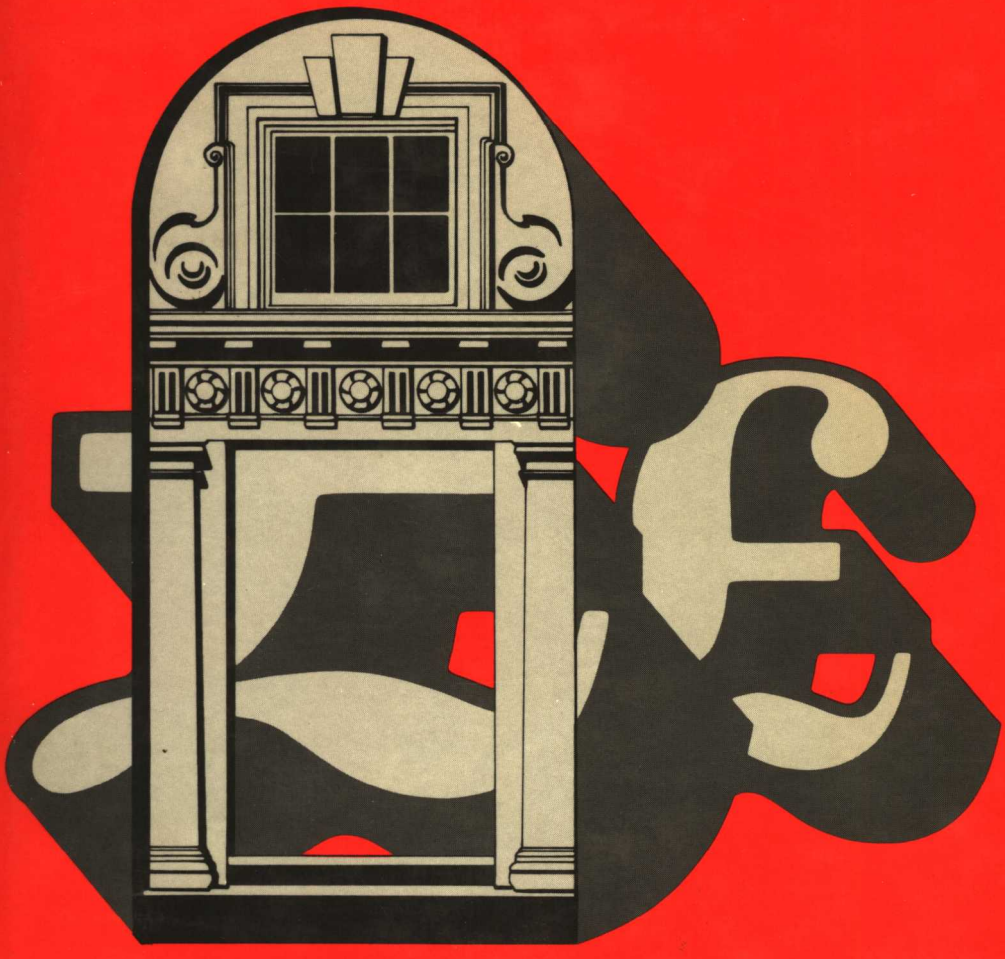
INSIDE THE TREASURY



JOEL BARNETT

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To my dear wife Lilian
without whose unfailing support
this book could not have been written

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Introduction

After six years in Opposition on the Government back benches and four in official Opposition on the Front Bench, I desperately wanted to do a positive job in Government. So it was that I began my ministerial career in the Treasury in 1974 as an optimist, keen to work hard for the economic success I hoped we would achieve and to do all those things we had been fighting for in the Labour Movement.

Yet after five years in the Treasury I finished as an undoubted pessimist, at least as far as Britain's general economic and industrial performance is concerned. Whenever the conversion took place, at the end it was virtually complete. In contrast the Chancellor of the Exchequer, Denis Healey, contrived to remain an optimist throughout. At least that was the impression he gave, even in our private discussions, though I could not judge whether his comparatively cheerful views about our prospects were simply an attempt to counter the deepening gloom of his Treasury Ministers. He did not succeed, but it may be that this was the only way an embattled Chancellor could ever have survived five such difficult years.

