

PH: It's a great pleasure to be here with the survivors, the old and the bold as I think they're best described. What we're going to do to start off with is just go down the table and say what we were doing in 1976, beginning with Peter...

PJ: I was the economics editor of the London Times... and I was doing a television programme called Weekend World.

PH: Bill Keegan?

BK: For the first three months I was the economics correspondent for the Financial Times and for the rest of 1976 I was working in the Bank of England, in the Economic Intelligence Department with Sir Christopher Brown.

PH: Bernard Donoghue?

BD: I was senior policy advisor for the Prime Minister and head of the Policy Unit in number 10.

PH: Tom McNally?

TM: I was political secretary to Jim Callaghan in Number 10.

PH: Hugh Stephenson?

HS: I was the economic correspondent at the Times.

(In light of having just watched the reconstruction of the IMF Cabinet negotiations)

PH: What I want to ask Adam and Hugh: Just how good were your sources, and if they're dead, you can tell us who they are, or were. Because I think the confidentiality requirement stops at the graveside.

HS: I would think that the Chancellor's secretary didn't agree to see me but he nominated somebody to do so and I had about 50 minutes with this person.

PH: Whose name I haven't quite caught.

HS: Which you're not going to catch tonight, because I cannot remember it – but he was nominated to speak on behalf of the Chancellor.

PH: Adam, I think we pretty well know that the chap you were playing was almost like the Press Association tapes in terms of putting it about.

AR: Harold was absolutely terrific, he used to talk to me at length, and every now and then he'd say, 'I'm not sure this is in the public domain', and I'd say 'don't be stupid Harold, I've heard this over and over again, it's boring, boring, go on', and he would go on. He was a great educator, he actually believed in telling you things and trying to explain how things went on. One thing I ought to explain about this programme is that when you have as many prima donnas as around that table were, all from fiercely competing newspapers, we tried to agree the script as to what each of them would say, and because there were terrific heavyweights there like Peter Jenkins and David Watt (and other great luminaries), minor character like me got slightly edged out. But these people were so grand that when it came to the editing of the programme, minnows like me were still around, so I kept on sort of filleting out some of their best bits, and when they actually saw the completed programme they were outraged.

TM: Can I just tell my Harold Lever story, because it's Harold Lever we're talking about. I was once caught bang to rights having told Peter Jenkins something that I shouldn't, which Jim Callaghan was absolutely furious about, and hauled myself and Tom McCaffrey...

PH: Press Secretary.

TM: ... Wanting to know how this could have got out and I thought this is the end of McNally, Jim was raging saying 'I'm going to have a full enquiry and I'm going to find out who this is', and I was clearing my throat to confess, and Tom McCaffrey said in his quiet, gentle, Scottish voice, 'I understand Mr. Jenkins had lunch with Harold Lever that day'. He just can't keep his mouth shut.

PH: I think to be fair to Harold he would quite often come in with the cuttings from that morning's papers from his favourite correspondents and say to Wilson, 'didn't I do well'. It's a wonderful technique... But I want to begin with Tom in terms of the historical reconstruction, because the one error that I could see in that reconstruction was Tony Crosland seeing Jim the night before the crucial Cabinet when the decision had to be made in principle to accept or not, and just the two men in the room, and we'll never know what was said. Well, there was somebody else in the room, and he's called Tom McNally. So, in an odd sort of way, I want to start at the end of the sequence, rather than from the beginning, because that bit was missing, and it was at an absolutely critical moment, Tom. So if you want to fill out that bit of the film that was wrong.

TM: He did have that meeting with Tony Crosland and I'm sorry I haven't seen the film...but Crosland was crucial. Jim was absolutely determined to keep the whole Cabinet on board but Crosland and his critique of the necessity for the exercise... Basically it was the oldest plea in the world; the plea to party unity and the plea to survival and to ask him to put away his intellectual critique of what was going on and accept the political reality that... ah, and I remember him saying, and he emphasized again... not that he couldn't take Denis on, but that he and Denis could not, must not be separated on this exercise. And I

think to be fair, Tony Crosland did swallow what were considerable intellectual reservations because it was within the context of a wider political reality, and I think Jim was right about the wider political reality. Just to say, one thing I've always felt passionately about is that if that Labour government had been driven from office by what has seemed to be a banker's ramp, there would have been a whole new mythology of British politics, which would have distorted it for a generation. Instead of which, the Labour Party, the government survived to make its own mistakes.

PH: I think if Jim hadn't got Tony on side that night it might not have worked, but also Jim must have realised that he didn't have it in the bag until Tony had had that conversation with him late that night before the last Cabinet. Jim was uncertain till the last minute, in other words, that he was going to prevail.

TM: Well if he was, he was very serene about it, and somebody just asked me 'wasn't it very stressful'? It wasn't stressful in that way that people were kind of jabbering. He knew what he wanted to do and how he was going to do it.

BD: Well one reason it wasn't stressful was how brilliantly Callaghan carried the team with him, having a lot of discussions, giving the left wing opposition (Benn), and the loony opposition (Shore) full opportunity to present their case at a series of meetings. He once said to me, 'I've let them talk about it so much, that they now think they've agreed it'. He did it brilliantly...but on Crosland, Crosland had a group of five others, Crosland plus five, were the ones who took a sort of old style Croslandite social democrat objection to all public expenditure cuts, because their position, why they were Labour was that they believed that the public sector was good, public expenditure was good and they objected to the proposals to cut public expenditure – which

especially as Tom has said – under pressure from Ed Yeo and Bill Simon, who were like early versions...

PH: US Treasury.

BD: ...of the neo-cons who saw their role using America and the IMF to destroy socialism wherever they found it and they'd brought down one or two governments already and they wanted to, really, produce a right wing government in this country. The others were Shirley Williams, Roy Hattersley, Harold Lever, Bill Rogers and David Ennals.

TM: Which is not your usual fighting for socialism group in terms of Labour Party mythology.

BD: They were the social democrats if you like. There were another six with Benn who were wanting the alternative strategy of a siege of Britain, but with Crosland what I think basically happened was that on the 30th November Callaghan went to The Hague to meet Helmut Schmidt to try and get German support for us in resisting the IMF; and Schmidt, who had earlier indicated he would, now found that he couldn't because the Bundesbank told him not to. On the plane back, Jim said to Crosland for the first time as far as I have documentation (I have been through my diaries and everything before tonight) that he was going to support Healey. Until then, Healey had been conducting this sort of battle with Jim, simply didn't reveal his position, but having seen Schmidt he then revealed to Crosland that Jim was going to support the Chancellor, and Crosland then knew really that the game was up. And the next day, 1st December, Crosland actually told Jim that he would be supporting him, and then the others just sort of faded away, and they supported Jim too.

