Beveridge on Economic General Staff:
from economic adviser to social designer

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Abstract
An Economic General Staff, a think-tank in government, was proposed by Beveridge in 1923/24 for the first time, who was inspired by the Haldane Committee (1917/18). Keynes, first copied the original, developed the concept in 1929. His main focus was interchange between Whitehall and university economists. As the war approached, Beveridge transformed his concept of the Staff, from economic adviser to comprehensive social designer. Being disappointed with present advisory bodies, Beveridge himself served committees as if he were an Economic General Staff. Besides the outer development above, the inner evolution...
regarding the concept of the Staff was crucial. Beveridge shifted the idea from economic adviser to social designer, because he came to prefer “planned” economy in order to solve economic difficulties from a social viewpoint.

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Section 1 INTRODUCTION

The purpose of this paper is to demonstrate the importance of a concept in William Henry Beveridge’s (1879-1963) economic thought. The concept is the Economic General Staff, which is an advisory body to the Cabinet. The Staff, consisting of a few, permanent civil servants, includes professional economists. This think-tank in government should exclusively research, and propose programmes from broader and longer-term viewpoints.

This consideration is significant in at least two points. First, it contributes to an understanding of the (inner) evolution in his economic thought. Indeed, we will conclude that Economic General Staff is the key to properly connect his ideas in his early years (on unemployment) with the ones in his later days (on social security). In particular, “planned”

1 We have discussed Beveridge on unemployment. See Komine (2004).

2 Harris (1997) provides the most comprehensive arguments.
The Staff, as a powerful planner, realises a world uniting economy and society. Second, the concept also helps us to grasp the (outer) evolution in others. This means Beveridge’s impact on other economists and the repercussions which led to the creation of advisory bodies. This route is by no means a straightforward one. The subject is so complicated that we must disentangle the multidimensional influences of forerunner and followers, and of economic knowledge and policy formation. We will reach the conclusion that four steps are necessary to understand this dynamic process.

Broadly speaking, as a result of economists’ concerns, since the beginning of economic science, with the legitimate role of the state in economic life, employing economists in government is now an accepted fact. Then, who in the twentieth century was the origin of discourse and realisation of economics as a branch of scientific knowledge that should be applied to policy-making? Our answer is Beveridge. Other studies have also agreed up to this point. However, little is known about the relationship between Beveridge as a pathfinder and primitive thinkers (Richard B. Haldane and Beatrice Webb), and subsequent repercussions (John Maynard Keynes and others). In other words, we would like to ascertain the dynamic processes as to the development of the concept of economy.

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1. Booth and Pack (1985, ch. 7) considers in full details the Webbs and Beveridge on economic planning.
2. For further details, see Furner and Supple (1990, p. 4) and Booth (1985).
6. A notable exception is Booth and Coats (1980), which deals with several economists (Keynes, Robbins, Henderson, Meade, Jewkes, and et al) in...
Economic General Staff.

To clarify these points efficiently, this paper is constructed as follows, mostly in chronological order: Section 2 describes the background of the idea of the Staff. Sections 3 and 4 deal with the advocating and spreading of the idea in the 1920s. Sections 5 and 6 examine changing the characteristics of the idea and Beveridge’s increasing dissatisfaction in the 1930s and 1940s. Sections 7 and 8 explain how the idea was realised and that gaps between polemicists remained. Finally, Section 9 summarises the main arguments.

Section 2 HALDAEN’S PRELUDE IN 1917/18

First of all, we must take up the Haldane Committee on the Machinery of Government (1917-18). Richard B. Haldane (1856-1928), a Liberal M. P., and founder of the Imperial General Staff (1906) and the Territorial and Army Volunteer (1908), was closely associated with the Webbs and Beveridge. He set up the above committee under the Ministry of Reconstruction, to give counsel on the improvement of State functions. This Committee was exclusively crucial for both Keynes and Beveridge. The first importance is on the side of Beatrice Webb and Keynes. Beatrice, as a dominant member of the seven, had an idea to reconstruct the machinery of government into 14 divisions, including "Research". The 1940s. Our paper will focus rather on economists before 1929.

9 Sidney Webb and Haldane were the chief contrives of the constitution for the University of London (1900). The Webbs and Haldane found each other by mutual magnetism of intellect. In 1929, he still kept "up the most warm friendship with the Sidney Webbs". See Beveridge (1955, p. 187), Johnson (1968, p. 43), and Haldane (1929, p. 114) respectively.

10 When Beveridge went to Berlin in August 1907 to investigate the German labour exchanges, most important for him was a letter to the Embassy from Haldane. See Beveridge (1955, p. 56).

11 Beatrice from the beginning paid attention to continuous enquiry and deliberate thinking for the improvement of Government. She demanded "a nucleus staff of a few able permanent officials attached to the Privy
Research was important because "Knowledge, too, advances in all departments of life -- even in the art of administration." It meant not only the collection of information, but also "systematic research, discovery, and invention," namely, "the creation of new knowledge."