So why did I stay in office? Not for the money – I could always be sure of earning more outside of Government. Not for reasons of personal ambition – I have always prided myself on my realism in relation to my own prospects, and never expected to reach the top, or anywhere near it. Some in politics start off with the assumption that they will rapidly climb the famous 'greasy pole'. I never had any such illusions. My original political ambitions were minimal – a seat in the House of Commons was the summit of what I imagined I might achieve. As it turned out my practical experience with industry and commerce through my training as an accountant, combined with what I suppose might be called persistence and determination, were able to take me much further. To my surprise, these qualities, when topped up with what I had always taken for granted, namely a natural Lancashire common sense, an ability to get on with most people, and a sense of

humour (that was much needed during my ministerial career), appeared to be sufficient to get me as far as the Cabinet.

Long before the end of Labour's term I could have happily returned to full life as a backbench MP. While it could occasionally become wearing in particularly busy ministerial periods, I had always found constituency work, which I know some Members find a terrible grind, to be very satisfying. Apart from anything else, I felt it kept my feet on the ground after long hours in the Treasury and House of Commons, and it was made easy by the genuine affection I had, and have, for my constituents. I looked forward to seeing more of them on leaving office, and positively relished the thought of filling the rest of my waking hours, in addition to work in the House of Commons, by the accountancy work which had succeeded in providing me with many good friends as well as a sound base from which to launch a political career.

So why then did I stay? That question troubled me throughout my ministerial career. The 'perks' of office – the car, office and staff – were scarcely a consideration. They were all very pleasant, but I could afford at least as good a car, and I already had an office and a staff. On their own they could not have compensated for the long hours and the criticisms, often personal and hurtful, that a Minister has to endure. It is true, however, that the 'trappings of office' have their beguiling aspects: the red boxes, the first-class people always at your service, the sense of being at the top, at the centre of events of national interest. Perhaps most seductive of all is the notion of having a job you know many others would like to have. But the main impediment to leaving, without wishing to sound priggish, was undoubtedly the feeling that one would be letting down one's friends and colleagues: a sense of loyalty, if you like.

On one fact at least I'm clear: my desire to give it all up stemmed more from the recognition of how little one could achieve than the inability to speak freely. That one learns to accept as part of the job. Clearly, it would be a rapidly self-fulfilling prophecy, if I, as Chief Secretary, were to express my darker thoughts freely and publicly.

No, 'speaking freely' and 'Open Government' are fine aspirations, and by holding them as aspirations it is to be hoped we will at the very least have a little more openness and free speaking. But truly Open Government, even with the most ardent advocates in charge, can never be more than a myth. I hope this book will help to explain why, and that at the same time it will give some insight into the mechanics of government.

• CHAPTER ONE

The Making of a Chief Secretary

My appointment as Chief Secretary to the Treasury came at about 6 pm on 6 March 1974, when I was called to 10 Downing Street. The Member preceding me in and out of Number 10 was Brian Walden, then MP for Birmingham, Ladywood. I was told by Harold Wilson, the Prime Minister, that Brian had turned down the job of Minister of State at the Department of Industry because it appeared he could not afford it (later, of course, he left the House to become a television presenter). When offered the job of Chief Secretary, I remarked that I was not sure I could afford it either, to which Harold replied: 'I'm sure you'll manage – you will have a good accountant.'

Harold also said, giving me a glimpse of the task ahead: 'You will have to make yourself very unpopular with your colleagues – I am sure you will do a grand job!' In the event, despite spending most of my years in office saying 'No' to my colleagues, cutting expenditure from their programmes, and being involved in almost constant disagreement with most of them, I managed to survive it all without really 'making myself unpopular'. Indeed, as doctors put it about their patients, I somehow got through without losing a Minister.

The post of Chief Secretary, whose main task is to assist the Chancellor of the Exchequer in establishing and monitoring the limits of public expenditure, was set up in 1961. Most of the previous incumbents had been public school and Oxbridge men with no specialist training in financial matters. One exception was Jack (now Lord) Diamond, a Leeds man, whose educational background was not dissimilar to my own and who had also trained as an accountant.

My own view is that although formal accountancy training is a long way from the kind of work a Chief Secretary has to learn – and learn the hard way – it is nevertheless very useful, and the discipline it imposes would have been invaluable to the Cabinet colleagues with whom I had to deal. I often felt that their inability to read a simple balance sheet created unnecessary difficulties for them as well as for me.

