means of production with free movement of all prices.'⁶⁶ Jay, of course, did not advocate the free movement of *all* prices, but his argument that the price mechanism should only be modified bit by bit arguably came close to the view that Dalton had caricatured. Jay, like his NFRB colleagues Gaitskell and Durbin, was remote from the Labour Party machine and the parliamentary process, and thus depended on Dalton for influence.⁶⁷ In some instances, for example over the question of rearmament finance, Jay's ideas had previously been taken up through this channel;⁶⁸ but there is no evidence that his diminuendo approach to planning and positive view of consumer choice had any significant impact on the Labour Party's official programme in the immediate pre-war years. By 1939, Labour was still heavily wedded to a concept of physical planning of the kind that Jay had criticised.

Jay himself, however, saw the book as having a rather more general impact. He recalled: 'Any influence which the book had in 1937-9 lay probably in countering – together with Hugh Dalton's *Practical Socialism*

for Britain – the flood of quasi-Marxist volumes pouring forth in the 1930s from Gollancz's Left Book Club and proclaiming the imminent collapse of capitalism.'⁶⁹ The most concrete example of this was the book's effect on John Strachey, the former Labour and New Party MP who, during the 1930s, turned to communism, but who subsequently became a minister in the Attlee government. In 1938, Strachey wrote to Jay, having read *The Socialist Case*, expressing interest in the ideas it contained, and the ensuing correspondence led to a lasting friendship between the two men. In 1954, Strachey told Gaitskell:

I became a communist supporter in 1931, because I saw no way through the dilemma that the moment a democratic socialist policy began to be implemented, the economy got into crisis ... and so democratic socialist governments were bound to be impotent. Keynes and your own group – Douglas [Jay], Evan Durbin and yourself, and the experience of the New Deal, had converted me by 1940 to the view, which I put forward in a book called *Programme for Progress*, that a way through did exist.⁷⁰

In that book, Strachey praised *The Socialist Case*, but criticised its title, which he thought likely to prevent 'socialists on the one hand, and non-socialist progressives on the other, from considering his [i.e. Jay's] proposals.' For 'most socialists will, I think, feel profound dissatisfaction with his programme if that programme is to be regarded as an effort to build a socialist society. But if, on the contrary, it is regarded as a study of the

economic basis of an immediate programme on which all the progressive forces can unite, then Mr. Jay has made a most significant contribution.’⁷¹ Clearly, Jay was not solely responsible for Strachey’s conversion back to social democracy; but Strachey’s comments to Gaitskell show that his book had, at least, had a rather more tangible effect than could be claimed for many 1930s socialist tracts. The coming of WWII, however, would lead to a significant shift in Jay’s own views.

The development of Jay’s thinking, 1939-46

In the 1947 lecture mentioned above, Jay argued that the years since 1940 had ‘shown the remarkable power of large-scale organisation at its best.’ In spite of his previous doubts about the ability of the government to control large sections of the nation’s economic life, it had now been proved that, in a highly organised democracy like Britain, the job of planning could be done after all.⁷² (Equally, his dealings with private companies during the war years convinced him that ‘competition (in the sense in which its classical defenders conceived it) is not merely rare, but for all practical purposes, non-existent.’)⁷³ His civil service experiences did not lead him to become harshly *dirigiste*, however. At the Ministry of Supply he soon learnt that ‘despite all the wartime powers of so-called “direction” of labour, and the Essential Work Order supposedly holding people in existing industries, it

was in fact pay differentials that were more effective than any other single weapon in moving large blocks of labour quickly, as we had to, from one form of production to another.’⁷⁴ The success of these manipulations seems to have increased his confidence in the ‘gentleman in Whitehall’ as a guardian of the public interest, to be trusted more, perhaps, even than ministers. Dalton recalled that Jay, whilst still at Supply, ‘once told me that hard-working officials were always filled with dismay when they heard that “Ministers are intervening” in any matter. For this was sure to mean that either a lunatic, or at any rate unworkable, “decision” was about to be handed down.’⁷⁵

Stephen Brooke has commented that ‘Labour’s economists did not adopt Keynesianism wholesale in the early forties: instead they meshed demand management with an increased faith in socialist planning.’⁷⁶ This remark would certainly seem to apply to Jay.

