

PLATE XXV



HUBERT HENDERSON

HUBERT DOUGLAS HENDERSON¹

1890-1952

HUBERT HENDERSON was of Scottish parentage. His mother came from a family of Edinburgh ship-owners. His father was a banker on the staff of the London office of the Clydesdale Bank, who moved later to Aberdeen, and was finally general manager of the Clydesdale Bank in Glasgow. Thus Hubert's earlier education was in the excellent traditions of the Scottish system. He moved on later, but less happily, to Rugby where he abandoned the classics to become a mathematical specialist. It was as a mathematician that he was elected to an exhibition at Emmanuel College, Cambridge, in 1909. But by the very high Cambridge standards he was not of the class of a serious professional mathematician. After a modest performance in Part I of the mathematical tripos he switched over in his second year to economics.

In economics and in the political debates of the Union Society he found a new and much more congenial outlet for his talents. Like almost all the economists of his day (this was before the serious emergence of the Labour Party) he was a Liberal and a free-trader. At that time Cambridge economics was very much in the ascendant. Marshall's new tripos had begun in 1905. Pigou had become professor in 1908 and was at the height of his powers

¹ When Sir Hubert Henderson died in 1952, Sir Henry Clay was invited to write his obituary. Unfortunately he was killed in an accident before the obituary was written. This represents a very belated attempt to fill the gap. It is based partly on the author's memories of working with Henderson, partly on published sources. A special supplement of *Oxford Economic Papers* commemorating Henderson contains a valuable introduction by Henry Clay, an account of his work as editor of *The Nation and the Athenaeum* by Lady Henderson, an account of his work in the Treasury by Sir Wilfrid Eady, and tributes to his Oxford life by Sir Isaiah Berlin, Sir Roy Harrod, and David Worswick. A volume of Henderson's writings, edited by Sir Henry Clay and almost completed before the latter's death, was published in 1955 under the title of *The Inter-war Years and Other Papers*. It contains a majority of Henderson's writings while not in government service, but relatively few of his writings during 1930-4 and 1939-44. In more recent years the publication of the *Collected Writings of John Maynard Keynes* has made available numerous papers, letters, and minutes written by Henderson. Most valuable of all, *The Economic Advisory Council, 1930-1939*, by Susan Howson and Donald Winch, provides a well-documented account of Henderson's period of greatest activity and responsibility, including material now in the Public Record Office.

and vigour. Keynes had returned to Cambridge from his brief period in the India Office also in 1908. Walter Layton, the first to get a first class in the new tripos, was just beginning to lecture. Ryle Fay was teaching economic history with infectious enthusiasm.

The numbers taking economics in these early days were small. In 1912 when Henderson took Part II, there were no more than twenty-five, eighteen men and seven women, but they were of very high calibre. Henderson shared the first class with Dennis Robertson, Philip Noel Baker, and Birendra Kumar Basu, a very able Indian. And because they were few and their teachers were young, they all knew each other intimately, saw the problems of the world through the same eyes, and established friendships which lasted over the years. It was this Cambridge group of close friends who subsequently attempted to redefine and revivify Liberalism.

When Hubert Henderson graduated he did not as yet have a definite career in prospect. Pressed by his father he started to read for the bar. But while doing this with little enthusiasm he stayed on in Cambridge, taking pupils for his college and teaching WEA classes to keep himself, and continuing to see much of his economist friends.

When war came in 1914 he volunteered for service but was rejected, apparently on grounds of bad eyesight. His first wartime employment was in the statistical section of the Board of Trade under Walter Layton. He moved necessarily to London and lived at Toynbee Hall. It was during this period that he married Faith Bagenal, herself no mean economist (she had been in the upper second class in the Cambridge tripos in 1911). They soon had two daughters and a son, Nicholas, who ended a distinguished career in the Foreign Service as British Ambassador in Washington.