It brought them, it allowed them, to argue it through again and again and in the end they all agreed with him that there was only one way.

TM: One illustration of that, I remember him spending an enormously inordinate length of time with Stan Orme; and Stan was not the most charismatic member of the Cabinet and not likely to sway anybody. And I remember after Stan had left, and I mean this was just one to one, but I went in, and I said to him, 'you're going to kill yourself like this. Why on earth are you spending this length of time with Stan'? And he said, 'they've all got to come to this conclusion on their own, and I've got to talk them through it'. As I said, I think it was the most impressive exercise in Cabinet government that I've seen and it was a kind of tour de force in that respect.

BD: I agree with that, and Peter Riddell might say that that was the high point of old style Cabinet government.

PH: It's never been quite the same since.

BD: We can't find it now.

PH: It's microscopic, yes. Denis Healey was invited to come this evening but sadly couldn't, but if he was here we pretty well know what he would say because Bill had a wonderful interview with him in last Sunday's Observer, but also in Denis's memoirs, and he reiterated it in Bill's interview, and also in a wonderful book called Chancellor's Tales, which the LSE and Howard Davis have just published, and Denis did a lecture on this. He now says that the whole thing was completely unnecessary because the Treasury's estimates of the Public Sector Borrowing Requirement were so way out.

Now the greatest historical debate, and we'll be microcosmic and macrocosmic tonight in the way we're treating this, the great historical debate now seems to be whether that was so, because on one side you have people who say that might be true, but the British economy was in such a state overall that public expenditure was so high, and the market's lack of confidence in that Labour government until it gripped it in December 1976 was palpable and growing, that whether the PSBR was way out or not was only part of the question, that it was an international confidence question, and unless they saw blood, real blood, as opposed to fiddled Harold Lever Blood – Denis used to call them Harold's whipping wheezes or Leverettes. Do you remember? Harold's schemes for getting us out of it without any pain and that's the argument: that unless there was real blood the markets would not be assuaged, and the position would be if anything worse the following couple of years and thereafter. So the historical, economic historical debate is now essentially that, but I think Bill you could perhaps simulate Denis for us this evening, as he's particularly fresh in your mind as you went to see him the other day.

BK: Yes, he's absolutely convinced that it shouldn't have happened, but I agree with you that the atmosphere at the time was such that I think that Denis's judgement on this is interesting, but questionable. It was a very difficult time. When I arrived at the bank I'd been covering the reserves and all those stories for the Financial Times and the pound had been boosted in the previous year, because after the oil crisis of 73-74, traditional holders of Sterling were piling up money in London, and of course the real crash came when they all started taking it out, and the thing I remember most about working at the bank was seeing the reserve figures and thinking, 'well actually month by month, they were far worse and there was a huge drain which wasn't actually being reported in the press and was just fiddled'. Denis was right about that, but yet

the actual situation you mentioned just now, Adrian Hamilton had a scoop out about the PSBR getting worse and worse.

PH: That was in November '76 I think, in the FT.

BK: But, I think there was a certain element of hysteria in the market actually, and by about January in '77 they suddenly discovered North Sea oil and the pound started going up again. You would have the agreement with the IMF, but the markets were still panicking. There was a Euro-Dollar loan to supplement the IMF, and I remember at the bank being called down to see Kit McMairn who was the overseas director; he was furious because the FT had got a leak on this loan, I looked at this, he said it was absolutely outrageous, and my advice was never react before lunch to these things. But I said the interesting thing about the story is that a leading American bank refused to participate in supporting the pound, and the FT hadn't actually highlighted that, so you're lucky, this story could have been far worse.

BD: On the forecasts I was reading this afternoon I've got one of the Policy Unit papers, where Gavin Davis, who was a brilliant analyst, sent to the Prime Minister an analysis of the recent official treasury forecasts and how far-off they had been and why, and therefore arguing from the Policy Unit of how mistaken it would be to base major policy changes on forecasts which were totally unreliable, but I agree wholly with you: in the end it was about confidence. A problem we had was that Denis in his argument to Cabinet – until the end – didn't make up his mind what argument he was going to base it on, and I suspect that this reflected divisions in the treasury. At first he was arguing it on the resource question: that inflation was the danger, you had to create a hole in resources to allow for the expansion, and that's why you had to do it. Then later he came to the confidence question, which I'm sure was the

real issue, which is people wanted blood, and they had to be given blood, and they couldn't be given Lever... but, if you look back, as I've got on the treasury papers, you'll see that the arguments waver all the time. It was only when it finally came to the crunch that this was about confidence. Remember, you had to see this in the context; this was the third IMF arrangement. We had a loan in '75, we had a huge standby credit in early '76, so it's part of a process and the pound had been over too, but I remember just before Wilson resigned it dropped, and the Bank of England was actually selling pounds at the time it was falling, because some in the Treasury, and many in the bank... well some in Treasury wanted a lower pound and some in the Bank didn't, and there was all kinds of arguments going on.

PH: There was the semi-controlled devaluation, so it's a floating exchange rate, and then the Nigerians start selling their sterling balances, and the semi-controlled devaluation takes on a life of its own. Alan, there's a lot of Treasury chat here, do you want to actually? Alan Bailing, public expenditure side.

AB: I hesitate to speak on behalf of the Treasury, I was peripherally involved. I was undersecretary on the industrial strategy side, and my most vivid recollection is the sort of overture to this drama when Denis Healey came back from the airport and met in the Treasury almost everyone. He had this habit of bringing in lots of people, including me, to discuss what we would do. First a general comment, well two. I do think you're right to emphasize confidence and that was the mood at the time, but it links I think with inflation, inflation isn't purely about resources but about how people expected the economy, or indeed inflation to move, but also about how the pound was moving and having a direct impact on prices and so the question was looming quite large, but it did turn on what the markets were requiring, so to speak, what they

were going to do in sterling terms if we didn't do what they wanted. To illustrate that, that meeting as I recall it was led by senior people in the treasury, obviously, saying 'yes we must have the IMF in, but we also need to do something serious about immediate reduction in public expenditure'. How that would have worked with Cabinet I don't know, but after a lengthy discussion, as characteristically with Denis, he let people argue, and he would butt in and so on, but it wasn't led by him or clear that he'd made his own mind up, until Russell Barret, who was the deputy secretary, not on the main economics side but somewhere on public expenditure, I think, said 'wouldn't it be better to, as the IMF are coming in, to see if the market settles before we decide to do anything else'. And that seemed to turn the conversation round and that was what happened the next day, and I don't think it was, because as I say, the Treasury was looking for blood on the carpet. Well, the Douglas Allen phrase about, well they'll only be satisfied to see a couple of hospitals burn down.