In 1943, he argued that to prevent a post-war slump ‘the necessity of maintaining a budget deficit sufficient to maintain spending power must be explicitly accepted’.⁷⁷ Yet the war also emphasised to him the need to nationalise the electricity industry for the sake of efficiency.⁷⁸ Moreover, whereas in *The Socialist Case* he had been somewhat hesitant about the use of the term ‘planning’ itself (preferring in places to repeat instead the

clumsy phrase ‘interference with the price system’), by 1945 he had latched on to its value as a slogan.⁷⁹ In December of that year, he gave Attlee some suggested paragraphs for a speech, contrasting inter-war unemployment with post-war conditions. In the formerly depressed areas there was great change for the better:

What is the cause of this change? In a word it is planning - planning by a Government which has made it its aim to care first for the basic needs of the people and to see that, as a matter of fact, and not of rhetoric, they have food, homes and work. ... The present Government, I say with absolute determination and clarity, is resolved that ... all men, women and children of this country shall be enabled by wise planning to retain the basic human necessities of life which wise planning has given them.⁸⁰

At the same time, he pressed Attlee to state ‘firmly and formally’ that government controls over labour would not continue permanently.⁸¹ In Jay’s view, clearly, planning had to be based on carrots rather than sticks.

Nevertheless, he was by no means an absolute planning minimalist. At this time, there was an emerging division amongst civil servants between ‘Thermostatters’ (who wanted to plan in terms of aggregate demand management) and ‘Gosplanners’ (who favoured more direct physical planning). Meade, whose work had earlier been a key influence on Jay, was the leading light of the former group.⁸² Jay’s position, in relation to the controversy, was ambiguous. In November 1945, he expressed general support for Meade’s approach, but then criticised the idea that ‘the great

bulk of economic decisions should be left to the hapahazard effects of competing consumer demands'.⁸³ Moreover, Jay's maiden Commons speech of October 1946, which dealt with problems in the coal industry, suggested that 'some definite targets might be set ... both for production and manpower in this industry. The very attempt to set targets is salutary, because it brings home to one how serious the outlook is.'⁸⁴ These comments located him, to some extent, in the territory staked out by the Gosplanners – although it should be stressed that this group's objectives were nowhere near as drastic as its name (a reference to the Soviet planning agency) suggests. Jay did not become converted to the idea that the government should lay down in advance precisely how many boots, shoes, shirts, etc., were to be produced in a given year. Nevertheless, he had an increased enthusiasm for a form of central planning stopping short of this, an enthusiasm which would be reflected in the second edition of the *Socialist Case*, published in 1947.

The second edition of *The Socialist Case*

It is astonishing that Jay actually found the time to revise the book. A few weeks after becoming an MP, and having started working again for the *Herald*, Attlee persuaded Jay to spend half of each day doing Harold Wilson's job at the Ministry of Works, whilst the latter was in New York for three months for a UN conference. 'So ... I carried on a very odd life in the

morning as a crypto-junior Minister in the Ministry of Works, most afternoons as a back-bench MP in the House, and many evenings writing leaders at the *Herald*.⁸⁵ Nevertheless, the new edition seems to have been ready by November 1946, the date that Jay put to his introduction.

In that introduction, Jay wrote:

Five years' practical acquaintance with the Government's efforts to organize industry, first for the war effort and then for reconstruction, has convinced me that the case for Socialism, and in particular for conscious economic planning of the economic system, is stronger than appeared to me writing in a more philosophic, or academic, spirit nine years ago. Then I knew it to be desirable, and believed it to be practicable. Now I know it is both practicable and necessary ...

The practical justification for planning lay in war-time and post-war successes in the field of social policy: 'What sort of distribution of food and other necessities should we have had from 1939 to 1947 if we had left it not to rationing but to the price scramble of *laissez-faire*?'⁸⁶ These passages suggest a significant shift in the balance of the book's argument.

However, he also wrote that only 'minor revisions' had been necessary to bring the book up to date, 'with alterations in the emphasis, but not the basis, of the argument.'⁸⁷ David Reisman, in his introduction to a 1996 republication of the second edition, has taken this comment too much at face value: 'Only very minor changes were in the event made in the second edition. ... on balance ... the typical revision was a cosmetic one –

from “such is” (p. 41) to “such was” (p. 33), from “before the war” (p. 44) to “before 1914” (p. 37)’, etc.. Kenneth O. Morgan, however, had earlier written that ‘Jay’s second edition ... added a firm chapter at the close about the “limits” to planning and the transcendent values of human freedom with much more force than in the 1937 version.’⁸⁸ This statement contains an error of fact – the chapter as a whole was not new – and the implication that Jay was increasingly doubtful about the virtues of planning is unsustainable. But Morgan is quite right in suggesting that the changes to the second edition were far more than cosmetic. For although the broad philosophic sweep of Jay’s argument against *laissez faire* remained unchanged, when it came to practical policy regarding economic planning and consumer choice, his changes of emphasis were actually extremely significant, even if the quantity of text amended was actually quite small. Not only did the new introduction go quite some way to making this clear, but Jay subsequently made, in his Fabian lecture, an even more explicit acknowledgement of the extent of his change of heart.