In 1917 he was given a new responsibility. He was made Secretary of the Cotton Control Board in Manchester. The industry was faced by severe difficulties. As a result of the intensification of the German submarine warfare and shortage of shipping space, the supply of cotton was greatly reduced. Export markets were inaccessible and exports halved. More important, the industry, highly localized, was in danger of collapse with the whole Lancashire economy that was dependent on it. The Board saved the situation with spreading and rotation of work and unemployment pay distributed through the unions. Henderson himself had little part in the policy-making; there was a dynamic chairman trusted by the industry. But he acquired a close knowledge of the problems and difficulties of quick adaptation of an

industry, which coloured his thinking throughout his subsequent working life. He later wrote the history of the Board and its work.

When the war ended late in 1918 Hubert Henderson, like many of us whose wartime occupations came abruptly to an end, had to decide what he should do next. His father was trying to persuade him to resume reading for the bar. But fortunately his problem was solved in the way that was for him most congenial. In 1919 Clare College at Cambridge elected him to a teaching fellowship. For a time he lived in college during the week and travelled back to his London home at weekends and for vacations.

It was in 1920 that I myself, now an undergraduate reading economics, first got to know him. The Cambridge team of economists at that time was extremely strong. Pigou was still in his prime as a teacher. Keynes was active but seldom lectured. Other lecturers included Dennis Robertson, Barbara Wootton, Frederick Lavington, Gerald Shove, and Ryle Fay. But of all the lectures that I went to, those of Hubert Henderson were the most lively and exciting. While their nominal title was 'Money, Credit, and Prices', in fact he talked about the economic problems of the moment, their causes and possible cures. He was already what he became increasingly in later life, the highly perceptive and critical political economist, with a gift for seeing the problems of the day not in their ephemeral symptoms but in their long-term setting. Like others of my contemporaries, we learned from him the way to approach the big issues of political economy.

While at Cambridge he wrote in the summer of 1922 his one book on economic theory—*Supply and Demand*. It was by intention as well as performance an orthodox and beautifully clear elementary presentation of Marshallian value theory. It was for many generations of undergraduates their first introduction to economics. But this was not his *métier*. He was by interest and instinct essentially an applied economist living in the affairs of the day and using his economics to tackle real problems that needed solution. Above all, as his undergraduate activities as debater and ultimately President of the Union had shown, he possessed an eloquence and loved to argue.

In the summer of 1923 he left Cambridge for a new job. A group of Liberals, mainly from Manchester and Cambridge, with Ramsay Muir and Ernest Simon among the former and Maynard Keynes and Walter Layton among the latter, had held in the summer of 1922 a Liberal Summer School in an attempt to revivify the Liberal Party and to rethink its doctrines and policies. A few months later they managed to acquire the weekly, *The*

Nation and the Athenaeum. Keynes was to be the chairman of the company. They needed an editor. Hubert Henderson was the obvious choice. He had all the necessary qualifications and interests. Faith Henderson has written a lively account of Keynes persuading Henderson and of the latter's protestations of his inexperience and incapacity. His decision was made more difficult by the offer of a chair at the London School of Economics. But in the event no job was ever better matched to its holder's capacities and no capacities were ever matched better by a job.

For the next seven years, down to 1930, the weekly *Nation and Athenaeum* was the compulsory reading of every young economist, and I suspect of every older economist also. It was also the reading of most civil servants and most politicians. Its influence on the economic thinking of those years was enormous. In its editing Keynes and Henderson worked very closely as a team. We all knew this and were at the time uncertain what came from Keynes's pen and what from Henderson's. From what we now know, and particularly from Faith Henderson's account of the collaboration, it is clear that the two usually discussed and agreed what should be the chief topic of the week and what were the issues. But it was Henderson who each Wednesday night hammered out the ideas and presented them at publishable length. If Keynes wrote (and from time to time he did), he almost always signed his contribution and did not adopt editorial anonymity.

It is arguable (I would argue it) that his editorship of the *Nation* was Hubert Henderson's highest peak of achievement. The task, as I have said, fitted the man. His great gift was that of seeing the issues of any problem with great clarity and presenting them to the intelligent layman with equal clarity. He would indicate with similar clarity the essentials of any satisfactory solution. And this clarity of thinking extended equally to the difficulties of solutions. While Keynes, faced by an issue, would come out always with a 'Keynes Scheme', Hubert Henderson preferred to help his readers to see the problems clearly and make their own choice between alternative practicable solutions.