PH: Douglas Allen said that, did he?

AB: ...the market pressure that everyone was very sensitive about, but it was simply the unease that we were in a nosedive situation and something pretty demonstrable had to be pulled out the hat pretty quickly in order to turn things round. Well, as it happened, the dramatic Denis return from the airport, and the IMF being called in, I believe stabilized things for the time being, and then the whole thing you saw on film... The only other thing I would say was, again, I'm not in any position to defend or particularly wanting to defend the Treasury at the time, but the PSBR is a balance between two very large variables and we weren't controlling in cash terms then, it was all funny money, and therefore the forecasting wasn't very good. And it never had been.

BD: On blood on the carpet; remember Leo Pliatsky told me...

PH: Treasury official, now deceased.

BD: When Ed Yeo first came, he said he wanted 5 billion of public expenditure cuts. Now that would be a few hospitals.

AR: It's easy to forget at this stage how high the emotions were running. I made the mistake at one Labour Party conference (either the one just coming back from the IMF, or the one after when the cuts had been through) I sat by mistake amongst the Labour MPs. That section was then being hurled with missiles from other delegates, because we were such an unpopular group. Well, I wasn't, but they were, and it was a big mistake to sit in this room, because it was seriously dangerous. Passions were running very, very high at this point

PH: Can we rewind to Jim taking over from Harold in April, because Jim in interview with me many years afterwards said...

BD: March.

PH: Beg you pardon, March... 'that it was wonderful to be Prime Minister, you didn't have a department to run, you could pick and choose, and he said I had all sorts of things I wanted to do, and I had a very good chance and I didn't think I'd have to worry very much about the economy'. Then he said 'but just like Banquo's ghost it was always there to haunt you', because Jim's thinking immediately, Gavin Davis and Bernard and the team, Tom too, were having to do a lot of economic work.

TM: No, no, not me...

PH: Not you? Well, the Policy Unit... but Jim very quickly had to and just because he was ex-chancellor, but because he was head of government, had to take a long and sustained look at all of this. And his thinking over that summer, the first attempts at the cuts in July and in August and September, and he comes to the conference, in what is one of the foremost remarkable conference speeches, I think of the post-War years. Now Peter's never admitted to writing the key section of the speech, but I think Peter needs to come out on that. Just have a think about that.

TM: [The speech] must be. They went to Canada on a trip, and Jim said, 'I want you to work on the conference speech', and I was a little bit upset at missing a trip to Canada. This is early September, and I can remember now the speech. Jim spoke at 125 words a minute, and if you're a speech writer then? So I produced for him a speech of about 7,000 words, which I thought was pretty damn good. I consulted, as you did, all the departments, got all the bits and pieces, Bernard's unit and everything, and just after conference he said 'Oh, I've made a little bit of a change in my speech. Peter's suggested an economics section that I've inserted'. Nobody can remember one of my 7,000 words; everybody remembers bloody Peter Jay's 700 words.

PH: It's a cruel world actually and Denis in his typical way, when he was asked what advice he would give to Prime Minister's, he said 'never let your son in law write you a speech'. Now you've never admitted it before, but tonight's the night.

PJ: I'm not going to admit anything. As I've always said what matters about that speech, or indeed about the words that Tom referred to, was not who wrote them, but who said them. I could write thousands of words on this subject, hence me doing so for ten years, and continuing to do so, had no

effect on events whatsoever. What matters was who said it. However, I will share with you the fact that in Jim Callaghan's autobiography or memoirs, he wrote, 'that with all this as background I asked my team to produce a speech for the Labour Party conference along these lines, and they succeeded'. Tom being the team in question I suspect, perhaps with a bit of help from Gavin, I don't know. 'In particular, Peter Jay, whom I consulted, produced one paragraph that made the fur fly. Here is an extract from what I said on Tuesday morning, the 27th September 1976', and there are about three paragraphs actually of what he says. I think there is, lying behind all this, a more interesting and more important dimension, which I would want to share with this group, but I issue a health warning; I am a biased witness. I am a biased witness partly because of my own convictions, right or wrong, at the time and the temptation to transmit onto Jim Callaghan, who I revered and admired, things that I thought, and hoped and wanted him to think; that he may or may not actually have thought, is a real temptation. I believe that he did think these things but I am perfectly capable, like anyone else, of being wrong about that. The very powerful impression that I had, and I remember in particular a very long walk we had on the Seven Sisters (down in Sussex shortly after he became Prime Minister, or certainly he was in the process of becoming Prime Minister), when he talked about the challenge that he faced. And a part of it was, and this may bring me into some conflict with Bernard, and it may reflect the temptation to insert my own opinions into what I am putting on Callaghan; a part of it as I recall is, was this very strong feeling that the twenty years of the two Harolds, namely Macmillan and Wilson, had been a period of British political life which had... was matter for shame. It had been a period of short-termism, of political manipulation, of cynicism, of what in a later age would have been called spin (Though by the standards of the later age it was probably

rather amateurish spin). And the very strong conviction, really rather heavy point that he had, was that his overriding wish was to restore the decencies of British public life. That leaders should be leaders, that leaders should tell the truth, that leaders should make policy, that leaders should base policy on reality, and that they should tell the country at large, and their supporters and others what they believe the truth to be. And my perception of what then happened over the next three and a half years was, that on top of all the normal ebb and flow of political life etc, he sought to achieve that mission, and the most important part of it was to induce the country to come to its senses about economic reality, which, obviously since the mid-sixties, and perhaps less obviously for a longer period, had been in very grave doubt.