The shift in his views can be measured by close examination of some of the key changes in the new edition. To begin with, Chapter XXI now omitted the statement that socialists’ concentration on planning was unfortunate, and that society needed not planning but socialism. Chapter

XXIX, now retitled 'Planning and prices', now argued that there was a conclusive case not merely for 'positive interference with the price system' (as per the first edition), but for 'deliberate central planning' (the replacement phrase). Moreover, the whole passage which admitted that socialists had tended to ignore fundamental difficulties raised by Hayek *et al* was now left out. Jay still admitted that the question of the principles on which the planners should work was 'a real problem' that the anti-planners had clearly, if aggressively, stated. But he had a new riposte. Hayek, 'writing after the Russian experiment, but before the war', had argued that any rational or successful defection from the price system was impossible. But 'After the experience of 1941-5, it is less easy to argue that Russian economic life is not "rationally" or "successfully" organized!'⁸⁹

As seen above, the original final paragraphs of the chapter had argued that planning would introduce authoritarian human direction into the system, had spelled out the immense difficulties faced by a central planning body, had suggested that to abandon the price system entirely would lead to a worse misdirection of resources than to obey it entirely, and had said that the price system should only be modified bit by bit. In the second edition, these paragraphs were completely omitted. In their place came the following:

The truth is that the defenders of *laissez-faire* are on utterly weak ground in (1) regarding money demand as a fair test of

need, and (2) in thinking that a struggle between private producers, unregulated by the State, leads to competition and a “system” of prices. ... *Therefore whenever some rationally recognizable human value is at stake, such as housing, nutrition, education, health or employment, we should organize deliberately for the attainment of it – i.e. “plan”, if the word is preferred.* Only when purely personal preferences between inessentials are involved should we be content with the haphazard price scramble. [Emphasis in original.]

This, Jay now argued, was the basic reason for proceeding from redistribution of incomes to central planning of production, employment and consumption on a nation-wide scale. ‘And even though we remember that the planners are human, the experience of 1940-47 in Great Britain has shown again that over a wide field far better results – not merely for production but for general consumption – can be achieved by such planning than by *laissez-faire*.’⁹⁰

Significant changes were also made to Chapter XXX. However, with the exception of the insertion of a paragraph stressing the need to move labour to essential industries through the adjustment of wage differentials,⁹¹ the first part of the chapter, up to and including the ‘gentleman in Whitehall’ remark, remained more or less unaltered. That is to say, Jay’s advocacy of the principle of consumer choice, and his strictures against *universal* planning of consumption, remained in place. Nevertheless, they were cast in a rather different light both by his earlier remark in favour of planning ‘not

merely for production but for general consumption’, and by changes in the subsequent paragraphs. Drawing on wartime experience, he now specified further methods, other than the redistribution of money incomes and subsidies for the production of necessities, by which the price process could be adjusted in favour of the poorer. These methods were rationing, price control, and ‘utility’ production. Moreover, whereas the first edition had stated that it was unquestionably best to leave the production and sale of almost all ‘neutral’ goods to the working of the price system, now Jay thought it merely ‘best in many cases.’ Furthermore: ‘While regarding money costs as a rough guide to real costs, we must repudiate altogether the idea that the price of a necessity must depend on the producers’ incomes, e.g. the price of coal on miners’ wages.’ Therefore, ‘In general ... we should regard *laissez-faire* prices as only a rough guide to costs and to the demand for “neutral goods”.’⁹²

In Chapter XXXII, further significant passages were added, at the point where, in the first edition, the chapter had concluded. Jay argued: ‘*one absolute limit must be set to the extension of planning in normal times; and that is the point at which it infringes on personal as opposed to economic freedom.*’ (Emphasis in original.) Personal freedom was the freedom to choose one’s occupation.

Apart from emergency needs like defence, there must, therefore, be no compulsion on a man in a Socialist community to take, or retain, or refuse a job, and the required system of labour must be secured by a flexible system of rewards and inducements.

On the other hand, economic freedom – the freedom to buy or sell, to employ or refrain from employing other people, to manufacture or not manufacture – is a secondary freedom, often approaching a luxury, which can and should be limited in a good cause. [Emphasis in original.]