Beatrice consulted Keynes when she prepared a draft on the machinery of government. She sent him a confidential letter (11th February 1918) and asked his opinion on the functions of finance and research in particular. Keynes replied "with a great deal of interest" and commented on the Treasury system only. Contrary to Beatrice, Keynes praised its "prestige" and blamed politicians on not adhering to the principle of sound finance, saying "the fundamental conception of the nature of Treasury control which has come down to us from Victorian times seems to me to be sound." At this stage, therefore, Keynes had no comments on research or scientific knowledge in government. He held fast to balanced budget and had no particular ideas on the application of specialists' knowledge to policy making. Thus, Beatrice (and Haldane) preceded Keynes in 1918 on this aspect.

The second pivot is on the facet of Beveridge's development of his thought. He later admitted that the Haldane committee was unconsciously a great hint when in 1923 he stumbled on the concept of the Economic General Staff. Three pieces of evidence can be shown. Firstly, Haldane himself pointed out that "the General Staff organisation, which treats the task of thinking as separated from that of Council." PP, 13/2, pp. 369-370, "Sub-Committee on Functions of Government Departments, Memorandum by Mrs. Sidney Webb," July 1917.
administration, should be extended equally to civilian services and to industry. It would serve the systematic study of questions before action is taken. The staff required the most highly skilled ability. Secondly, the Committee of Economists, one of the other reconstruction committees, made the term "Economic General Staff" clear for the first time in its report. The Committee consisted of ten economists, including S. J. Chapman (Chairman), W. J. Ashley, E. Cannan, J. H. Clapham, and A. C. Pigou. Its aim was to consider the probable state of industry after the war, with special reference to employment. The report, divided into 16 sections, indicated to set up an economic general staff forthwith, in order to prepare for and supervise the transition from war conditions to peace. To avoid the danger of friction, overlapping, and divided counsels, measures of control would be needed. Thirdly, Beveridge himself, having served with the Ministries of Munitions and Food, connected with some of the reconstruction committees and appeared as a witness before the Haldane Committee. The final report of the Haldane Committee was along the lines of Haldane and Beatrice. It classified the business of Government into 10...
divisions. The most notable and longest section was Division 4, Research and Information. The report concluded that the central Government should be extended to organise a branch of enquiry and research. Officials were necessary “whose duty is to study the future, and work out plans and advise those responsible for policy”.

Scientific research with a view to its application to trade and industry was eager about “scientific research did not always mean “economic”. Nonetheless, note also that “scientific research meant” scientific research with a view to its application to trade and industry. Haldane and Beatrice were close friends who influenced Beveridge’s ideas and his experiences in reconstruction meetings and discussions.

Section 3 BEVERIDGE’S ADVOCATING IN 1923/24 Haldane’s ambition collapsed under the disorder following the war. For example, the Geddes Committee on National Expenditure (1921) nipped the embryonic developments (a research branch) in the Board of Trade in the bud. However, the Labour Party, coming to power, changed the direction of discussions. At the very period between the General Election (December 1923) and the formation of a cabinet (January 1924), Beveridge’s papers were released in The Nation and Athenaeum. His claim was as follows.

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24 PRO, MUN/5/27/263/22, Part 2: Chapter 4: para. 45.
25 As to the importance of the Haldane Committee, see Howson and Winch (1977, p. 7) and Johnson (1968, p. 500).
26 The only surviving, albeit symbolic, position was Chief Economic Adviser: Llewellyn Smith (1919-27) and Chapman (1927-32).
27 Along with the May Committee (1931), there were no economists among the members.
No parties have a concept of "an Economic General Staff, as an integral part of our machinery of government and administration." We have no organ for the systematic study of economy and society. A very few officials have economic training and even the few experts that exist are departmental. Consequently, they cannot properly deal with economic problems, such as unemployment, currency, agriculture, population, tariffs, and trade fluctuation. Apart from political considerations, economic calculations are necessary. Therefore, we need to set up a standing Economic Committee, which should include not only members of the Cabinet, but also certain permanent officials. The latter part is to be called an Economic General Staff. The chief of the Staff should be an authority in the science of economics and a person with much experience in the public service. The Staff needs two or three responsible experts, a few computers, and clerks. The experts should be recruited from universities, which would guarantee several different viewpoints. The Department of Scientific and Industrial Research (founded in 1915) has been inappropriate because it precludes economic science. Note that the Staff will have no responsibility for final decisions on policy. The Staff merely prepares plans for all eventualities.

Beveridge's argument was quite significant and jumped ahead of previous ideas. Indeed, discussions among reconstruction committees (including Haldane's) had been beneficial. Nevertheless, they were only catalytic, because past arguments had never touched the domain of economics. Beveridge, on the other hand, moved one step ahead and proposed a permanent advisory body based on economic expertise. Moreover, his advocacy prevailed very quickly. For example, Thomas Jones, a veteran secretary to Prime Ministers, recorded two cases. In January 1924, Clifford Allen (Chairman of the Independent Labour Party)...