• *Inside the Treasury*

My first full day at the Treasury, on Thursday, 7 March 1974, started at approximately 8.30 am, a time which I gather rather shocked my Private Office. My engagements included meetings with the Permanent Secretary on the Public Expenditure side, Sir Douglas Henley, who later left to become Comptroller and Auditor-General, and Sir Leo Pliatzky, the Deputy Secretary, who later became my Permanent Secretary, and later still went on to become Permanent Secretary at the Department of Trade. I got on well with both of them, but rather better with Pliatzky; quite apart from the fact that he was a Mancunian, which naturally attracted me to him, Pliatzky was also a blunt and outspoken man with whom, in spite of many differences of opinion over the years, I greatly enjoyed working. The rest of that first day was taken up with reading voluminous briefs which had obviously been prepared during the election campaign for the prospective Chief Secretary.

On that first day, I probably made the best appointment of my whole period of office, namely of Mark Hughes, the MP for Durham, as my Parliamentary Private Secretary. He turned out to be better than I could have dared hope, being intelligent and a congenial companion. More importantly, he got on well with everybody in the House of Commons. This proved to be an essential attribute in the other side of my work on the tax front, when I came to take Finance Bills through the House of Commons.

The first day ended at approximately 10 pm, somewhat early by comparison with what was to come later. It was an exhilarating day, though I could not help wondering how I would measure up to the job and how well my background had equipped me for it. Unlike most other Ministers I was neither a university man nor strongly grounded in trade union affairs. On the other hand, my parents gave me an upbringing that provided a firm appreciation of the needs and aspirations of the kind of people the Labour Party most wanted to help.

In addition to everything else I owe to my parents, I am forever indebted to them for having christened me with the distinctive name 'Joel', though it goes without saying that as good Jewish parents they would never have used the word 'christened'. It is traditional for newly-born Jewish children to be named after a deceased relative, such as a grandparent, uncle or aunt. The problem is that these elderly deceased relatives usually had good old Hebrew names, rather than the kind of modern English ones that the parents would ideally choose for their children. A pragmatic compromise is the only solution.

In my case, I was given the Hebrew names for Joseph, Maurice, Henry. This satisfied tradition. But my mother wanted something better for me – Joseph or Joe was not to be good enough for her son, and as the English name Joel could perfectly properly be a derivation from the Hebrew, it was Joel that duly appeared on the birth certificate. Nowadays, quite exotic English names like Heather, Dawn, Sharon or Michelle are chosen in memory of relatives called Hannah, Doris, Sarah or Miriam. For boys, the variations tend to be less way-out, though I must say that I have always been grateful to my mother for setting me apart from the Joes of this world. It certainly has not done me any harm, the only slight disadvantage – which my mother could not have anticipated – being that Joel sounds like Gerald on the telephone.

The name cannot, of course, be truly understood without some knowledge of the environment into which I was born. At the time, in 1923, my parents were living in a small terraced house in Barker Street, Manchester, just opposite Strangeways Prison. One biographical reference to me many years later said I was born in 'Strangeways' – I had to explain it was the district, not the jail. It was a part of Manchester, not far from the railway station, where many Jewish immigrants seeking refuge from the pogroms of Eastern Europe had first made their homes, usually with few possessions apart from those with which they had managed to escape. My father was born in Manchester and my mother was brought to England as a child, but their parents were immigrants whose early years must have been a struggle of a kind of which I knew very little.

No matter how poor we may have been from time to time, my mother, who was what used to be called a good manager of the home, always contrived to keep the place spotless, with a good meal ever available for me, even if she had to go without. She herself was painfully thin, and I thought later, when she died at a sadly early age, that her death may well have been hastened by the extent to which she deprived herself in order to ensure that my father, sister and I were short of nothing.

My father, who was a tailor, also worked his fingers to the bone: he later told me that he frequently worked right through from Friday night to Monday morning in order to complete suits that were said to be urgently needed. Perhaps his industriousness rubbed off on me, enabling me to keep awake through those successive all-night sessions in the House of Commons.