Between ‘personal’ and ‘economic’ freedom, however, stood ‘the normal freedom of the consumer to buy what he chooses’. This, Jay stated, should be encouraged wherever possible ‘within the framework of the production, income, and employment plan of the country, and of the provision of a national minimum consumption of essentials.’ The revised chapter concluded with a statement of three main aims of economic planning: (1) to secure the employment of all resources available ‘in at least some useful work’; (2) to guarantee by means of social insurance a sufficient money income to all unable to earn; and (3) ‘to provide by deliberate organization a sufficient supply of the essential goods and services needed for civilized life at prices which those at the lowest incomes can afford to pay; leaving luxury and semi-luxury goods in general to the tender mercies of the price-cost calculus.’ Finally, Jay wrote, ‘planning should normally stop short at the point at which personal freedom would be infringed.’⁹³

Morgan sees the addition of these passages to Chapter XXXII as a sign of Jay's increased commitment to 'the transcendent values of human freedom'. What seems most striking, however, is Jay's insistence on the divisibility of personal and economic freedom; he offered a ringing defence of the former, not the latter. Overall, his textual changes make clear, not only that he was converted to central planning as a general proposition, but that he now believed that the state should have a significantly greater control over the consumption habits of individuals than he had favoured in 1937. The scope for consumer choice had narrowed; the 'gentleman in Whitehall' would have a good deal more say.

Conclusion

The new edition of the book was not widely reviewed. However, the *Times Literary Supplement* – which in its review of the first edition had suggested that Jay's concessions to the anti-planners would not be accepted by the majority of socialists – noted that 'Right or wrong, Mr. Douglas Jay's findings in the new edition of his *The Socialist Case*, reflect much of the economic thinking in Great Britain today.'⁹⁴ This was doubtless true, not least in Labour circles. Whereas most reviewers had felt in 1937 that key parts of Jay's arguments would not be welcome to mainstream socialists, the new edition gained official approval. Attlee himself contributed a foreword

in which he stated that he believed Jay's arguments to be 'unanswerable'.⁹⁵

But had Labour orthodoxy caught up with Jay, or had Jay caught up with Labour orthodoxy?

The answer is that there had been a convergence on middle ground. Jay's enthusiastic (but in Labour terms belated) embrace of the concept of central planning made him much more of a mainstream voice. Equally, the Labour Party's (admittedly rather inchoate) view of planning had itself mellowed somewhat since the beginning of the war. The tendency to think in terms of rigid budgets of production had declined; and by 1947 the emphasis was very much on 'democratic planning', to be undertaken without compulsion of labour.⁹⁶ This was a nebulous concept, but one which Jay explicitly endorsed.⁹⁷ As he stated in his November 1947 Fabian lecture, 'We must get away from the idea that planning consists in laying down a series of rigid statistical directives, and the somehow enforcing them on a recalcitrant economy. ... If I had to define planning in a phrase, I would call it "purposive improvisation".'⁹⁸

On the basis of that lecture, in which Jay very clearly stated his conversion to planning, Francis has remarked that 'Labour's vision of socialist planning might have been incoherent and ineffective, but it still had sufficient vitality in the post-war years to withstand total submergence under

the new tide of [Keynesian] economic management.’⁹⁹ This is a very fair comment. Moreover, Jay’s change of views casts doubt on the assumption implicit in many accounts that not only the Keynesian revolution, but the progress of Labour revisionism in general, were essentially heroic sagas in which young intellectuals acted as trailblazers, with the rest of the party stumbling along later in their wake. This is not to say that *The Socialist Case* in fact had no impact on developments in the forties and fifties. Its original effect on John Strachey, for example, was not undone because Jay later changed his own mind about pricing policy. But it is to point out that, if the war helped stimulate some currents of revisionism, it also provoked powerful cross-currents of *anti*-revisionism that, in Jay’s case at least, were by no means merely the unthinking knee-jerk responses of socialist fundamentalism.

Indeed, his change of heart can be seen, broadly speaking, as sensible and pragmatic. A cynic might suggest that the increased role he envisaged in 1947 for the ‘gentleman in Whitehall’ was the result of his own taste of power as a war-time civil servant; as bureaucrats will, he had become intoxicated with bureaucracy, and desired to spread its healing benefits to all. Yet, although there may be a certain element of truth in this hypothesis, it should be admitted that a fundamental part of Jay’s overall assessment was

sound. In 1937, when the key economic issue facing Britain was unemployment, widespread government planning and control of individual consumption – other than, perhaps, for a strictly limited range of necessities – was of dubious relevance and virtue. In 1947, when Britain’s very weak external economic position was matched by conditions of scarcity combined with high levels of pent-up domestic demand, such planning and control was, more than arguably, essential. (Whether or not it should have persisted indefinitely, as Jay seemed to envisage, was another matter.) Of course, for individual consumers this could be deeply frustrating, which helps explain why the ‘gentleman in Whitehall’ comment, which had apparently caused no-one to bat an eyelid when originally published, now became ripe for exploitation by the Conservatives. It was perhaps inevitable that the ‘gentleman in Whitehall’, originally invoked as someone who only knew better than the people in a limited range of cases, should become a hated symbol of arrogance and elitism at a time when, out of pressing necessity, he was forced to act *as if* he knew better than them in virtually the whole field of consumer choice.