Apart from his editorship of the *Nation*, Henderson continued to be deeply involved in Liberal rethinking. He played a major part in the writing of the two most influential documents of this period—*Britain's Industrial Future*, commonly known as the *Liberal Yellow Book*, and in 1929 jointly with Keynes *Can Lloyd George do it?*. And in the general election of that year he was a candidate unsuccessfully for one of the then still surviving Cambridge University seats in parliament.

But if he was unsuccessful in this respect, the election brought a much closer responsibility for policy in another way. The *Liberal Yellow Book* had advocated the creation of an economic general staff and a body analogous to the Committee for Imperial Defence to co-ordinate the policies of the various ministries concerned with economic issues, and to ensure that such issues should be handled in the light of a professional appraisal of the long-term as well as the short-term problems facing the country. Labour supporters had advocated a not very different body. Ramsay MacDonald, Prime Minister in the new Labour Government, decided to set up a somewhat similar organization, but on a smaller and less well-staffed scale. Tom Jones, Secretary of the already existing Committee of Civil Research, was to be its secretary and the senior member of its working staff. Henderson was invited to become his second in command and the senior professional economist. A number of younger economists, myself included, were interviewed by Tom Jones, but Treasury pressure in the end limited the junior posts to two, filled by Harry Hodson and Colin Clark; Piers Debenham, in an honorary capacity, made a third.

The next four years were the most difficult, and probably the least happy, in Henderson's working life. They certainly left him a very different person from the crusader of his period at the *Nation*. He came into government service at the top, with the privilege of access to the Prime Minister, but with no previous experience of the ways of the Civil Service; a situation that in any case invited the antagonism of the senior civil servants in the ministries hitherto responsible for the issues involved. One must add that his difficulties were increased by the adoption by Snowden in the Treasury of a stance of Gladstonian rectitude as contrasted with MacDonald's greater flexibility. More serious, he came into government at the moment when it was attempting to solve what was virtually an insoluble problem. The war of 1914-18, like that of 1939-45, had left the country shorn of a major part of its foreign invisible earnings; British exports had fallen in a world in which other advancing countries no longer needed to import the British nineteenth-century staples; there were some two million unemployed; and the economy was embarked on the impossible task of overcoming unemployment while imprisoned in the consequences of returning to the gold standard at the parity of 1914, imposed by Winston Churchill's decision of 1925.

The escape came only with the involuntary devaluation of 1931. But meanwhile Hubert Henderson himself, together with a variety of committees and bodies, including the Macmillan

Committee and the famous Committee of Economists set up at Keynes's suggestion to MacDonald, had been trying to find solutions in whole or part to the conflicting problems of solving the balance of payments and re-employing two million unemployed, while maintaining, in the interest of the City of London as the world's financial centre, the sanctity of the gold standard pound. In a greatly changed world there was in fact no prospect of putting the clock back and solving the balance of payments by re-expanding the nineteenth-century staples. Hubert Henderson's memoranda of this period were clear and lucid. He unquestionably did much to stimulate rethinking in the senior ranks of Treasury and the Civil Service. But he did not have quick and easy solutions for these very difficult problems. That was not his way. And he in turn became acutely aware of the difficulties of any policy, and lost something of the crusading and innovating outlook which had permeated the *Nation* under his editorship. Wise as the memoranda are, read in retrospect and in a world in which the conventions no longer make it improper to discuss the possibility of devaluation, they make one wonder whether he was really grasping the nettle.

But it is in his relations to his fellow economists on the Committee of Economists that the effects of the problems on the man become most apparent. About the analysis of the situation there was little difference of opinion. About practicable remedies there were sharp and sometimes acrimonious divisions. Keynes, engaged in the last stages of finishing his *Treatise on Money*, was advocating the encouragement of private investment by lowering the rate of interest and the undertaking of public works; in the absence of devaluation (which the Committee found itself obliged unanimously to reject) Keynes, with the agreement of Stamp and some support from Henderson, was anxious to recommend import duties to achieve the same results. Lionel Robbins found this outrageous and believed, optimistically, that a solution could be found by removing monopolies and rigidities. Pigou had little constructive to offer. There were differences of judgement regarding the necessary extent and the practicality of reductions of money wages.