When I was three, our circumstances had improved sufficiently to allow us to move to the posh end of Hightown, close to a park, Bellot

Street Park. We had a bathroom, and a parlour too, though the house was still in a terrace. When the time came for me to go to school, there was no discussion. My parents had known little of education themselves, and I automatically went to the Jewish Elementary School at Derby Street, which, as luck would have it, was a good school. I made some wonderful friends there, and later on at Balkind's Hebrew School (Cheder), many of whom are still friends today.

At the age of ten, I won a scholarship to a grammar school, Manchester Central High. But four years later, in 1937, the tailoring industry, or at least the part my father was in, was going through a bad patch, and my parents felt the ten shillings a week I could earn would be invaluable. Here ended my formal education – at least for the time being. There was no political discussion, for ours was not a political household, but it occurs to me now that this may have been the moment when the first seeds were sown of my ambition to become a Labour MP.

There are two aspects of that major educational decision that spring to mind. First, the total failure of my parents to comprehend the magnitude of what they had done, and second, the importance of my ten shillings a week in the context of the time. There is no doubt that my parents wanted to do their best for me, but what that meant for them was that in no circumstances was I to go into a clothing factory, which was thought to be the ultimate dead end: they found me a job in a warehouse. The significance did not really sink home until much later, when I became conscious of the miserable nature of an economic and social system which forced families to make decisions of that kind.

Many years later, when Shirley Williams and others argued in the Cabinet the importance of children staying on at school, I did not need convincing. But I was possibly more aware than others that a £6 a week Education Maintenance Allowance (EMA) would not easily persuade either children or parents to forego the £15 that could be earned.

The war, which was to transform my life, and of course much else besides, began shortly after we had moved house again, this time to a newly built semi-detached with a garden. My father was doing rather better, although I can recall his struggle to find the £25 deposit on the house, which cost £375 in those distant days of 1939.

I joined the army, and after my initial training at Fort George in Scotland, I was allocated to clerical work, eventually in a small Military Government detachment, serving in France, Belgium, Holland and Germany, and finishing with the rank of Sergeant. The army introduced

me to a new and wider world, which was for the first time entirely non-Jewish. I again made a number of good friends, although when the time came for us to return to civilian life, promises to keep in touch were soon forgotten as we sought to make our way in the harsh world of those postwar years.

My first serious political arguments came in 1945, whilst I was still in the army, but they lacked depth. Being in a unit with a handful of men, isolated in the small German town of Heide, in Schleswig Holstein, I was not party to the more sophisticated discussions that were taking place in the big battalions.

When I returned home after the war, it was to an environment in which 'settling down' to earning a living was the first priority. My father had bought a small jewellery shop in Eccles in partnership with an uncle. It was intended to be a business which would provide an opportunity for myself and a young cousin, Jack Barnett, to build a future for ourselves. Another small shop was acquired in the nearby town of Farnworth, but inadequate capital resources, combined with the poor sites of the two shops, soon made me realize that I could not sink my whole future into such an insecure enterprise. Something else had to be done. With no financial resources, I decided the only real chance I had was to revert to the studies I had abruptly terminated when I left school. So I started on the path to an accountancy qualification, installing a manager in the Eccles shop while Jack took over the Farnworth one.

During this time, my interest in politics was growing. This largely came about through my good fortune in meeting my wife-to-be, Lilian Goldstone. We first met, as did many of our friends, all former servicemen and women, at a Jewish club known as Maccabi in North Manchester. Lilian's younger brother, Leo (now Director of Unicef's Statistics Programme), was reading economics at Manchester University. He was a member of the Socialist Society, and very actively interested in politics, as was Lilian's mother. We had many interesting political discussions, but I was still not personally involved, my main concern being to finish my accountancy studies. I did, however, join the Prestwich Labour Party shortly after our marriage in 1949, when we bought a small semi-detached house in Prestwich, a suburb of North Manchester, with the help of Lilian's parents and a mortgage.

In the first two years of our marriage, Lilian kept us going by carrying on with her work as a secretary. Even so, we were very hard up, and when I was pursuing my studies by the fire, Lilian would tend to

go to bed early, not wanting to disturb me or to waste money on a fire in the other room. Those were not easy days, and I know I could never have got through them without Lilian's support. Though I was the budding accountant, she was the manager of the household accounts. Not that they were all that complicated – it was mainly a matter of putting small amounts of money in envelopes each week to meet the various bills: the mortgage, the electricity, the rates, and, most important of all, my tuition fees.