¹ Douglas Jay, *The Socialist Case*, Faber and Faber, London, 1937 (henceforward *Socialist Case I*), p. 317

² Ina Zweiniger-Bargielowska, *Austerity in Britain: rationing, controls and consumption 1939-1955*, Oxford University Press, Oxford, 2000, pp. 232-3

³ It is quoted, for example, in Matthew Parris and Phil Mason, *Read My Lips: A treasury of things politicians wish they hadn't said*, Penguin Books, Harmondsworth, 1997, p. 166

⁴ Ben Pimlott, *Hugh Dalton*, Jonathan Cape, London, 1985, p. 398; Kenneth O. Morgan, 'Practically, a socialist' (obituary of Jay), *The Guardian*, 7 March 1996. See also Martin Francis, *Ideas and policies under Labour, 1945-51*, Manchester University Press, Manchester, 1997, p. 217 and Steven Fielding, 'The Good War: 1939-1945', in Nick Tiratsoo (ed.), *From Blitz to Blair: A New History of Britain Since 1939*, Weidenfeld and Nicolson, London, 1997, pp. 25-52, at p. 47

⁵ Obituary of Jay (unsigned), *The Times*, 7 March 1996

⁶ Francis, *Ideas*, pp. 48-9; Daniel Ritschel, *The Politics of Planning: The Debate on Economic Planning in Britain in the 1930s*, Clarendon Press, Oxford, 1997, p. 339; Jim Tomlinson, *Democratic socialism and economic policy: The Attlee years, 1945-1951*, Cambridge University Press, Cambridge, 1997, p. 129; Douglas Jay, 'Plans and Priorities', in Douglas Jay *et al*, *The Road to Recovery*, Alan Wingate, London, 1948, pp. 9-26. The lecture was given on 6 November 1947.

⁷ Douglas Jay, *The Socialist Case* (2nd edn.), Faber and Faber, London, 1947 (henceforward *Socialist Case II*)

⁸ See Ben Pimlott, *Labour and the Left in the 1930s*, Cambridge, Cambridge University Press, 1977, pp. 38-9, 201; Francis, *Ideas*, p. 38; Stephen Brooke, *Labour's War: The Labour Party during the Second World War*, Clarendon Press, Oxford, 1992, p. 238

⁹ Noel Thompson, *Political Economy and the Labour Party: The economics of democratic socialism, 1884-1995*, UCL Press, London, 1996, pp. 96, 107

¹⁰ David Marquand, *The Progressive Dilemma: From Lloyd George to Kinnock*, Heinemann, London, 1992, p. 56; see also Nicholas Ellison, *Egalitarian Thought and Labour Politics: Retreating visions*, Routledge, London, 1994, p. 18

¹¹ Pimlott, *Labour and the Left*, p. 201

¹² Douglas Jay, *Change and Fortune*, Hutchinson, London, 1980, pp. 15-49. Quotations at p. 16 and p. 22. Additional recollections by Jay can be found in Douglas Jay, 'Civil Servant and Minister', in W.T. Rodgers (ed.), *Hugh Gaitskell*, Thames and Hudson, London, 1964, pp. 77-103; Douglas Jay, recollections of Clement Attlee (untitled), in Geoffrey Dellar (ed.), *Attlee as I knew him*, Tower Hamlets Directorate of Community Services, London, 1983, pp. 25-6; Alan Thompson, *The Day Before Yesterday: An illustrated history of Britain from Attlee to Macmillan*, Sidgwick and Jackson Ltd., London, 1971, pp. 46, 52, 62, 64; and Peter Hennessy, *Muddling Through: Power, Politics and the Quality of Government in Postwar Britain*, Victor Gollancz, London, 1996, pp. 172-86 *passim*. For personal recollections of Jay by others, see in particular Shiela Grant Duff, *The Parting of Ways: A Personal Account of the Thirties*, Peter Owen, London, 1982; Peggy Jay with Eva Tucker, *Loves and Labours: An Autobiography*, Weidenfeld and Nicolson, London, 1990; and Nicholas Davenport, *Memoirs of a City Radical*, Weidenfeld and Nicolson, London, 1974, pp. 102-4. See also David Reisman, 'Introduction', in Reisman (ed.), *Democratic Socialism in Britain: Classic Texts in*