I can tell you the story to illustrate that: the story being that in the early sixties the Treasury decided that it was desirable to train civil servants. I was the secretary of a thing called the Morecambe Committee, which designed a system of training for civil servants, and then I was sent as a guinea pig on the first course. And very early on the first course it was thought that we should be exposed to a bit of economics: and we had a visit from the great man himself, the head of the Treasury forecasting team, Wynn Goddfrey, who was a very extraordinary but a very brilliant character, and he proposed the discussion on the question 'What is full employment'? We all believed passionately and absolutely in full employment as being the sovereign commitment of all governments. But he pointed out that it couldn't be statistically defined as 0.0% unemployment because of the nature of the way in which the economy works the number was bound to be somewhat more than that. He proposed a number as to what he thought was appropriate, and I remember that we, the young men of the Treasury and other departments, Tony Basher was there, Robin Butler was there, David Walker I think, we fell upon him, and said that

what he had said was the vilest, most wicked and most evil, most cynical, most reactionary, most disgusting thing since Norman Montague, and Norman was buried. If that was the kind of way the Treasury was thinking then it was not surprising that the nation was in the sort of trouble of low growth and reactionary policies that it was etc, etc. Now the question that I ask you, bearing in mind that our unemployment figure today is about 5.2%, or possibly 5.3%, is what is the number that he proposed? The number that he proposed, and the number which we fell upon, was $1\frac{3}{4}\%$. We said that anything above $1\frac{1}{4}\%$ was absolutely iniquitous. We now believe that we've had the most successful economic short-term management that we've ever had, and that we have continuing growth, and we have stable prices, and we have a balance of payments, which is in big deficit but nobody seems to care about it, and we have all of that because, or coincident with the 5.2%, which we regard as more or less full employment. And what has changed is what we regard as more or less full employment. Now it was that unrealism that (in my perception) Callaghan was fundamentally trying to tackle. And the whole IMF episode was, as I perceived it at the time, maybe wrongly maybe rightly, an exercise in ramming this reality down the throats of the country and of the party. Very skilfully and diplomatically handled but nonetheless as part of this process, which indeed – as part of that process – it succeeded in doing.

So for me, what we saw in the film, in which this great battle was going on, and in fact did indeed happen, just like that, and was genuine in the minds of most of the participants, but was in the last resort a shadow game; because it was an exercise in calling in an international institution to support a predetermined political and economic strategy, which was essentially to restore some realism and some decency to the conduct of British economic policy, and therefore the conduct of British affairs. That was my perception of what was going on, which

may be part of the reason why I never got very excited about the actual negotiations at the time because it seemed to me that they had to lead to the outcome that they led to, or possibly to the fall of the Prime Minister, which was the alternative, as indeed Tony Crosland understood, as indeed is recorded on page 438 of Callaghan's memoirs from that flight in the HS218 back from Holland, The Hague. Followed by Crosland's volte face in the Cabinet the next day, as very accurately portrayed by Peter Jenkins.

PH: It's interesting, you didn't worry about it you thought the outcome was going to be it was all going to work, it was shadow play or the government would fall, but my last day as political correspondent for the FT was the end of that week in September when Denis came back and interest rates went up to a remarkably high level historically – I can't remember what they were...

BD: 15%

PH:...And Harold Wilson was announced as chair of a new financial committee to look into the city and I was the only lobby correspondent on duty for the FT because the rest of them were at the conferences, and I remember coming back from a long liquid farewell lunch with one Joe Haines, and finding a stack of messages saying where the hell have you been you've got five stories to cover. And I remember going home that weekend and thinking, having talked to a few people, no names still, that there was a smell of panic in Whitehall of a kind I hadn't experienced before or since at the end of that week, Allan's phrase that it was unstoppable, taking on a life of its own. I didn't share your sang-fois and I am not sure that the other hacks like Hugh or Bill or Adam did as well and I am not sure what it felt like on the inside so you Peter being sort of serene about it is quite remarkable. I mean in a way it is a sort of tribute to you but it certainly didn't feel like that for the rest of us.

BD: I don't think it felt like that inside number 10 because for instance Jim, when Healy at the beginning of October, 6th October, proposed to raise interest rates to 15%, Jim told him he couldn't support him, and that he would have to put it to the Cabinet without Jim's support, which was a crisis position and Jim said if he didn't get 15% he would resign, and it was only at 7 o'clock that evening that Jim told Ken Stowe that he would support him, and they did the 15%. So inside it didn't feel very serene but maybe we didn't understand what was going on... but I accept Peter's broad view, because in actual fact, Jim (as he would have done to Tom), said to me several times that summer we got to bring them to face reality, and he said to me, if we are going to have to cut public expenditure and get the numbers broadly right and the sooner we do that the better as the original wish was to get it out of the way by the summer and that didn't happen, we had a billion of public expenditure cuts, but it didn't make any difference so I am sure you're right, that was his broad approach, but along the way there was all kinds of wriggling...

TM: The idea of Jim Callaghan would take 700 words from even so revered a person as his son in law... Jim had been thinking this through and reading your articles

PJ: But it is who said it that matters, not who wrote it.

TM:...one anecdote, I was actually in the Cabinet room the day that the Treasury decided that it was going to manage the exchange rate down from 1.95, as I remember, to somewhere around 1.85, and we were all sitting around – I can't remember what were discussing now – but about every 25 minutes a guy would come in with a piece of paper that Denis would look at, fold, and pass to Jim, which Jim would look at and then they would carry on the meeting, and it was only later that we understood what was on the paper

was 'it has hit 1.85, it has hit 1.70', and I think it stopped about 1.45, I mean not the time but the rate.

PH: it was just above 1.50 I think

TM: And the other thing to that was that Jim said 'we better see the Governor of the Bank of England, but tell him to be quiet about it'. So the Governor of the Bank of England was summoned (Gordon Richardson), he came in and is having a meeting and Tom McCaffrey comes in and Tom said, 'the press want to know what the governor is doing here', and Jim said 'how the bloody hell did they know' – well he didn't swear – 'how the hell do they know that the governor is here,' Tom said, 'he has parked his car in Downing Street!' His car was a bronze Bentley!

BK: By the way the registration was VGC, which I always thought meant 'Very Good Car'.

PH: Bill, did you want to say something about the atmosphere?

BD: In those days you could walk up Downing Street and when the Prime Minister came out there were ordinary citizens there – that was a nice democracy...

PH: It is nice being an old buffer isn't it Bernard.

BD: ...destroyed by the IRA.

TM: There was always one 10 year old being photographed on the steps of Downing Street a la Harold Wilson.