After qualifying, life began to improve rapidly. We sold the shop, and I was offered, and accepted, a partnership in a one-man firm. The one man, George Keeling, retired after just twelve months. I worked every hour of the day, night and weekend, eventually building up to a staff of about seventy.

Prestwich (now part of Bury in Greater Manchester) was a very strong Conservative town. There were eighteen Councillors and six Aldermen, and apart from a few independents (basically Conservative), all of them were Tories. Canvassing, initially for other Labour candidates and then for myself, was hard going, yet most of the town consisted of small and medium-sized semi-detached houses, with a reasonable number of council houses, and some larger detached ones. But for some reason even the council house tenants, particularly on prewar estates, voted Conservative.

In the early 1950s I was invited to run for the council and fought one quite hopeless ward. We ran what we called a 'dummy' campaign, intended to divert some of the Conservatives' strength whilst our main effort was concentrated on the one ward where we thought we had just a chance of winning. Needless to say, the tactics did not work to any great effect. I myself lost overwhelmingly. But later I fought a by-election in another ward where I came quite close. Then in 1956, I fought yet another ward, where again we thought we had a chance. I ran a quiet, but extremely organized, campaign, as carefully prepared as if I had been fighting for a Presidency. On polling day every Labour house was visited three, or four times, with the help of a fleet of Rolls Royces, Jaguars, Rovers and all kinds of cars loaned by friends, relatives and clients. To the astonishment, chagrin and tears of the former lady Mayor whom I defeated, I won by 52 votes, and thus became the first, and sole, Labour member of Prestwich Council.

I was naturally delighted, not just for myself, but for the wonderful band of loyal, hard-working and dedicated Labour Party workers who had done so much for so long to make this victory possible. Compared to national Parliamentary victories, or council victories in larger cities,

this was a tiddler, but for me, from that moment on, those friends and comrades I made in Prestwich would always be in my thoughts, whatever grandiose job or whatever heights I reached. It is my awareness of the selfless work of thousands of others up and down the country, who work with no thought of personal reward other than success for the Labour Party and its aspirations, that does much to keep me inspired by the Labour Party's ideals. It also does much to make my blood boil that men like Reg Prentice, George Brown, Woodrow Wyatt, Dick Taverne, and a few others, should turn their backs on such supporters.

Those early years in the Party may have been dominated by annual council elections, but they were also full of intense political argument, both in Prestwich Labour Party itself, and in the Middleton and Prestwich Constituency (including Whitefield, where we went to live in 1959) where I became a delegate. I read a great deal, and I learned yet more when I became active in the Fabian Society in Manchester, and in the Manchester City Labour Party.

It was in Manchester politics that I first met Robert Sheldon and Edmund Dell. The conversations we had then did much to formulate my political thinking, although it is probably fair to say that in those days we all three would have thought of ourselves as being on the left of the Party, if being anti-Gaitskell, and pro-unilateral nuclear disarmament, is any guide.

Edmund Dell fought the Middleton and Prestwich Constituency in 1955, unsuccessfully, and in 1959 Bob Sheldon fought and lost at Withington, Manchester. I lost by some 13,000 at Runcorn, Cheshire, against Denis Vosper, who was then Minister of Health. I had 'nursed' this seat from 1956 when I was first adopted. I am not sure 'nursed' is the right word, but I went there regularly, knowing it was hopeless. In fact, this suited me at the time, since I was still building up my practice.

The Manchester Fabian Society was then a very active group. This was the period of Conservative Government which later came to be called 'the thirteen wasted years' – 1951–1964 – so we did not have to waste time attacking our own party. Nor do I recall any of that disputatiousness between right and left that is so much part of the scene in constituency Labour Party politics today.

After the 1959 election defeat, a group of us, including Edmund Dell, Robert Sheldon and Corin Hughes-Stanton, started to raise funds for a meeting-place in the centre of Manchester where political discussions could be held. Coffee houses were then much in vogue, and we decided

to open one. We found and rented a derelict cellar with delightful archways and a curved brick ceiling. It was in Brazenose Street in the heart of the City, off Albert Square, where the Town Hall was situated. From political friends, we raised the necesssary few thousand pounds in small and large donations and guarantees. To a great fanfare, and with high hopes that it would quickly become famous, we opened our 'Left-Wing Coffee House'. Corin Hughes-Stanton, who was our designer, created a fine meeting room to seat about 100, where Tony Benn, not then known as being especially left-wing, and others came to speak to us.