Economic and Political Thought 1825-1952: Volume 8, Pickering and Chatto, London, 1996, pp. vii-xiv

¹³ Grant Duff, *Parting of Ways*, p. 48

¹⁴ Jay, 'Civil Servant', in Rodgers, *Hugh Gaitskell*, pp. 82-4, 77-8

¹⁵ Jay, *Change and Fortune*, p. 34. See also Douglas Jay, 'The Economic Strength and Weakness of Marxism', in G.E.G. Catlin (ed.), *New Trends in Socialism*, Lovat Dickson and Thompson Ltd., London, 1935, pp. 105-122

¹⁶ Jay, 'Civil Servant', in Rodgers, *Hugh Gaitskell*, pp. 77-8

¹⁷ Jay, *Change and Fortune*, pp. 61-2; Hugh Dalton, *The Fateful Years: Memoirs 1931-1945*, Frederick Muller Ltd., London, 1957, p. 417n; Davenport, *Memoirs*, pp. 103-4

¹⁸ Jay, *Change and Fortune*, pp. 58-60

¹⁹ See Ben Pimlott (ed.), *The Political Diary of Hugh Dalton 1918-40, 1945-60*, Jonathan Cape, London, 1986, pp. 232-4 (entry for 5 June 1938)

²⁰ This was a position that Jay stuck to consistently and emphatically. 'The Theory of Money', *Times Literary Supplement*, 19 Feb. 1931, p. 124 (unsigned review; for evidence of Jay's authorship, see Jay, *Change and Fortune*, p. 37); Douglas Jay, 'Mr. Keynes on Money' *The Banker*, XXXVIII no. 123 (April 1936) pp. 10-14; Jay, *Socialist Case I*, p. 192; Jay, *Socialist Case II*, p. xiii

²¹ Jay, *Change and Fortune*, p. 62

²² Elizabeth Durbin, *New Jerusalems: The Labour Party and the Economics of Democratic Socialism*, Routledge and Kegan Paul, London, 1985, p. 251. See also Douglas Jay, *The Nation's Wealth at the Nation's Service*, Labour Party, London, November 1938, p. 11. Here, Jay said that 'Labour will consider sympathetically such proposals as that for a "long-term Budget" balanced over a longer period than one year, showing surpluses in good years and deficits in bad.'

²³ Jay to John Strachey 20 Aug. 1938, cited in Michael Newman, *John Strachey*, Manchester University Press, Manchester, 1989, p. 88

²⁴ Jay did, however, subsequently come to accept that a future socialist government might issue defence loans. Douglas Jay, 'Borrowing £400,000,000 For Arms: A New Inflationary War Loan', *Daily Herald*, 12 Feb. 1937; Richard Toye, 'The Labour Party and the Economics of Rearmament, 1935-39', *Twentieth Century British History*, forthcoming; Jay, *The Nation's Wealth*, p. 8

²⁵ Francis Williams, *Nothing So Strange: An Autobiography*, Cassell, London, 1970, p. 110. Jay himself, however, stated that his first meeting with Keynes took place only after the outbreak of war. Jay, *Change and Fortune*, p. 82

²⁶ Jay, *Change and Fortune*, pp. 108-124. Quotation at p. 124

²⁷ Alec Cairncross (ed.), *The Robert Hall Diaries 1947-53*, Unwin Hyman, London, 1989, p. 18 (entry for 17 Nov. 1947)

²⁸ Ian Mikardo, *Back-Bencher*, Weidenfeld and Nicolson, London, 1988, p. 152

²⁹ Jay, *Change and Fortune*, pp. 271-6. The name-change idea prompted Tony Benn to remind Gaitskell that 'the prune had been resuscitated without a change of name by clever selling.' Ruth Winstone (ed.), *Tony Benn: Years of Hope: Diaries, Papers and Letters 1940-1962*, Hutchinson, London, 1994, p. 317 (entry for 11 Oct. 1959)

³⁰ See, for example, Cecil King, *The Cecil King Diary 1965-1970*, Jonathan Cape, London, 1972, p. 58 (entry for 18 Feb. 1966)

³¹ Tam Dalyell, obituary of Jay, *The Independent*, 7 Mar. 1996

³² Harold Wilson, *The Labour Government 1964-70: A Personal Record*, Weidenfeld and Nicolson and Michael Joseph, London, 1971, pp. 426-7