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29 Beveridge (1923, p. 485).
30 Beveridge (1923, p. 486).
31 Beveridge (1924a, p. 509).
and Lord Esher (a former Liberal M. P.) respectively, influenced by Beveridge's articles, were strongly in favour of putting an Economic General Staff into the Cabinet Office. This was rather an astonishing effect of Beveridge. He made the concept of the Economic General Staff famous and filled the term with meaningful content.

Section 4 DISSEMINATION DURING THE 1920S

As soon as the first Labour cabinet collapsed, Beveridge's proposal seemed to go under. However, besides the above effect on Labour, his approach was becoming accepted even by Conservatives. Industry and the State (1927), by four Conservative M. P.'s, was a typical example, which emphasised "the necessity of setting up [...] an Economic General Staff [...] to advise and to assist the Government of the day in dealing with the complicated issues which arise in connection with industry." They lamented the State's lack of a wide knowledge of economic facts, even the Government had to mediate labour and capital. All the same, Beveridge's impact was blossoming more in the Liberal camp. The answer was in Britain's Industrial Future (1928, Yellow Book).

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32 Beveridge (1924a, p. 510).
34 Haldane, as Lord Chancellor in 1924, influenced MacDonald and Treasury officials. Responding to a Treasury Memorandum on economic enquiry, the next Conservative Government organised the Committee of Civil Research in 1925. See Howson and Winch (1977, pp. 10-12) and Chester and Willson (1968, p. 322).
35 But reviewers were all astonished, calling them "socialists in conservative disguise" (Daily Mail, 1st April 1927), or saying "the Conservative Party is honeycombed with Socialism" (Sunday Pictorial, 3rd April 1927).
36 Boothby et al (1927, p. 57). One of the four was Harold Macmillan (later Prime Minister), who was a leader of the progressive Conservatives. His elderly brother, Daniel, was Keynes' friend at Eton.
The title of Chapter 10 is "An Economic General Staff." Although any policies affected industry, such as currency crashed abroad, return to the gold standard, tariffs, agriculture, the staple export trades, foreign loans, the housing problem, and unemployment, the Cabinet had no body of skilled advice. There was a vital need to create a thinking department within the administration, at the elbow of the inner ring of the Cabinet. The Yellow Book proposed "the creation of what, following Sir William Beveridge, we may call an Economic General Staff." The aim was to study continuously, to complete statistic information, and to suggest to the Government plans for solving economic difficulties. The Chief, holding office for five years at a time, should keep his dignity, so "he must be a considerable officer of the State." The Economic General Staff should consist of the Chief and the Deputy of the Staff, the Permanent Secretary of the Treasury, and top officials from the Board of Trade, the Ministries of Labour, Health, and Agriculture. Furthermore, the Staff would facilitate with the establishment of a Committee of Economic Policy (a Standing Committee of the Cabinet), consisting of Prime Minister and the five ministers of the above ministries. The Chief of the Staff should act as Secretary to this Committee.

These ideas came mostly from Keynes, who was greatly influenced by Beveridge. We have three pieces of evidence. First, by 1926 at the latest, Keynes recognised Beveridge's articles of 1923/24 and agreed completely with his proposal. When Keynes published *The End of Laissez-Faire* in 1926, the Westminster Gazette reviewed it, pointing out the necessity of a body advocated by Beveridge. Keynes replied quickly, saying regarding "the appointment of [...] the Economic General Staff proposed some little time ago by Sir William Beveridge," "I am sure that this is right. [...] the modern statesman needs to be supplemented by"...
something additional to a little different from the Civil Service

Second, Keynes drafted most of Book 2, including Chapter 10, of the Yellow Book. To be sure, the book was a joint work by Layton, Henderson, Simon, Rowntree, and so on. However, Keynes' contribution was substantial. In fact, he proposed three new ideas, one of which was an Economic General Staff. Moggridge maintains that Keynes "collaborated with Sir William Beveridge on chapter 10." Third, the contents of both propositions were the same. Their advisory body was divided into two groups: one was a policy committee consisting of ministers, the other was a research staff of respected civil servants, most of whom were specialists. Taking the above three pieces of evidence into consideration, up to 1928 at the earliest, Keynes had merely borrowed his idea on the Economic General Staff from Beveridge.

In June 1929, the Labour Party, whose pledge included the setting up of a National Economic Committee, was elected to office. MacDonald decided to investigate the outcome of the Committee of Civil Research, and invited several economists, business and union leaders to dinner. Some of them later handed in memorandums on the Economic General Staff. Above all, Keynes' memo was the most important. This note was not only obviously based on Chapter 10 of the Yellow Book, but also indicated Keynes' evolved thought.

Although the basic expressions in the memo were the same as Britain's Yellow Book (1928, p. 119).

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17 PRO, PREM 1/70, P. M. C. 10, "Economic General Staff, Note by Mr. J. M. Keynes," pp. 41-47, 10th December 1929. This note is also contained in Keynes (1981, vol. 20, pp. 22-27).
Industrial Future, three parts were, drastically in a sense, changed or added. To begin with, the Staff’s aim and agenda were extended. Along with the development and organisation of industry, national finance and the distribution of wealth were added to the topics of study. Besides the development of national resources, chronic unemployment, the export trades, and rationalisation were added to the list of problems to be solved. Then, Keynes gave 18 detailed examples of the contents of proposed research, some of which had been not seen before; credit and industry, the rating system on industry, the coal industry, population growth, a high level of direct taxation, labour conditions, trade union restrictions, the public concern, and the direction of investment. In comparison with the previous diagnosis, these problems were deep and complex. Finally and most essentially, Keynes transformed the Staff’s characteristics from permanent civil servants into temporary ones, who must keep "touch"
scientific economists as the member of the Staff.

