



ALAN TURNER PEACOCK

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## 1922–2014

SIR ALAN PEACOCK was a leading liberal economist who made major contributions to the study of public finance.<sup>1</sup> He increased understanding of the forces underlying the growth of the public sector, set out a clear liberal approach to welfare economics and applied it in a number of ways, notably to the financing of the arts, heritage and broadcasting. Nurtured in the Scottish tradition of political economy, he was committed to the doctrine of what Adam Smith called ‘natural liberty’—that is, individual freedom under the law to develop talents and interests, provided these do not conflict with the freedom of others. Such liberty is compatible with economic and social mobility, but not with economic equality, which would require intervention by the state that would conflict with individual freedom. Peacock recognised there are public goods that should be financed by the state, but believed that, as far as possible, resources should be allocated through the market and individuals should be responsible for taking the important decisions affecting their lives. He had broad intellectual interests, including political science and law. His publications were designed to communicate ideas to a wide spectrum of audiences through books, academic papers, policy pamphlets and articles in periodicals and newspapers.

The following memoir traces his varied career as naval officer, academic economist, economic adviser, university administrator and public figure, alongside the development of his ideas at different stages of his

<sup>1</sup>The conventional practice is to use a capital L to denote the Liberal party and a small l for liberalism as an economic and political philosophy.

long life. The focus is on Peacock the economist, but a final section attempts to give an impression of his personality and approach to life.

### Early life

Alan Turner Peacock was born at Ryton on Tyne, County Durham, on 26 June 1922, the second child of Alexander and Clara Peacock (née Turner). Alexander Peacock was a lecturer in Zoology at Armstrong College, Newcastle upon Tyne – then part of the University of Durham. He had served in the Royal Army Medical Corps during the Great War and had subsequently been awarded the degree of D.Sc. for his work on trench fever.<sup>2</sup> In 1926 he was appointed Professor of Zoology at University College Dundee—then part of the University of St Andrews. The family moved to Broughty Ferry, where Alan had an excellent primary education at Grove Academy, particularly in grammar, arithmetic and music. Integrating with school friends, he quickly adopted a Scottish identity which he preserved throughout his adult life, while remaining proud of his Geordie roots. Every summer from 1926 to 1930 he and his older sister Joan were taken by their parents for six weeks to France and Germany. His father had common research interests with continental scholars, and he and his wife wanted the children to learn German. German au pair girls were also employed to this end. In 1933 Alan transferred to Dundee High School for his secondary education, but he devoted most of his time to cricket, athletics and music, the last becoming a life-long passion. Indeed, without telling his parents, he chose at the age of fifteen to take music rather than continue with mathematics, a decision that would put him at a disadvantage as an economist (although it was one he would overcome). On the other hand, the teaching of German was excellent, and his career would be enriched by his ability to engage with economic literature in that language.

Peacock left school in 1939 with an incomplete leaving certificate and registered as a non-graduating student at University College Dundee. A sudden surge of interest in study led to the award of merit certificates in

<sup>2</sup>In his eighties Peacock co-authored an article on his father's work: A. Peacock and W. Watson, 'The Peacock versus the Louse (*pediculus humanus corporis*): one soldier's contribution to combating trench fever in the First World War', *Journal of the Royal College of Physicians of Edinburgh*, 40 (2010), 256–62.

German and geography, and a pass in French, and in 1940 he matriculated at St Andrews. He had seen the distress caused by unemployment in Dundee and decided to study political economy, together with history and philosophy. He had no religious upbringing but, as a student at St Andrews, he was inspired by the Christian socialism preached by the Revd George Macleod, became a member of the Church of Scotland, and spent the summer vacation of 1941 doing social work in London. By his second year it was compulsory to enlist in some form of service training. His parents had had strong pacifist leanings before the war and had refused to let him join the school cadet corps. They approved his choice of the Royal Navy for war service as being less likely than the army to develop in him a militaristic character. However, St Andrews had no university naval division and Peacock found himself undergoing military training; he was careful to conceal from his parents his skill with the bayonet. His call-up to the Royal Navy was deferred until April 1942 to allow him to complete a war degree (equivalent to an Ordinary degree) in economics and history. Before being accepted for officer training he had first to do a period of sea time as an Ordinary Seaman. The experience of life on the lower deck gave him intimate acquaintance with and sympathy for a broad range of society. He was in peak physical condition, having been captain of the University's cross-country running team, and he won the respect of his fellow sailors by turning out to play rugby against another ship's team, scoring one try and preventing another by tackling the future Duke of Edinburgh.