³³ Jay, *Change and Fortune*, p. 410

³⁴ Confusingly, Jay also recalled that he had worked on it ‘virtually every evening and weekend for *three* years’ (emphasis added). Jay, ‘Civil Servant’, in Rodgers, *Hugh Gaitskell*, p. 81; Jay, *Change and Fortune*, pp. 62-3

³⁵ The whole first part of this book, on unemployment, was, Meade wrote, inspired by the work of Keynes. And crucially, from the point of view of the argument here, the book stated that ‘The problem of a general planning commission, unaided by a pricing system ... would be incapable of solution.’ Jay, ‘Civil Servant’, in Rodgers (ed.), *Hugh Gaitskell*, p. 81; Jay, *Change and Fortune*, p. 63; J.E. Meade, *An Introduction to Economic Analysis and Policy*, Clarendon Press, Oxford, pp. vi., 199

³⁶ Jay, *Change and Fortune*, p. 62

³⁷ ‘Conference on Some Aspects of Socialist Planning’, 4-5 November 1933’, Fabian Society Papers J14/2. See also Richard Toye, *Plan or Perish: The Labour Party and the Planned Economy, 1931-1951*, forthcoming, Royal Historical Society, London, 2002, Ch. 3

³⁸ Jay, *Socialist Case I*, pp. 295-6

³⁹ Jay, ‘Plans and Priorities’, in Jay *et al*, *The Road to Recovery*, pp. 9-26. Quotation at pp. 9-10

⁴⁰ Jay, *Socialist Case I*, p. 237

⁴¹ This book, a landmark in the discussion in English of economic planning, consisted of translations of articles previously published at different times in various parts of Europe, with additional material by Hayek. F.A. von Hayek (ed.), *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism*, Routledge and Kegan Paul, London, 1935.

⁴² F.A. von Hayek, ‘The Present State of the Debate’, in *ibid.*, pp. 201-243. Quotation at p. 241.

⁴³ Jay, *Socialist Case I*, pp. 297-8

⁴⁴ *Ibid.*, pp. 297-9

⁴⁵ *Ibid.*, p. 299

⁴⁶ *Ibid.*, pp. 299-300

⁴⁷ *Ibid.*, pp. 301-2

⁴⁸ *Ibid.*, pp. 301-3, 295

⁴⁹ *Ibid.*, pp. 314-5

⁵⁰ *Ibid.*, p. 315

⁵¹ *Ibid.*, pp. 315-6

⁵² *Ibid.*, pp. 316-7. Francis writes that the context of the ‘gentleman in Whitehall’ remark thus ‘clearly reveals Labour’s ... hidden assumptions about the essential “infantilism” of women.’ (Francis, *Ideas*, p. 217) Jay had some defence against the charge of sexism, however, in that, as seen above, he believed that men too tended to be ignorant of the necessities their families needed.

⁵³ Jay, *Socialist Case I*, p. 318

⁵⁴ *Ibid.*, p. 351

⁵⁵ Jay, *Change and Fortune*, p. 63

⁵⁶ Review of *The Socialist Case* (unsigned), *The Times*, 5 Oct. 1937

⁵⁷ 'Practical Socialism' (unsigned review of *The Socialist Case*), *The Economist*, 9 Oct. 1937, pp. 72-3

⁵⁸ 'The Economics of Socialism: Inequality and Redistribution' (unsigned review of *The Socialist Case*), *Times Literary Supplement*, 2 Oct. 1937, p. 704

⁵⁹ G.D.H. Cole, 'Socialism for radicals' (review of *The Socialist Case*), *New Statesman and Nation*, 20 Nov. 1937, p. 846

⁶⁰ Barbara Wootton, review of *The Socialist Case*, *Economic Journal* XLVIII (1938), 95-7

⁶¹ 'Cameronian', 'Rose-Coloured Hopes' (review of *The Socialist Case*), *Reynolds News*, 3 Oct. 1937

⁶² See John Allett, *New Liberalism: The Political Economy of J.A. Hobson*, University of Toronto Press, Toronto, 1981, p. 232

⁶³ J.A. Hobson, review of *The Socialist Case*, *Manchester Guardian*, 15 Oct. 1937

⁶⁴ Jay, *Change and Fortune*, pp. 63, 124; Pimlott, *Dalton Political Diary*, p. 221. Jay also noted that reviews were written Lionel Robbins, Redvers Opie and Keith Feiling. It has not proved possible to trace these articles; but perhaps Robbins, Opie and Feiling were amongst the authors of the various unsigned reviews that appeared, and perhaps Jay was aware of this.