In December 1929, Keynes established his own view on the advisory body. Some of the significant elements were in sharp contrast to the original (1923/24), which had reflected Beveridge’s own experience as a civil servant for ten years (1908-19). Keynes had a taste for pure academicians trained in economics. Beyond that, he evidently envisioned a revolutionary change led by an Economic General Staff, stating: "For it would mark a transition in our conceptions of the functions and purposes of the state, and a first measure towards the deliberate and purposive guidance of the evolution of our economic life. It would be a recognition of the enormous part to be played in this by the scientific spirit." (PRO, PREM 1/70, P. M. C. 10, p. 47)

49 Keynes added the adjective "chronic", compared with the 1928 report.
50 PRO, PREM 1/70, P. M. C. 10, p. 42.
51 PRO, PREM 1/70, P. M. C. 10, p. 46.
52 PRO, PREM 1/70, P. M. C. 10, p. 42.
Section 5 METAMORPHOSIS IN THE 1930S

The Economic Advisory Council, established in January 1930, was a mixture of failure and success. It was a failure not only because it became split between technocrats and representatives, but also because real policy makers (bureaucrats and politicians) often offered a stubborn resistance to advice by economists. In spite of that, it was a success on the grounds that economists, led by Keynes, cultivated small but certain channels to convey academic knowledge into Whitehall in the making of policy. In particular the Committee of Economists and the Committee on Economic Information, both sub-committees of the Council, played a major role. In this sense, Keynes must have been, partly at least, satisfied with those advisory bodies.

Nevertheless, Beveridge was not gratified with the Council. On 5th March 1935, he spoke on BBC radio; the title was "Economic General Staff." In the talk he supported Lloyd George, who offered counsel to MacDonald regarding the establishment of a permanent advisory body. Beveridge judged that there had never existed such a function in the Cabinet, although the Haldane Committee and his articles suggested the creation of the function. He criticised the Chief Economic Adviser and the Economic Advisory Council. The former played a too restricted role, whereas the latter was even worse, as the members, temporarily appointed, were too busy. What was needed was to organise skilled and impartial specialists (full-time officials), who could think about economic problems.

Beveridge's dissatisfaction even modified his own concept on the Economic General Staff. In July 1937, he made the address "Planning."
under Democracy. His claim was as follows: if you wanted planning and were interested in public issues, you needed to make sure that you have an appropriate organ to think and forecast, that is, an Economic General Staff. The Economic Advisory Council did not work well, simply because members acted as if it were a part-time job. The Economic General Staff, with a maximum of 5 persons, must serve as civil servants. They should not have to engage in daily administration, nor should they travel on business. All they had to do was to think. Plenty of money and time would make it possible for them to only research. They must make economists in universities recognise the "real" world. Even laissez-faire needed a kind of observation. Everyone may approve of intervention and conscious planning to some extent. Planning under democracy was likened to breathing under water. We cannot live without breathing (planning). Likewise, we cannot get rid of water (democracy). Inevitably, we must learn how to survive under water. An Economic General Staff would make it possible to draw up a plan for survival. At this stage, Beveridge’s concept broadened. The Staff, only a maximum of 5 persons in the UK, must have strong power and dignity. Here he altered the concept from economic adviser to comprehensive social designer.

Four episodes are worthy of notice. First, as Chairman of a Sub-Committee on Food Rationing, Beveridge wrote the final report with an Annex in October 1936. His concern was rather food control as a whole, not microeconomic food rationing. A Minister took an interest in his Annex and invited him to be an official. However, W. Fisher, a top official in the Treasury, got in the way. Beveridge was disappointed and said: I had hoped, once I was inside the Government thinking machine, to become, by hook or by crook, an Economic General Staff for planning the civilian side of war. (Beveridge, 1955, p. 243)

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56 Beveridge (1937, p. 141).
57 Beveridge (1937, p. 143).
58 In October 1939, Beveridge again argued that an Economic General Staff and a War Cabinet would both be necessary, for the whole economy...
Second, the Unemployment Insurance Statutory Committee was significant. As Chairman (1934-44), Beveridge reconstructed the Committee as an "organ of Government entirely new in type". He transformed the Committee from an annually reporting watch-dog intended to keep the fund decently in balance, [...] into a policymaking body with a long-term plan relating to the whole problem of unemployment in relation to public finance. In other words, this Committee had been on a merely routine work basis. Beveridge recognised its potential and changed its characteristics. He predicted a trend of unemployment and changed an amount of the fund to counteract boom and depression. His leadership went beyond collecting data, and extended to the role of a designer of long-term economic plans.