BK: I would like to make two I think relevant points following directly from this. One is that whilst I accept I find it fascinating, Peter's description of Jim's

feelings about that and I am sure that it is all accurate. But clearly it seems to me that it is not inconsistent with what we felt, that the whole thing got out of hand. I remember at the time I think the Treasury thought 'right we've done this, we've done enough', but they hadn't, because once you're in the hands of people like the IMF, they want their blood. And I remember Leo Pliatsky, at a similar meeting to this a few years ago emphasised that the IMF were interested in PSBR, PSBR, PSBR. There's a lovely anecdote when the IMF team were staying at Browns Hotel, decided to go out to dinner and they were being told by Tony Crosland and co that the country was falling apart if they had some cuts, and they went to Wheelers and they couldn't get in, they went to another restaurant and couldn't get in, and finally they thought 'this place is absolutely booming, we can't get a meal!'. That was a joke.

And then, the second point which Peter reminds me of, this passage which Jim spoke and which apparently Jim says that Peter wrote but that Peter doesn't say that he wrote... anyway, I subsequently (after I left the Bank and went to the Observer) was involved in a book with Rupert Pennant-Rea called 'Who runs the economy?' and I did a chapter essentially about the crisis of '76 and I interviewed a number of people. And for me the thing that stood out was that when I interviewed Robert Hormats who was a senior figure in the White House at the time he said to me that what mattered... he said two very interesting things to me (and the actual quotes are in my book but I've just been reminded and I haven't got them to hand): One was, it was that speech that did it. You see that with Simon and Yeo you had these neo-cons who were out to get the UK and you had a broadly sympathetic White House and government. And that speech and that passage helped Brent Scowcroft and Rob Hormats in the White House to... via Ford, Ford was still president wasn't he, but then there was an election and then Jimmy Carter got involved in this

because he was president-elect... it helped them. But the other thing that Hormats told me, and again I think it's quoted in my book was that in the end and this is where we come a bit to the shadowboxing... in the end Ford was not going to let the UK down. And my final footnote on that is that although Peter argues that very persuasively it does happen that Jim did, when faced with the IMF, try to get around it and have this meeting with Schmidt that Bernard referred to so at some stage it wasn't so good.

PH: Jim's international diplomacy, I think it was extraordinary well done. I talked to Henry Kissinger about it about 15 years later and he said the US treasury is always nightmarish, they always have been in all the currency crises before, there's no sentimentality about the special relationship with the money men. The really clever ones like Jim Callaghan know what will always trump that is the friends and allies argument. And Kissinger just said that 'in the end neither Gerry Ford nor I were going to let a friend and an ally like Jim who we really valued go under. And what would it look like to the world, if the United States, a Republican administration, had let a British Labour prime minister who was a friend and an ally go under, and Jim knew that: it was part of his game plan. And also – the film alluded to it a bit – the desire to get the Sterling balances problem sorted once and for all – which had haunted Jim as Chancellor (every Chancellor...). That's where Harold Lever came in useful, I think. He was very good at going to Washington and doing the Leverette routine there as Jim's private emissary. So it's a crisis on many levels and the solution of it involved economic and international diplomacy of the highest order, much of which Jim did off his own bat but I think – I forget who it was now, it might have been Derek Mitchell – who said that all the experience that Jim had had before came to fruition in that particular crisis, as Prime Minister he could call upon this depth of experience.

TM: And one factor which was that Callaghan, Guiscard, Schmidt, of course that they all spoke English. They all actually went on the road later as a group later on, doing the InterAction.

: If you remember, Tom, that it was in the margins of the Helsinki meeting in late '74, early '75, that sitting on a sort of bench outside the conference chamber there was Jim and there was Kissinger. And there was Schmidt, and at that stage I don't know think Guiscard although I think later he sort of homed in on it and it that was the moment they dreamt up what became the G7 at the Rambouillet meeting the next July in Paris and the intellectual personal bond between them and with Kissinger it sort of carried Ford with it and that, combined with the fact that they were all actually interested in the economic questions, unlike, I mean once it became Thatcher and Reagan and Kohl, which had by 81-82, uh, the basis of the whole G7 operation had disintegrated: these were politicians who wanted a media circus and wanted to talk about politics: it then ceased to work. But your point about how the personal relationships in international diplomacy was important is very much reinforced by the fact that that was the chemistry which made the genesis of the G7 possible – arguably whether the G7 ever achieved anything... but it was certainly that was how it was born.

: What amazes, I think, the younger generation on this is that you could have nine full Cabinets working on this, you could have a crisis that ran almost without a break from the end of July to the middle of December and the pound didn't complete collapse, so it was very precarious. But now, in the days of 24 hour money markets, even five years later, you wouldn't have had the leeway to operate that classic collective government regime, and in a way it seems to me to be the interim period between the fixed exchange rate in which the

older among us all grew up and the complete mayhem in the money markets these days... I mean Denis used to quote the amount of money that was going across the exchanges and if I remember, by the early 80s, in two days the entire part of the British expenditure flew across the exchanges in London alone and this was the last era in which you could have done an operation like this, and it's interesting in terms of global economic history: a transition period.

: I think it's important to say, Peter, once we get to where we're now living, nothing the British Cabinet could possibly do would make any difference to the foreign exchange market so they wouldn't regard it as a serious event – ah – it was what governments did then... was important (I mean of course if the British Cabinet decided to abolish income tax and make no other changes and so on that would indeed have an immediate effect on the financial markets). But what I'm trying to say is that we've moved away from the world in which the foreign exchange markets and the political processes were interlinked.

: I'm not sure something like this would actually even be put to the Cabinet. But can I make the point about the end? This wasn't the smooth transition. Right at the end, the whole package which we thought we'd got nearly torpedoed, first by Whittome of the IMF... early in December, at the final meeting with Healy, Healy had got the Cabinet to agree the billion in cuts and the half a billion sale of the BP shares, the latter had its hilarious side of the Bank of England with all its amateur incompetence and actually sold more shares than it had! And we had a lovely episode where the bank had to go back into the money markets to buy the shares to sell to the market at a much higher price, so it cost the taxpayer quite a bit of money. But that's an aside. But Whittome suddenly demanded an extra billion and said, 'no, the IMF

wouldn't agree without an extra billion': but fortunately Jim and Denis and the Treasury saw him off. The second thing was that the Treasury made a final bounce with the letter of intent, when it was all resolved, settled, agreed and we all thought it was over. The letter of intent set out to sort the interstices, the domestic credit expansion, all those kind of things, which most of us had never heard of, and they tried through this to recover some of the squeeze on public expenditure and that which they had lost. I went to Jim that weekend and he'd just received the letter and you know, he wasn't born yesterday and it was the letter from the Treasury and it was completely internecine. But where it said next year, where we all thought it was going to be ten billion, there was a gap and with one or two other key statistics there was a gap, and so what they asked was for Jim to sign the letter and they were going to fill the numbers in afterwards. And had they filled the numbers in the way that we knew – because Gavin had very good contacts in the Treasury who kept us quite rightly fully briefed and informed, they would have got the squeeze through this that they would have not got through the public expenditure cuts but Jim had the most enormous rows with Denis Healy and then that was corrected – so we had a couple of hiccups later on.