Peacock's knowledge of German pointed to a career in naval intelligence. He was given a temporary commission as an Acting Sub-Lieutenant, Royal Navy Volunteer Reserve (Special Branch). Altogether he served on no fewer than eleven ships, intercepting, deciphering and interpreting enemy communications. The work of the Government Code and Cipher School at Bletchley Park in breaking the German codes is well known; much less well known is how that intelligence was used operationally. As a seagoing intelligence officer Peacock was trained to decode German signals, and sometimes had to try to decipher them if Bletchley had not yet supplied the code of the day. In 1943 he survived the torpedoing of the destroyer *Limbourne*, when about 100 of the crew perished. He was wounded but went below deck to see what he could do for others less fortunate than himself. After survivor's leave he served on escorts for Arctic convoys using highly secret detection equipment to warn of attacks by U-boats and aircraft. In 1945 he was awarded the Distinguished Service

Cross for ‘skill, resourcefulness and determination on special service with the Home Fleet’.<sup>3</sup>

The chances of war led to his marriage to Margaret Astell Burt. While on leave he met her mother at Margaret’s graduation at St Andrews, and apparently so impressed his future mother-in-law that she invited him to stay with the Astell Burts should he need a bed in London. Shortly afterwards Peacock was sent to train for intelligence work at a secret location that turned out to be almost the same street as Margaret’s home, so that he became the lodger. After a whirlwind romance, they were married in Putney Parish Church on 23 February 1944, in their uniforms (Margaret was an officer in the Woman’s Royal Naval Service). They were both twenty-one years old. Their decision not to wait was partly motivated by the fear that they might not survive the war, Margaret’s older brother having lost his life while serving with the RAF, and Peacock having seen death at first hand on the *Limbourne*. Their first son, David, was born the day before Peacock was demobbed in October 1945. Richard followed in 1948 and Helen in 1950.

Peacock had tried to keep up his study of economics while on active service, enrolling in the College of the Sea, a correspondence college. He had only a battered copy of Alfred Marshall’s *Principles of Economics*, but his tutor was none other than A. C. Pigou, recently retired from the Chair of Political Economy at Cambridge and a Fellow of King’s College. Peacock returned to St Andrews in 1945 to complete his studies, graduating with First Class Honours in economics and political science in 1947. He was awarded the Honours Political Science Medal and the Rosen Prize for examination performance in history, politics and economics. The only person at St Andrews to have a major influence on him was T. Malcolm Knox, the philosopher, who taught him political science. Peacock recalled being practically self-taught in economics and that he learned most from reading Geoffrey Crowther’s *Outline of Money* (London, 1940), and Dennis Robertson’s *Money* and Hubert Henderson’s *Supply and Demand* (both first published in London, 1922).

### Public finance and advice to Liberals

Even before Peacock resumed his university studies he had already read some of the work of John Maynard Keynes and Friedrich Hayek, and

<sup>3</sup>Supplement to the *London Gazette*, 10 July 1945, no. 37170, p. 3561.

had studied William Beveridge's report, *Social Insurance and Allied Services* (London, 1942). It was natural, therefore, that, on being appointed a junior lecturer in economics at St Andrews immediately after graduation, he chose to specialise in the economics of public policy, particularly welfare policy. As a token act of defiance he lectured on Keynes, who had hitherto been virtually proscribed from the curriculum. St Andrews was then a backwater as regards economic research—the holder of the Chair of Political Economy, James Wilkie Nisbet, was a familiar sight on the golf links—and Peacock was delighted to be appointed to a lectureship in economics at the London School of Economics and Political Science (LSE) in October 1948. His interviewers, who included Hayek and Lionel Robbins, seem to have been impressed by his familiarity with Austrian and German economic thought; as it happened Peacock had given three lectures on German economic thought from 1776 to 1920 to the Honours class at St Andrews as a bridge between Adam Smith and modern economic theory.