Third, in 1940 Beatrice Webb described him as follows:

Poor Beveridge was in a state of collapse. I have never seen him so despondent about public affairs. [...] What is even more personally depressing is that he has been ignored; his services as an administrator have not been requisitioned. [...] What is more interesting is that Beveridge realizes that if the war is to be won, [...] planned production and consumption has to be undertaken. [...] He agrees that there must be a revolution in the economic structure of society; but it must be guided by persons with training and knowledge – i.e. by himself and those he chooses as his colleagues. (Addison, 1977, pp. 117-118 and Webb 1985 p. 458, 11th August 1940, italics in original)

The above sentence in her dairy came after the withdrawal from Dunkirk in June and before the London air strike in August. The deterioration of must be planned. The Times, 3rd October 1939. See Addison (1977, p.64).

61 One more (unsuccessful) example is the Royal Commission on the Coal Industry (1925-26). Beveridge, one of the four members, urged to reducing wages. The report could not mediate labour and capital. Subsequently, the General Strike occurred in 1926. Beveridge (1955, pp. 220-221).
the war situation forced Beveridge to swing in favour of stronger planning.

Finally, Beveridge appealed to Churchill for his expertise, stating:

My dear Prime Minister,

Now perhaps in view of our old association I may write this and may add that if there is anything at all useful for me to do for the country, I am available to do it. My special experience has lain, as you know, in devising new types of government machinery (like unemployment insurance and food rationing) for dealing with new problems. With the phase of war that’s uppermost at this moment, that sort of thing isn’t perhaps immediately relevant, but it may become important later; passing over to complete economic planning will raise many new problems. Of course, I’m ready to do anything useful and I’m free to go anywhere. I had, (and I believe I still have) speed for emergencies, knowledge of how Government Departments work in war and peace and, for the moment, a mind untired by doing things.

However, unlike the case of 1908, Beveridge’s zeal did not reach Churchill, who just replied briefly, saying: “I do not at the moment know of any way in which your services could be utilised.”

By 1940, it became clear that Beveridge’s meaning of the Economic General Staff differed from others’. Consequently, the role of the Staff as adviser to the State that he envisioned was naturally dissimilar to theirs. Economists supposed a simpler application of economics to policy-making. It was based on specialised but restricted knowledge or “models,” such as reciprocal demand and supply curves in the field of international economics, general or partial equilibrium approach to taxation or labour market, and monetary theory of trade cycles. On the other hand, Beveridge conceived of a complex union of economy and society. As an illustration, he had had an idea to create a complete labour model in which the economic situation of each individual would be considered.

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62 Addison (1977, p. 117) and Laybourn (1988, p. 100).
63 BP, 2b-39, a letter from Churchill to Beveridge, 25th May 1940.
Likewise, Beveridge came to emphasise "the connection between income and responsibilities, between continuous earning and eating" when he wrote the pamphlet "Insurance for All and Everything" in 1924. Unemployment was a vice, because of the possible interruption of continuous earning. In the 1920s and 1930s, his focus was gradually forced to shift from unemployment itself to the social conditions surrounding unemployment. Beveridge's "economy" or "economic science became broader than that of the economists. It follows from the above four episodes that Beveridge was clearly dissatisfied with the advisory role in government at that time. Two types of dissatisfaction added to the shift of emphasis. First, Beveridge's expertise had been ignored. Second, he believed that the current advisory bodies were incomplete. The best solution to this was that he himself was going to be an Economic General Staff, the Saviour for resolving economic and political difficulties.65

Section 6 SCEPTICISM DURING THE WAR

As World War 2 approached, there were again loud calls for the creation of an Economic General Staff, including from Sir Arthur Salter.66 In response to such demands, the Stamp Survey was organised in 1939, and subsequently the Central Economic Information Service was founded.64 Beveridge (1924b, p. 4). 65 See the following comment: "the creation of an EGS was, for Beveridge, an essential means of cutting through the Gordonian Knot of decrepitude, ineptitude and shortsightedness embodied in the politicians!" Booth and Pack (1985, p. 162). 66 Cairncross and Watts (1989, p. 10).

67 One of the Old Dogs, which Keynes called themselves. BP, 2b-39, a letter from Keynes to Beveridge, 15th April 1940. The other four were Keynes, Layton, Henderson, and Beveridge. They had all worked in civil service during World War 1, but were no responsible positions in Government yet. See also Beveridge (1955, p. 268).
which in 1941 was divided into the Central Statistical Office and the Economic Section. The initiative on economic policy frequently derived from the latter where several academicians were employed. Economists in government produced great benefits, for they brought a fresh outlook. Even Sir Richard Hopkins, of the Treasury, admitted that “economists [...] often played a leading part in their contriving.”

Even witnessing those successes, Beveridge was not satisfied at all. His irritation reached a climax when he testified in the official committee on the Machinery of Government in October 1943. He maintained as follows: the economic system should become State-controlled in the interests of full employment, though this was not socialisation. A Minister should have wide powers in the economic sphere, absorbing the present Treasury and controlling all aspects of economic policy. This Department would include a strong team of expert economists. In contrast, the report of the Committee concluded: We reject the conception of an Economic General Staff. It is impracticable as well as undesirable, because economists with immense power to dictate policy are alien to any form of Parliamentary Government.