PH: This had been smuggled into Number 10 at the last minute by the general secretary of the fund to override the letter.

PJ: The Managing Director.

PH: The Managing Director, thank you Peter. But wasn't it smuggled in without the press realizing? That was the one thing that we had no idea about, that Witteveen had come into Heathrow early one morning on a Concorde and shimmered through.

: He came on the first of December.

PH: That's right. And that was when the final deal was done.

: And that's when Jim stood up and said he wouldn't go any further, give any further, he said he would resign...

PH: What would...

TM: One anecdote again that takes away from some of the serenity and also you might be interested in what was happening in the treasury... um, and American embassy official called Jack Soltzer who was actually a CIA man...

BK: Aren't they all!

TM: Jack told me that the embassy thought that the British Treasury and the American Treasury were in cahoots to put a tighter squeeze on the government than was absolutely what was necessary to get a deal and I reported this to Jim which was the result of one of the rows with Denis because Denis said this was not true. But it was interesting of the atmosphere of the time.

PH: Why did you think that that CIA man told you that, Tom?

TM: At that time I thought he was just a nice fella...

(General laughter)

PH: Now, can we open it up for questions? We've got about quarter of an hour, so who'd like to start? Brian?

A1: Just as a counter-factual or a counter-intuitive question, I just wondered what might have happened if what I suppose was remotely possible at the

time and Tony Crosland became Chancellor. Would he have gone along, would he have resigned, would there have been a bust up? Would have done the same thing?

PH: Crosland becoming Chancellor in '76?

A1: Yup. I know that wasn't the plan, but given the arguments...

BD: That was in the background, contemplated... Jim seriously contemplated having Crosland as Chancellor. For instance, he was advised by John Hunt that Crosland's...

PH: Cabinet Secretary.

BD: ...health wasn't any good, but in my view, I loved Crosland but I think he wasn't really a very strong person, I think he would've gone along with the Prime Minister.

A2: My name is John Lloyd and I'm old enough to have worked for the Electrician's Union during this period so I was carrying bags for people who all had their noses pressed against the window and so on, but I'd like to ask a technical question: I'm fascinated by this, that part of the solution was to sell our shares in BP. Was there any early thinking about further privatization initiatives in order to flog off other public assets that might have got us out of a financial hole?

: Well, that was typical of the kind of thing that Harold Wilson would come up with and he clearly indicated when he was talking to me that there were other things that could be done along the lines of BP. I mean he... uh, Harold Lever, sorry... I think he meant to go down quite the privatization route but his mind was always looking for assets that could be sold, flogged off and what have

you. Privatisation wasn't quite there but he certainly... his mind was down there all the time and frankly he thought the Treasury was sort of dyed in the wool, unable to think creatively at all.

: But the party would never have tolerated...

: But it is interesting because the party demonstrated at the resources discussion where there wasn't a particularly good case and the market discussion... so if the market was focusing on PSBR, then Harold Level had a very good case that you could operate with deceptions by changing, you know, by fiddling the figures, by doing things that had no effect on the real economy... and I think the Treasury was very real on the economy and inclined to think that real agony could have to be gone through, rightly or wrongly... but it was a weakness in the Treasury position.

PH: In terms of the Treasury, Derek Mitchell can't be with us which is a pity because he would have liked to have been and he should be able to defend himself. Did you really think that Derek Mitchell and his Overseas Finance Division in the Treasury were really colluding with...

TM: Don't you mean Derek Richardson?

BD: No, Derek Mitchell.

PH: ... There was rumour put about, it reached the press... was selling his country short, enraging Derek's friends of whom I was one...

TM: No, no, no... Bernard was the one!

BD: Did you do that?

TM: No, No, No... Bernard always had the highest estimation of the capacity of the Treasury for treachery...

BD: If I can make a general point, on what I've written and what will be published in my diaries, I'm fairly critical of the Treasury because we were...

TM: You were at the time!

BD: We were in constant battle with them... but as I say in my new introduction, on reflection, I think the Treasury were not always wrong and...

PH: You're getting mellow Bernard, you really are!

BD: And I have much more admiration for Denis and so forth. The Derek Mitchell episode was when it came through to Number 10 that government officials in Washington were briefing that the government was bust economically, that Sterling was, would have to go down much further and so on and so forth. And the Sunday Times published a story that said that the Treasury's target was 1.50...

PH: Malcolm Crawford's story which was...

BD: ...It was something! And this created an enormous rise in the temperature, a great loss of serenity in Number 10... and what I objected to ... I discovered that the Treasury had said I was the source of the leak which wasn't the first time they'd done that! Denis Healy twice went to Jim and to, also to Harold to say the Treasury knew I was the source of the leaks, which of course I wasn't, but anyway I did know the editor of the Sunday Times and I phoned him up and he told me that the source of the story was the Washington embassy's Treasury spokesman.

PH: Is that Harold Evans?

BD: Yeah.

PH: He should not have done that...

TM: Bloody Hell!

(General muttered outrage)

BD: Well, yeah...

PH: That's not Derek Mitchell, no, But was Harry... well, I have to be careful because Harry's alive and he's a friend of ours...

: It was Bill Raughy, he was the...

BD: It was Bill Raughy.

PH: Who's dead.

BD: So... these kind of things were going on in Whitehall and not improving the general atmosphere between Number 10 and the Treasury, but I mean politically what was striking was how Jim Callaghan, a former Chancellor, also animated Peter... absolutely dominated economic policy, whereas you look today, I mean Blair has left it to Gordon and doesn't get involved much or anything. Jim got involved in all of it.

: Can I ask a supplementary about your story about the bank figures? I mean where would it have put Denis Healy if the Treasury had written down another billion?

BD: Well, I was there. Jim had bronchitis. I'd been... when I was summoned, I had been playing football for the Parliamentary football team against Germany...

: Part of the serenity...

BD: I got a yellow card! Kicking a German... as they passed they said Adolf and I kicked him sort of instinctively...

PH: That was his name, was it?