The great experiment was a failure. Our ambitious dreams faded as the coffee house gradually ceased to be either a political meeting place or even a particularly good eating place. As none of us were interested in running it commercially, the decision to close down was not a hard one to take. But it had been worth a try.

Meanwhile, my personal situation was improving rapidly. My accountancy practice was expanding and the eventual acquisition of three new partners – Sidney Silverman, David Sassoon and Michael Grundy – made it possible for me to devote more energies to a political career. This did not prevent my being defeated in the Prestwich council elections, but I was now interested in fighting a 'winnable' Parliamentary seat. It was not long before one came my way.

In 1961 I was selected as the prospective candidate for Heywood and Royton in Lancashire. It actually consisted of a number of small textile towns: Heywood, Royton, Crompton (Shaw), Milnrow and Newhey, Littleborough, Wardle and Whitworth. As it was too much of a mouthful to refer to the Hon. Member for Heywood, etc. . . ., the constituency became known as Heywood and Royton, the two largest towns. It is about fifteen miles north-east of Manchester, enabling me to boast that I 'surround' Cyril Smith, the 28-stone MP for Rochdale.

When I was selected, Heywood and Royton had been a Conservative seat ever since the 1951 boundary changes had brought it into existence. At the last General Election of 1959, Tony Leavey had held it in a three-cornered fight, with a majority over Labour of 2,154 (19,743 to 17,588, with the Liberals a good third at 11,713). At that time, it had an electorate of 57,868. By the 1979 General Election, it had risen to over 80,000, swollen by some 5,000 from Manchester overspill housing in 1965 and 1966, and by a steady increase in owner-occupied estates. Luckily for me, they were in the main the smaller type of semi-detached or town houses, largely occupied by white- and blue-collar workers from Oldham, Rochdale and Manchester.

I was able to 'nurse' the constituency effectively, as I was literally on the doorstep. Whitefield, where I lived, was just ten minutes by car to Heywood, and twenty-five minutes to the furthest point in the constituency. In the event, I won by just 816 votes. So on 15 October 1964, one day after my forty-first birthday, I was the Hon. Member for Heywood and Royton.

The New House of Commons, with its narrow Labour majority, elected a Speaker on 27 October 1964, and on 11 November 1964 I made my maiden speech in the Budget debates. I cannot pretend to be terribly happy with what I said, although I did at least speak on a subject of which I had practical experience – taxation. I was seeking a simpler system of income tax, and I was quite fairly told by the following speaker, Sir Henry d'Avigdor-Goldsmid, the Conservative MP for Walsall South, to speak to the then Chief Secretary, my good friend Jack Diamond. Jack, as he said, was a member of the same eminent profession as myself, and would quickly disabuse me by telling me that a simplified tax system was a Utopian dream. He was quite right, of course, for you cannot have a tax system that is both simple and fair. Still, I did say something in favour of an incomes policy, and I had the consolation of Sir Henry telling me that mine was 'a very attractive maiden speech'. (I later learnt that the Member following a maiden speech always says nice things about it!)

By 24 November 1964 I found myself speaking again, this time in the debate on a Finance Bill. Little did I know then that I would be speaking in every Finance Bill debate for the next fifteen years. Again it was an unmemorable speech, though my longish peroration did sum up much of my political philosophy: 'I passionately want to see all sorts of money found . . . to improve our educational system . . . extra money for our old people . . .' with the rider: '. . . all these things are so much pie-in-the-sky unless we have a soundly based economy.' I was referring to a subject on which I was to speak often in the years ahead – the need for a faster rate of economic growth in order to finance everything I wanted to do for the young, the old, the sick and the disabled. While others joined pressure groups to press for more money, which we had not yet earned, to be spent in deserving areas, I was concentrating on finding the money to pay for all these wonderful things. At that stage, I was not as exasperated with my colleagues who wanted to spend first and find the money later, as I later became when I had to carry the burdens of offices.

A number of us on the back benches were convinced that a much overvalued pound was holding us back from the more rapid rate of