Beveridge’s proposal was so far-reaching that top bureaucrats and politicians regarded it as quite dangerous to democracy. It is clear now

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68 Chester and Willson (1968, p. 325). Booth (1986, p.674), after examining interrelationship between human ideas and historic events, points out that economists in government were then collectively able and had good channels to the minister in charge (in this case, Sir John Anderson) and officials.

69 Specialists’ advice became more realistic in the Economic Section. See Chester (1951, p. 16).


71 Chester (1951, p. 32).

72 Hopkins (1951, p. 2).


74 PRO, CAB, 87/72, M. G. O. 32, para. 17.

75 PRO, CAB, 87/72, M. G. O. 32, para. 7, 19.
that Beveridge's concept was not single policy adviser, but integral social designer. Thus, high-ranked policy makers completely turned down his grandiose concept. Besides, professional economists, including Keynes and Robbins, only thought of efficient interchange between Whitehall and the Universities. Keynes put stress on comprehensive advice from a macroeconomic point of view, such as employment as a whole. He preferred to set economists in the Cabinet or the Treasury, that is, and again to temporary appointment of university men. Robbins, as Head, entreated the Economic Section to survive as such. Beveridge's unhappiness stemmed mostly from the Cabinet's coldness to him. It is well known that he alone signed the final version of Social Insurance and Allied Services (December 1942), as a result of the resignation of all other members from ministries. What is worse, the Cabinet's attitude turned from ignoring Beveridge into boycotting him. This situation was led by Churchill, who wanted to concentrate on "present and clear" battles, not "future and magnificent" schemes. Indeed, the Prime Minister banned any exchange of views on full employment with Beveridge in February 1943, and the Chancellor of the Exchequer (or, to be strict, Hopkins) banned it again in a similar way in November 1943.
Section 7 COMPLETION IN 1942/44

Nonetheless, the tense situation changed drastically when Beveridge published *Full Employment in a Free Society* (1944), after the "White Paper Chase." He reviewed the White Paper "Employment Policy" in his postscript: the Paper [...] is the practical proof that the central machinery of Government in Britain at last includes an organ capable of expert study of general economic problems [...]. That is to say, the machinery of Government includes what a Committee of Economists appointed to consider reconstruction problems in 1917 propounded as their first and most emphatic recommendation -- an Economic General Staff. The same recommendation has been urged on many occasions since then by many people, including myself in 1924 in a spirit of unwarranted hopefulness about the first Labour Government. Now after a quarter of a century and the outbreak of a second World War it has been accepted. Whatever be thought of the name "Economic General Staff," the thing is there [...]. (Beveridge, 1945/44, p. 260)

Beveridge bestowed his highest possible praise on the White Paper for two reasons. First, both reports had an eye on full employment, an indispensable presupposition to abolish "Want." Second, both projects would be executed by an Economic General Staff, a reliable able body. Although this may be true in his understanding, and indeed analysis in the two books was based on effective demand as a whole, there are distinct differences. For the White Paper, high and stable employment should be obtained through "managed" demand led by the State. Policies were matters of timing for public works. For Beveridge, full employment was needed by "planned" demand. Full employment was more than an economic condition; namely, unemployment should not last for a length of time exceeding that which can be covered by unemployment [...].

See Tomlinson (1987, pp. 73-75).
insurance without risk of demoralization. Such policies would inevitably be accompanied by enlarging roles of government. Planned economy needed a designer. The designer was an Economic General Staff. The stance of the White Paper was incomplete and obscure on this point. Since Beveridge noticed the differences in their social philosophies, his view in the above quotation is a little strange to us. Beveridge somehow misunderstood the stance of the White Paper regarding an Economic General Staff.

Section 8: GAPS REMAIN

Being the strongest evangelist of an Economic General Staff, Beveridge had been discontented with the present advisory role in government, served by mainly university economists. Thus, there existed clear-cut gaps between Beveridge’s concept and those of others, regarding the Economic General Staff. We should consider two reasons for these gaps: the first is related to the science of economics. The second concerns individual experience.

Beveridge strongly wanted to establish economics as a branch of human scientific knowledge. His ambition was distinct when he addressed “Economics as a Liberal Science” in 1920, and “The Place of the Social Sciences in Human Knowledge” in 1937. According to these addresses, social sciences, typically economics, politics and sociology, were “the study of society and of man as a member of society” as Thomas Huxley suggested, social sciences should be based on “an inductive method of observation, nearer to biology than to mathematics.” Its method must be along the same lines as the natural sciences: observation, experiment, establishing general propositions.

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82 Beveridge (1945, p. 20).
83 Beveridge (1945, p. 274).
84 Beveridge (1921, p. 3).
85 Beveridge (1955, p. 247).
Economics had typical topics, such as cyclical fluctuation, unemployment and a stable measure of value. Nevertheless, as far as it included a study of man and of society, economists, as well as political scientists and sociologists, must have intimate co-operation with biologists, anthropologists and psychologists. Economics in particular was good at dealing with man and his (changing) environment, and was necessary for public administration and business organization. In this sense, economics was also suitable to a liberal education in universities, for liberal arts pointed to the training of the mind and the understanding of one's environment so as to be in harmony with it.