BD: Yeah... but anyway, that's a side point. I went in and was summoned and went in leaving my football gear in the car and Jim and Gavin had point out to him all these groups and Jim asked me what we should do about it and he was furious! He phoned Denis in Sussex and blew Denis. I mean, compared to Harold Wilson, I mean Jim could be very frightening, very severe. I always thought I never wanted to hear him shout at me, you know, he wouldn't have done... and to Denis, he really let him have it. Denis dealt with the Treasury and then on the Monday we got a copy, a letter with the numbers in: I've got a copy of the letters somewhere and I've got well the numbers here which was 7.7 billion, 9 billion in 76-77 and 7.7 billion in 77 though 78. 8.6 billion after that. So they were a squeeze...

PH: Are you sure this wasn't cock-up, not conspiracy?

BD: Well, I went in to Number 10, believing wholly that everything was cock-up rather than conspiracy. Right, I have to say five years there rather modified my views on that!

TM: Can I just make a point about what happened?

PH: I'll tell you one thing about the Treasury before we switch over... in defence of the Overseas Finance section of the Treasury, they had, as they had to, always saw their role as to bring reality to the table. They spent a lot of time with the international financial community, and if it looked as if ministers were telling themselves fairy stories about what the markets would or would not take, or other people's finance ministries, it was surely the duty of the Overseas Finance division to say 'its not that simple and we have to tell you what reality looks like to us'. Which in overheated circumstances can look like lack of loyalty, to be fair. Is that fair, Alan?

AB: I was last on the OS side in 1958...

TM: But can I just make... I think this is... the government were also a government without a majority, dealing with a party that was a million miles from reality. I once did a calculation for Jim Callaghan: there were 18 successive meetings of the National Executive that passed motions censorious of various aspects of the government policy – of a government without a majority, facing a major international crisis and who were just not even in the same ballpark of what ministers were wrestling with at the time. And yet that was part of the background of the political education that Peter was talking about. I mean, the alternative economic strategy which finally emerged at the 1983 Labour party manifesto – also known as the longest suicide note in history – was already pumping out of the policy department controlled by Viscount Stansgate and it was also known as Anthony Wedgewood Benn, and you know, that was also part of the mix, that he was dealing with a party that was...

PH: He hated going to the NEC, as indeed Harold did. Peter...

PJ: You asked right at the beginning about the '76 speech and I said what I said. I wonder if I might use the OJ Simpson condition...

PH: 'If you had written it...' (Laughter)

PJ: ... to tell you that if I had written it, what it would actually have been like. Well, I think what would have happened would be that a telephone call would come to my home in Ealing – I think late on the evening before the speech – which would have said there was a problem in the Prime Minister's judgement, maybe that he hadn't got much, hadn't got a very good speech... with apologies to Tom.... And that he would very much welcome a speech, and I think had that happened, rather crazy blue lights would have gone off in my head along the lines of 'this is an opportunity to change the story of the world in a benign direction or at least of the Labour Party'. And I would have sat down to write the speech which would have set out a kind of strategic vision as to what the Labour Party economic and political policy should be from here on taking its departure from, hopefully drawing a very large line in the sand ending the twenty years, the disgraceful twenty years of the two Harolds. And what it would have argued would have been two things. One: that the idea that you can have a socialist economic policy based on Keynes is a delusion because Keynes as commonly understood does not deliver what you need and some of the phrases which occurred in the actual speech might have occurred in that context. But then I think what it would have gone onto argue what a real...

(Mobile phone goes off)

...I hope I'm not responsible for this noise, are you?

PH: I'm innocent on this occasion.

PJ: My God, I am! Thank God for that! Maybe the Thought Police are telling me to shut up! But I think what it would have gone on to say is what the true left wing Labour economic policy would have been and it would have had a lot in it about something which later came to be called Market Socialism about the kind of Evan Durbin, James Meade ideas about how the market forces can and should be used very extensively in order to accomplish egalitarian and poverty reducing purposes.

PH: If you had of written that, why was it not in the speech?

PJ: That is the question to which I've never had the answer. I think if I had of written that, somebody would probably have decided in Blackpool that this was not at all what the situation required and the bit that was required was only the bit about the short line on Keynes!

TM: To be fair, one of the other things about speech writing... (Mobile phone goes off) ... what Peter says is right: Jim Callaghan delivered his own speeches, you gave, he worked on them, he sometimes put very funny jokes in and everybody at the end would say 'that was a great joke you put in there Tom', so you just smile and nod, but it was his own words... and what I suspect was that he worked on both and judged. One of the interesting things about that speech though, when you think, you're talking to three or four thousand people: they know what he was saying. That's my only experience of a party leader who did not get a standing ovation. They applauded, they listened, they applauded, but there was no standing ovation and it was because they'd been told that something, that things they'd believed in all their political lives simply weren't in any more and in some ways I think it was something that was amazing, that a conference should realise they were being told something really very profound.

PH: Bill.

BK: I think that Jim makes it clear in his memoirs in that passage that that passage which impressed Hormats was purely tactical. When he saw what was happening in the early '80s... I don't think Jim abandoned Keynes.

PJ: No, you're absolutely right, he says in the book that he was never a monetarist.

TM: Can I also say... I mean, this young lady here was interviewing me – one day I'm going to get a bloody PHD, for all the students who I have interviewed!

PH: Well, we're grateful to a lot of you round here...

TM: One of the points I made to her was 'of course now in retrospect we can also see that this was the whole cusp of the sea-change in the British economy, from the economy of the industrial revolution to the modern service economy. And dealing with that, with the simultaneous steel industry, cotton... you know when I was an MP for Stockport we were losing something like five thousand jobs a week from the cotton industry. The steel industry was going down the pan, the engineering industry... you know, in some ways it's almost amazing that you could have that kind of transformation managed by a parliamentary democracy. And the other thing I feel very passionately about is that I think this IMF exercise and the way Jim Callaghan played it proved that the political system could work and if you back, some of your editorials at the time were saying 'is Britain governable?' And it was only a few years previously that Lord Mountbatten and some of his friends, and Cecil King!

PH: Lord Mountbatten refused to do it, to give him his credit.

TM: Well... I mean, it was a question of whether the political system could handle it.

AR: Yes, I t could handle it, but arguably this period led on to 17 years of Thatcher government and I think this is why I'm not in the 'keep calm' school about this period. It had very, very serious implications. Obviously much more complicated than that and many people in this room will know a great deal more... but it undermined, fundamentally, what Labour was about, it showed the level of unreality that both Bernard Donoughue and Tom McNally have spoken about, and then we had the Winter of Discontent. And the whole thing undermined a great support within the country and fundamentally led to the Thatcher reforms and the very long years of Thatcher government.