But it is Henderson's position that is here relevant. He had been wrestling with these problems inside the machinery of government. He was deeply aware of the difficulties. He had been convinced, rightly or wrongly, that the scope for public works was very small. He had become sceptical of all panaceas, and he included Keynes's advocacy of low interest rates among the

panaceas of which he was sceptical, largely because he doubted that low interest rates in Britain were consistent with the maintenance of the gold standard. He was the realist of the group, determined that the theorists should not make impracticable proposals based on unreal assumptions. His own solution was a drastic cut in money wage rates, curiously in retrospect an equally unrealistic objective. But more important, this was Henderson's first real conflict with Keynes. Thereafter their relations were different. The friendship survived; the alliance was ended.

The Committee of Economists reported in October 1930. The problems of 1930 became the crisis of 1931, exacerbated by Snowden's panic in the Treasury over the prospective budget deficit, his attempt to rectify this with the savage cuts proposed by the May Committee, and the determination of a number of MacDonald's Cabinet to resign if this was done. Late in August 1931 MacDonald gave up the task of leading a Labour Government and a National Government was formed under his continuing leadership, with Snowden still at the Treasury, but with the inclusion of members of other parties. Some but not all the May Committee's proposals were implemented in a second budget. But most of the longer-term problems remained. Henderson himself was still advocating a 10 per cent revenue tariff with higher duties on manufactures. Meanwhile, partly as a consequence of crises in other countries, the Bank of England's gold reserve, together with its recent borrowings, was exhausted. On 21 September 1931 Britain suspended the gold standard.

During this period Henderson had been advising the Prime Minister in his personal capacity as chief economist of the Economic Advisory Council. But the Council itself hardly ever met and had virtually ceased to exist; such work as was done was through its various committees. Its functions were in practice performed by a new Committee on Economic Information which began work in March 1932 with a smaller and more professional membership under the chairmanship of Lord Stamp and with Henderson as secretary and Keynes among its members.

The suspension of the gold standard obviously brought with it new possibilities and new problems of exchange support and the level at which this should be attempted. The entirety of anything that Henderson may have written during this period has not yet been published. The most interesting published paper is one on *Internal Credit Policy—and International* dated 27 October 1931, in which he warns against a current argument that, the support of the gold standard having been removed, it was necessary to

substitute a rigorous credit policy. But, Henderson-like, he goes on to warn about a too easy policy of cheap money.

Meanwhile MacDonald had set up yet another committee—this time an Advisory Committee on Financial Questions with five members and Henderson as secretary. Keynes was not at first included, but MacDonald himself brought him in a few weeks later. This committee was unanimous in advising against the Bank of England's desire to return to gold at the old parity and against the continuation of a high interest rate to make that possible. Henderson agreed with the committee, but Henderson-like again he was against any deliberate policy of keeping the pound down. He himself wanted an appreciably higher exchange rate than his committee; it was their view rather than his that prevailed. But the early reports of the committee are disappointing documents. The thinking of both Keynes and Henderson was predominantly monetary and the early monthly reports are almost wholly concerned with monetary matters. It was not until the fifth report of November 1932 that they got to grips with the problems of trade activity, the place of public works, and the reduction of unemployment.

Life was running out meanwhile for the MacDonald administration. The increasing ascendancy of Baldwin and the decline of MacDonald's authority meant that Henderson, as a protégé of MacDonald, no longer had the same influence as he had earlier. He continued as the secretary of the Committee on Economic Information. Its reports continued to be circulated to the Cabinet and read. But under the new regime the centre of power in economic policy-making had progressively gone back to the Treasury, and the Treasury had its own experts and advisers.