⁶⁵ See Jay, *Socialist Case I*, pp. 280-6 (and especially p. 283); and Pimlott, *Hugh Dalton*, pp. 140-1

⁶⁶ Attlee appears to have been similarly unenthusiastic about 'unplanned socialism', in that he was opposed to G.D.H. Cole's belief, stated in 1937 in a draft pamphlet, that 'the prices of goods and services should correspond as near as possible to the real cost of producing them'. Attlee protested: 'This statement belongs to the era of free competition. If I am to organise the Fuel industry, I must in my view base it upon adequate wages for the miners not upon the wages which competition in the world market will enable the industry to pay. Unless planning is based upon giving to all enough purchasing power to make them effective consumers at least of necessaries, it will break down ...' Dalton, *Practical Socialism*, p. 247n; Attlee to John Parker 2 August 1937, G.D.H. Cole Papers D1/1/56/5

⁶⁷ Martin Francis, 'Old realisms: Policy reviews of the past', *Labour History Review* 56 (1991)

⁶⁸ See Toye, 'The Labour Party and the Economics of Rearmament'

⁶⁹ Jay, *Change and Fortune*, p. 63

⁷⁰ *Ibid.*; Hugh Thomas, *John Strachey*, Eyre Methuen, London, 1973, pp. 175, 273

⁷¹ John Strachey, *A Programme For Progress*, Victor Gollancz, London, 1940, p. 73n

⁷² Jay, 'Plans and Priorities', in Jay *et al*, *Road to Recovery*, p. 10

⁷³ Jay, *Socialist Case II*, p. xiii

⁷⁴ Jay, *Change and Fortune*, p. 89

⁷⁵ Dalton, *Fateful Years*, p. 417

⁷⁶ Stephen Brooke, 'Revisionists and Fundamentalists: The Labour Party and Economic Policy during the Second World War', *Historical Journal* 32 (1989) pp. 157-175, at p. 158

⁷⁷ 'Post-War Financial Policy', RDR 175, January 1943, Labour Party Archive, National Museum of Labour History, Manchester. Brooke, who interviewed Jay, attributes this memorandum to him. See Brooke, *Labour's War*, p. 250n.67

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- ⁷⁸ Brooke, *Labour's War*, p. 259
- ⁷⁹ Jay, *Socialist Case I*, p. 349
- ⁸⁰ Jay to Attlee, 4 Dec. 1945, Clement Attlee Papers, Bodleian Library, Oxford, MSS.Attlee dep. 28 ff.135, 137-8. Attlee does not appear to have made use of Jay's suggestions.
- ⁸¹ Jay to Attlee, 6 Dec. 1945, Attlee Papers MSS.Attlee dep. 29 ff.60-1
- ⁸² See Richard Toye, 'Gosplanners versus thermostatters: Whitehall planning debates and their political consequences, 1945-49', *Contemporary British History* 14 (Winter 2000), 81-106
- ⁸³ PRO CAB 124/891, note by Jay, 14 Nov. 1945, cited in Tomlinson, *Democratic socialism*, p. 129 n.17
- ⁸⁴ Parliamentary Debates, House of Commons, 5th Series, Vol. 427 16 Oct. 1946 cols. 940-1
- ⁸⁵ Jay, *Change and Fortune*, pp. 159-60
- ⁸⁶ Jay, *Socialist Case II*, pp. xi-xii
- ⁸⁷ *Ibid.*, p. xi
- ⁸⁸ Kenneth O. Morgan, *Labour in Power 1945-1951*, Oxford University Press, Oxford, 1984, p. 297
- ⁸⁹ Jay, *Socialist Case II*, pp. 194, 243-4
- ⁹⁰ *Ibid.*, p. 245
- ⁹¹ *Ibid.*, p. 254
- ⁹² *Ibid.*, p. 259
- ⁹³ *Ibid.*, pp. 273-4
- ⁹⁴ 'Economic Thinking' (unsigned review of the second edition of *the Socialist Case*), *Times Literary Supplement*, 15 Nov. 1947
- ⁹⁵ Jay, *Socialist Case II*, p. vii
- ⁹⁶ See Toye, *Plan or Perish*, Chapters 5, 6 and 8
- ⁹⁷ Douglas Jay, *Labour's Plan for 1947*, Labour Party, London, March 1947, p. 6
- ⁹⁸ Jay, 'Plans and Priorities', in Jay *et al*, *Road to Recovery*, pp. 17-18
- ⁹⁹ Francis, *Ideas*, pp. 48-9