In short, Beveridge and other economists, typically such as Robbins, Hicks, Meade, and Hayek, are most different in style and scope of economics as science. Following Huxley's empirical biology, Beveridge set great stone on collecting, generalising, and verifying data. By contrast, professional economists operated only armchair theories, by managing impractical concepts. Beveridge even blamed Keynes's 1936 book for starting not from any fact, but from definition of a concept, and for announcing his conclusions without verification. Therefore, he did not intend to, and actually could not, catch up with the forefront of economics, for instance when he organised a study group of protecting free trade and published Tariffs in 1931, helped by Robbins, Hicks and et al.

Beveridge (1921, p. 7).
Beveridge (1955, p. 251).
Beveridge (1921, p. 15).
Robbins, once as Assistant for him in 1923/24, ridiculed Beveridge's capacity to follow analytical arguments. See Robbins (1971, pp. 136, 158).
Hayek also despised Beveridge, saying "he was completely ignorant of economics whatever", which, we are sure, reflected ideological hostility. See Hayek (1994, p. 83).
Economics as science was first programmed by Marshall, who had been engaged in a professionalisation of economics since 1885. Afterwards, the trend, ironically, evolved at LSE from the late 1920s.
In the course of developing economics as an established branch of the academic world, the gaps of style between the two camps widened. At the same time, scope of economics differed. As is typical in Pigou, economists tended to quibble, using merely two variables (such as real wage and employment). As is also typical in Robbins, economists became accustomed to defining economics as the study of human behaviour as a relationship between various ends and scarce means. This characteristic narrowed the scope of economics, albeit it was the inevitable road to professionalisation. Beveridge harshly criticised this situation, because, for him, economics was an interdependent, not independent, branch of human knowledge, and must be constructed from a broader viewpoint. More wide-ranging topics, such as population, a national minimum principle, social security, creation of new markets (by labour exchanges for instance), and a relation between market and government, should be included in economics. In recent terms, social policy is included in economic policy in Beveridge’s thought.

As for scope, it should be noted that "comprehensive" was Beveridge’s key word. In every proposal, he considered a wide-view plan, consisting of a main unit, a subordinate unit, and a complement. We have three examples. First, by 1909 Beveridge accomplished a theory and remedy on unemployment. The remedy consisted of three parts: labour exchanges (main), which would create a new labour market and be an arbitrator between the unemployed and employers; unemployment insurance (sub), which would temporarily mitigate the situation for the remainder; and counter-cyclical public works and evening wages among seasons (complement). Second, the Beveridge Report (1942) offered a comprehensive programme based on the National Minimum. Social security consisted of three sets again: compulsory social insurance for all (main), which needed a flat rate of contribution and subsistence benefit; public aid for the excepted (sub), which needed strict screenings of means tests; and private savings (complement), which encouraged self-

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[^93]: See Robbins (1935/1932, p. 16).
help above the subsistence level. Third, Social Insurance and the Allied Services (1942) had to be combined with the subsequent two reports: Full Employment in a Free Society (1944) and Voluntary Action (1948). Full employment was one of the three prerequisites in the Beveridge Report. Chronic unemployment could not sustain social insurance and would demoralise ordinary (able) people. Thus, a policy for full employment and a system for social insurance should be united in a free society. However, this was not complete. Not only an agenda for government, but also an agenda for people was called for. Hence, Beveridge finally wrote a book on people’s motives for acting, especially in mutual aid and philanthropy. He regarded plural private groups as important agents of welfare. Therefore, the trilogy finished his comprehensive design for the coming world.

Nevertheless, the above reason (style and scope) is not enough. For Keynes, as a member of the older generation, once expressed his view on economics in correspondence with Harrod in 1938: “as against Robbins, economics is essentially a moral science and not a natural science. That is to say, it employs introspection and judgments of value.”94 I might have added that it deals with motives, expectations, psychological uncertainties.”95 Keynes’ opinion was in sharp contrast with other younger economists. He was rather similar to Beveridge in that both thought of economics as one of the other branches of science, and of necessity of closely connected to them. Of course, the directions of the two men were different: Keynes paid attention to motives whereas Beveridge mainly took notice of human organisations. But, there is something more needed to explain the difference between the two on the Economic General Staff.