Down to 1934 Henderson continued to be busy with the work of his committee. In particular he initiated a 'Henderson Scheme', in some respects similar to subsequent IMF arrangements, whereby the Bank for International Settlements might supplement the world's gold currency supplies by making loans and issuing notes to borrowing countries on certain conditions regarding their economic policies. This was seriously considered by the Treasury. Keynes came in as a joint proposer of a slightly modified version. But for political reasons it was, regrettably, not put forward as a British proposal either at the Lausanne Conference of 1932 or at the subsequent World Economic Conference in London in 1933.

In 1934 Henderson was offered a research fellowship at All Souls College at Oxford, designed to set him free to work on the problems of his choice. He accepted, almost certainly with a sense

of relief. He could now study in his own way the problems of long-term change and policy-making. This, I feel certain, was where Henderson's strength lay. He was a critic by now rather than a crusader. Like Dennis Robertson and others of his Cambridge contemporaries he was happier being right in a minority of one than when attempting to cajole a group of minority-loving critics into unanimity on a plan of action.

Cambridge as he was by background and strange to Oxford, he none the less fitted into All Souls and the Oxford tradition quickly and completely. This Oxford phase of his life is well documented in the special issue of *Oxford Economic Papers* of 1953 which contains tributes from Isaiah Berlin, Roy Harrod, and David Worswick. Henderson loved argument and was prepared to argue the problems of political economy and policy-making to all hours of the night. But in his years of journalism and of policy-making he had lost interest in formal theoretical economics and still clung to the basic ideas that he had imbibed as a student twenty-odd years earlier. Where ideas had changed and a younger generation was developing new theories, he was in danger of becoming something of an anti-intellectual. But the native sharpness of his mind still made him a formidable critic.

It was as a critic that in May 1936 he clashed with Keynes and the younger generation of Cambridge economists when he talked to the Marshall Society about 'Mr Keynes's Theories' as propounded in the then lately published *General Theory*. As always, Henderson had a point. Keynes had written his model very much in terms of a closed economy and had assumed that the rate of interest could be determined in terms of the domestic economy and not for the defence of the exchange rate and the foreign balance. But in the view of the Cambridge younger generation Henderson showed that he had not fully mastered Keynes's arguments. Perhaps more important, we did not share and accept the pessimism that he had developed from his earlier frustrations.

Through these years Henderson retained some connection with Whitehall. He was still a member of the Committee on Financial Information, though he had surrendered his secretaryship of that committee as well as that of the semi-defunct Economic Advisory Council. The outbreak of war found him a member also with Stamp and Clay of the survey of war plans in the economic and financial spheres. Its value and importance lay largely in the fact that Stamp himself had the respect and ear of Neville Chamberlain as Prime Minister. When war broke out the staff was enlarged and I myself was one of the early recruits. The fascination to one who

worked with them was the very disparate characters of the triumvirate: Stamp the great industrialist and the supreme delegator who gave one at the start a clear picture of the problems as he saw them; left one with a clear idea of what he wanted; when one was finished, worked through one's analysis and proposals with one; left one to rewrite in the light of his criticisms, and gave one formal credit for what was as much his as one's own; Henry Clay, a great industrial economist with his Manchester background and with his base now in the Bank of England, full of practical knowledge and experience, full also of friendly encouragement; and as an antithesis to the other two, Hubert Henderson, the critic determined that one should not get away with loose argument, with assumptions unsupported by facts, with proposals that were impracticable. For myself, I enjoyed working, as I did, with Stamp; I enjoyed Clay's encouragements; I regarded Hubert Henderson as a necessary but painful restraint to be surmounted. I suspect that I was not then self-confident enough or pachydermatous enough to work easily with him. In something that Sir Alec Cairncross, then a fellow member of our younger staff, has recently written about those days, he makes it clear that he enjoyed working with him and observing his remarkable capacity for developing a compelling logical argument from a limited supply of facts.

With the fall of the Chamberlain government in May 1940 and the death of Stamp in a bomb raid in April 1941, the influence of the Stamp Survey came soon to an end. Churchill had his own advisers. We younger members of the Survey Team, divided in two parts, became the nucleus of the Economic Section of the Cabinet Office and the nucleus of a new Central Statistical Office. Henry Clay returned to the Bank of England. Henderson himself was given a post without very clear responsibilities in the Treasury.