PH: One quick one from Ian and then a quick one from Rosaline since we must finish at 8.

A3: In 1976 I was a very new and very terrified assistant secretary in the Treasury...

TM: Ah...

A3: Running GP2 which was the cash limits division. And one of the reasons I was terrified was because Leo Pliatsky had convinced me that I and Peter Ramney in both divisions had our fingers in the dyke holding back the estimates, a great wave of public expenditure that would follow, and if we didn't get this right the country would go down and we'd all be drowned in a kind of economic tsunami.

BK: Sounds like Leo!

PH: Never knowingly understated!

A3: And so long as you have mentioned cash limits or the limits put on public expenditure in that way... and subsequently, I think in '77 when I was introduced to Jim Callaghan and they told him what I did, he looked down on me – and I was surprised by how tall he was – he looked down on me and he said 'never understood it myself' and I was so terrified that I never came back and regretted not asking the question 'were they important to your government.' Were they important to your government, or not?

PH: Rosie, can you add your question because we must finish quickly.

A4: Mine's really about Crosland's position. Before he supported Callaghan and Healy he'd argued in Cabinet for a scheme of import deposits and some combative cuts and sticking to those and telling the IMF that if they wouldn't take that then they'd withdraw the British army from Dubai and all that. I wonder what you all think... whether Crosland's position, whether there was anything tenable about it at all, whether if Callaghan and Healy and the Cabinet had adopted that position it would have been at all a runner or did anybody believe in that?

PH: Cash limits first: quickly, who'd like to do cash limits?

PJ: Well, I can answer on cash limits. There was a real problem and the real problem was this: that in the post Plowden, post Otto Clarke era, we controlled public expenditure through what we called PESC. I say we because I was then in the Treasury. The PESC operated in real terms, we weren't interested in inflation or anything like that. So when you started a new round the next year you had to translate last year's figures into this year's figures so that you could then actually proceed. And we were immensely tough about last year's figures because you absolutely were not supposed to have any more unless you found

economies elsewhere. But, in the translation of last year's figures into this year's 73 price basis the thing was extremely lax. We used to say to the department 'what prices and wage increases have you had' and they would just be written in automatically as part of the re-evaluation of last year's real term figures. The result was that there was this gigantic great gaping hole. In order to reconcile that with the national inflation figures (which we found the public sector rate of inflation was very much larger than what the central statistic office was telling you was the national inflation) you had a thing called the relative price effect, the RPE, which was all an all important and vital number. And the RPE turned into a gigantic loophole through which huge increases in what was really public expenditure were disguised as simply a technical adjustment of last year's figures of inflation. And it was when the treasury woke up properly to that (and I remember fighting battles about it myself back in '66) that the cash limits were introduced as a very crude and somewhat mumbo-jumboish method of staunching this gigantic wound!

PH: It was important, wasn't it! On Crosland...

TM: No! It would never have worked. You'd have lost Denis Healy and probably other ministers, you would have lost the government. And I go back to what I started in the beginning. I heard Jim time and again say 'if this government collapses, on this issue...'

A4: What about substance of his argument?

TM: The substance is the politics. The substance is the politics...

PH: The Markets too, Tom, they would have...

: Tom, wouldn't it have been 1931 all over again? What would have happened? The Conservatives would have taken over, they would have done exactly what Crosland was talking about, even more, then Labour would have said 'they never told us we could do that, exactly as they did say in 1931, the economic consequences might or might not have been grave but what would have been destroyed forever, as in 1931, or almost, it would have been the Labour Party.

PH: Jim actually used that phrase to me afterwards but he used it at the time?

TM: And he used it at the time and it was persuasive with many of the people in the cabinet that it was their duty to hold together. Michael Foot, may I say, Michael Foot's loyalty though this period was titanic and Michael's consistency and loyalty probably only matched by Mr Wedgwood Benn's disloyalty but that's another chapter of history... One of the reasons why I want to live a long life is to be around when Wedgie pops his clogs and they all start maudlin remembrances of what a great old man he was and I have to remind them what a treacherous bastard he was!

(General laughter)

: Nearly every day we are reminded in the media what an icon of integrity he was. He was utterly treacherous, deceitful, he would support Callaghan in the cabinet because he didn't want to get sacked and then he would go and attack the government's policies and moan but anyway.

PH: You're not as nice as you look, are you!

(General laughter)

BD: On Crosland, Tom was making a sure point about politics but I don't think it would work economically. I mean Crosland – delightful – was a nostalgic for

the old Keynesian approach. And given the Trade Union movement we had then apart from other reasons, that was bound to lead you down the path to being bust. It just wouldn't work. Cash limits, I'm glad you raised them... it was only after a little while I realised how important they were, they were part of what we were saying about cusps and the change and it's curious historically that Jim, who was a most conservative person, who told me he had no imagination whatsoever and that's why he employed various people around him... but while he was there, this move towards the tide of monetarism, on education what he did with the Ruskin speech, I mean the whole of our education system changed...

PH: Well, you wrote that, he must have been slightly...

BD: Well, as you know you write it and then later...

BK: You read the speech on the 11 o'clock!

BD: He used to have two speeches by the way, once or twice I would say to him 'in the speech' and he would say 'do you mean the official speech or my in-the-pocket speech'?

But he presided over and helped the democratic transition of enormous change, and I think that's hugely to his credit that we ended up with a proper parliamentary, democratic system and I don't agree with what Adam said about preparing the way for Thatcher. If the alternative is the '83 manifesto which Tom says appeared in the IMF – that was the alternative strategy that Jim devoted a whole morning to discussing – if you think that was a better alternative then I'm not with you.

PH: This is another seminar, the 80s... Bill, you wanted a last quick word...

BK: It's not on another subject. Keynes is buried in one sense: but things went wrong and it was more difficult and somebody decided it was useless but Keynes has not been buried from economics at all. I wouldn't like anyone to run away from this after what Bernard just said...

PH: The shades of great people standing over there, Keynes, Jim...

BK: ...just the misunderstanding.

PH: But on one final note. I'm thanking all our participants. But there's a great danger with men and women of a certain age talking about heroic times and indeed they were but they were big figures. When you hear retrospective rewriting of history by successive political generations they patronise this lot, they bloody well shouldn't, because the times through which they lived were extraordinarily important and immensely stretching. And for all the shortcomings, they were bloody big figures, so never let them be patronised!