Hence, the second reason we should examine is with regard to 94 Keynes (1987, vol. 14, p. 297), a letter from Keynes to Harrod, 4th July 1938. 95 Keynes (1987, vol. 14, p. 300), a letter from Keynes to Harrod, 16th July 1938.
individual experiences. Keynes preferred temporary economic advisers who were university specialists. It was temporary because the economic advisers should come back home (universities) again. Beveridge wanted social designers serving as full-time civil servants. It was permanent because the social designers should remain their neutral position in government, in order to devise clever plans. This reflected the experiences of each in their careers. Keynes’s service in the Treasury was always temporary during the wars. On the other hand, Beveridge served on the Board of Trade and other ministries for ten years. He never became a university lecturer in a normal sense, although he held a close connection with the academic world as Director or Master. A way to relate with the war economy in Whitehall is a mirror of their own concept of the Staff. What is more, the reason Beveridge preferred powerful designers is explained as follows: To be sure, they shared very similar careers; witnesses in Royal Committees, persuaders towards the public, government officials and politicians, supporters of the Liberal Party, statesmen in the House of Lords, writers and editors for magazines, contributors to academic journals, university teachers, Presidents of the Royal Economic Society, and civil servants. Nonetheless, one career, that is, investor or entrepreneur, was omitted in Beveridge’s life. Keynes had been closely associated with the City, whereas Beveridge was, if anything, less indifferent to private individual enterprises, and more interested in business organisation as a whole or the relationship between business and government. This difference in experience created the one in concept. Beveridge trusted private owners of enterprise less than Keynes, thus jumped at “planned investment and consumption controlled by the State. On the contrary, Keynes was so acquainted with merits and demerits of private companies that he did not say anything more than to advocate the
“...”

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Socialisation of investment, which meant collecting and free access to investment information.

Section 9 CONCLUDING REMARKS

So far we have outlined the way in which economics as a scientific knowledge was applied to policy-making, by keeping our focus almost entirely on Keynes and Beveridge. Both were persistent evangelists for an Economic General Staff, as the Saviour of the evolving market economy in a free society. In alignment with their advocating, a number of advisory bodies, albeit insufficient, were founded in the 1930s and 1940s. Thus, this was a great success, in the sense that policy makers (bureaucrats and politicians) were able to recognise how professional economists thought and what correct reasoning concluded from an economic point of view. This was the great beginning, for in the modern welfare state, managed economy and social security naturally combined through some power of programmer, projector, or conductor. This role fitted an Economic General Staff. Consequently, it was quite natural for both Keynes and Beveridge, who can be regarded as founders of the modern managed economy and social security respectively, to put forward a new concept of adviser or designer.

Actualisation of an Economic General Staff, however, did not proceed in a straight line. As Table 1 indicates, we can sum up four steps, which went forward in zigzag fashion. (1) Beveridge became the first...
Beveridge and others

1917/18

step

1923/24

year

plagiarised EGS unconsciously

98

first advocating of EGS

(1)

Haldane and Beatrice concerned scientific research, whereas Keynes had no interests

(2)

1928

Keynes copied Beveridge's EGS

EGS prevailed among others

(3)

1929

1937

persistent insistence on EGS

EGS as social designer

Keynes developed his own EGS (temporary specialists based on university men)

Beatrice's love to Soviet

(4)

1942/44

Beveridge became EGS proponent in 1923/24, and his proposal pointed to "economic research. Indeed, his advocating was inspired by Haldane and Beatrice of 1917/18, who bore general scientific research in mind. According to correspondence between Beatrice and Keynes, the latter did not pay attention to research applied to policy. Hence, Beveridge was one step ahead of them. (2) The concept rapidly prevailed. A number of leading economists and politicians, from Conservatives, Liberals, to Labour, took up a role of evangelist. Keynes was the most influential among them, persuading the Prime Minister to set up a new advisory body in 1929. As late as 1926, Keynes reacted to Beveridge's proposal seriously and copied it at this stage. (3) In spite of that, a conflict developed between Beveridge and others, as the Economic Advisory Council got started (partly) successfully. Keynes finally developed his own concept of the Staff, which meant university economists working on a temporary basis (like able dentists). Politicians were satisfied with a National Council to iron out the differences of interests. Beveridge's Staff was to be made up

See Beveridge (1930, p. 410).
of considerable full-time officials. As the war approached in particular, Beveridge had dreams of creating comprehensive social designers. Planned economy was unavoidably necessary to protect something liberal. The widening gaps between Beveridge and others mainly stemmed from two categories: one was the content of economics as science. The other seemed to be the differences of their experiences.

Finally, Beveridge himself had dreams of being an Economic General Staff, and became it. The examples were a member of the Royal Commission on the Coal Industry (1925-26), a chairman of the Unemployment Insurance Statutory Committee (1934-44), and a chairman of the Beveridge Report (1942). In the committees, he exhibited his leadership to submit comprehensive programmes. Together with a subsequent report on full employment (1944) and Volunteer Action (1948), the writer of the trilogy definitely acted as an Economic General Staff. The creation of an Economic General Staff is a milestone against the birth of the modern welfare state. The Welfare State stands on a subtle mixture of two concepts: managed economy (mainly produced by Keynes), and social security (generated by Beveridge). Each is a presupposition as well as a consequence of the other. It is a little strange coincidence that these two men of great calibre developed the concept of an Economic General Staff. It is worthwhile clarifying the similarities and differences between the two, in the light both of the birth of the Welfare State and of the history of economic thought.

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99 Harris (1997, p. 305) describes that "he became markedly less 'bureaucratic' and more 'technocratic' in his approach to public policy."


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