With the Churchill administration the Treasury had become a backwater. The war economy was now planned, as it should be, in terms of manpower and raw materials. The wartime responsibility of the Treasury was limited to preventing such planning from resulting in inflation. In part this was achieved by food rationing and clothing rationing supported by price controls. More generally Kingsley Wood's 1941 budget, largely the work of Keynes, established a pattern that was continued through the war. As a consequence the wartime tasks of the Treasury were largely concentrated on preparations for the post-war world. The most immediate problem was that of the promises that could properly be made to the Americans regarding freedom of trade as

a condition for lease-lend. But as the war years went by, the study of the post-war balance of payments, the Beveridge Report on social insurance, the full-employment white paper, and the international monetary schemes, were a few among many attempts to be prepared with policies for a changed world.

In all this Hubert Henderson played a major part. Wilfrid Eady, writing in the same special issue of *Oxford Economic Papers*, gives us a picture of Henderson at work in the Treasury.

His essential contribution was a firm and consistent determination not to ignore, or let the rest of us ignore, the great balance of payments difficulties with which this country was bound to be faced after the war, and not to allow the Utopia-builders to promise more than we could reasonably expect to perform. . . . In detailed negotiation and administration he took little part, since it was the questions of general principle which interested him. . . . But from time to time he was moved to produce a forceful and eloquent memorandum showing a delight in controversy.

I have often wondered whether he ever looked at himself from outside and asked himself what were the cumulative effects of his continuing pessimistic realism on colleagues who, in the darkest days, needed a faint glimmer of optimism about a post-war world to keep them sane, and at the same time were overcoming in their day-by-day work obstacles at least as great as those that so frightened Henderson. He savaged the early attempts to calculate the national income. He opposed American desires to create a more freely trading world. He believed the Beveridge proposals to be a chimera. He did not like the currency union proposals. He regarded the full-employment policies as an impossibility.

But having said that, I have to say that his pessimism proved in very many cases to be justified by the event. The post-war world, when it came, brought most of the problems he had foreseen. And in due course we had to deal with them. But by 1942 the Economic Section was a shadow of its earlier self. Most of us had moved into activities nearer to the conduct of the war. I, and I think others, was prepared to leave it to Keynes, Bretton Woods, Beveridge, James Meade and the other optimists to establish, as they did, a framework, while we got on with the tougher task of winning the war.

In 1944, with the end of the war in sight, Hubert Henderson went back to Oxford, the freedom that it gave and the congenial atmosphere of All Souls. His lectures on the making of economic policy were immensely successful and popular. Back in the world of discussion and appraisal he was immensely happier than in the

world of decision and implementation. David Worswick, in the same issue of *Oxford Economic Papers*, has described him in that world, throwing himself into research projects, helping to establish the traditions of Oxford applied economics. He was the great political economist. He made no claim by the mid-1940s to be abreast of recent economic theory and was occasionally caught out. It was as the great political economist that he, rather than Roy Harrod or John Hicks as a theorist, was elected in 1945 to the Drummond Professorship of Political Economy. His election to the British Academy came in 1948. He held the professorship until 1951. In that year he was elected to an office which meant more to him than all his other honours, the Wardenship of All Souls College. But he was already a sick man. He never took up the appointment and died in February 1952.

Hubert Henderson, with all his warts, was a great man. He was a fine, perceptive, and immensely conscientious critic. He was at his outstanding best working as an individual. Like some others he hated sacrificing his conscience to achieve agreement in a discordant team. He could be, and often was, an extremely difficult colleague when quick agreement and quick action were essential. My own memories of him are predominantly in such conditions and what I have written dwells too much on him in these conditions. He was the antithesis of Keynes, the eternal optimist, anxious always to achieve an agreed solution, anxious to persuade others to agree with him, and in consequence a leader of enthusiastic supporters. But in a world that was over-peopled with optimists, a realist inclined to pessimism had a very valuable part to play. Hubert Henderson played it with immense force and distinction.

AUSTIN ROBINSON