Among senior colleagues at LSE his kindred spirits were James Meade, who had been the Labour government's principal economic adviser in 1946–7, but whose book, *Planning and the Price Mechanism* (London, 1948) had adopted a liberal position on pricing; Frank Paish, who, like Peacock, was an ardent member of the Liberal party; and Jack Wiseman, with whom he began a long collaboration by writing joint papers. Peacock's first article in an academic journal questioned the need to keep National Insurance accounting separate from the revenue and capital accounts of the public sector, but typically he tempered logic by accepting that labelling taxation on employment as 'contributions' made it more politically acceptable.<sup>4</sup> Shortly afterwards in 1949 he was invited to serve on a committee set up by the Liberal party to examine a plan by Lady Rhys Williams for what would now be called negative income tax as the fairest way to allocate income transfers. The outcome of the committee's deliberations was a Liberal party Yellow Book, *Reform of Income Tax and Social Insurance Arrangements* (1950), which proposed combining the principle of fairness with personal responsibility, and covered a much wider range of transfer payments than those included in the existing National Insurance system. Peacock had to estimate the required changes in the level, structure and distribution of taxation consequent on the abolition of National Insurance contributions without any assistance from the Board of Inland Revenue. Subsequently he had a gruelling experience

<sup>4</sup>A. Peacock, 'The National Insurance funds', *Economica*, n.s., 16 (1949), 228–42.

giving evidence to the Royal Commission on the Taxation of Profits and Income in 1951, when the Board's Director of Statistics, Arthur Cockfield, picked holes in his calculations. Undeterred, Peacock wrote as his first book a comprehensive study of the existing system of National Insurance, showing that the insurance element was tenuous at best and making a plea for its replacement by a negative income tax.<sup>5</sup> In 1951, at the early age of twenty-nine, he was promoted to Reader in Public Finance.

Margaret always said he had itchy feet. He was guest professor at the University of Münster in 1950. In 1953 he was in New York as an economic consultant to the United Nations. He also worked in developing countries, compiling (with D. G. M. Dosser) *The National Income of Tanganyika (1952–54)* for the Colonial Office (1958) and contributing to the *Report of the Commission of Enquiry into the Natural Resources and Population Trends of the Colony of Fiji* (Legislative Council of Fiji, 1960) and *A Survey of Education within the Framework of Social and Economic Development in Afghanistan* (UNESCO, 1962). He also forged intellectual links with economists in other countries. From 1952 he was joint editor of *International Economic Papers*, a series of translations for the International Economic Association. He also edited and contributed to a pioneering set of international studies designed to investigate the nature and magnitude of the redistribution of incomes brought about by social policies.<sup>6</sup>

On returning from Africa in 1956 he found an offer of the chair of Commercial and Political Economy and Mercantile Law at Edinburgh University awaiting him. Robbins, the influential head of the department of economics at LSE, had recommended him in the following terms: 'I am not at all anxious to see Peacock leave the School. He is ... a tower of strength in all sorts of ways. He is a man of penetrating good sense and administrative ability ... I am afraid I think [he] is very well suited for the post.'<sup>7</sup> Peacock was thirty-four and by far the youngest professor at Edinburgh. He insisted on the chair's title being changed to that of Economic Science. His inaugural lecture was what would now be called a mission statement. His predecessor, Sir Alexander Gray, was an authority on Adam Smith. Peacock observed that economics had almost ceased to be taught in the rest of the English-speaking world as a moral science. As

<sup>5</sup> A. Peacock, *The Economics of National Insurance* (Edinburgh, 1952).

<sup>6</sup> A. Peacock (ed.), *Income Redistribution and Social Policy* (London, 1954).

<sup>7</sup> Robbins to W. Croft Dickinson, 20 February 1956, quoted in S. Howson, *Lionel Robbins* (Cambridge, 2011), p. 816.

a social science economics required an analytical approach, and as things were any well-advised aspiring economist would make his way to Cambridge or London rather than to Edinburgh.<sup>8</sup> Under Peacock's direction a syllabus that had been dominated by the history of economic thought gave way to one that started with Paul Samuelson's *Economics*. Peacock set about establishing what would now be called a research culture in a department where no substantial publication by a lecturer had appeared since the beginning of the Second World War. He brought in research grants and laid the foundation for recruiting postgraduates. New faculty members were appointed; young American economists came as visitors. The student experience was also transformed: an economics society was started for Honours students; reading parties went to a country house in Angus; and students were invited to the Professor's house, where they met his family. There was, as one former student recalled, a buzz in the Department.<sup>9</sup> Not all older members of faculty appreciated Peacock's closeness to his students: there was, for example, a good deal of tut-tutting when he appeared in a student performance of an opera.

Peacock was very much a Keynesian liberal in the 1950s. He accepted Keynesian analysis of inflation and deflation, although not of unemployment equilibrium and stagnation. He was, however, concerned with how economic stability could be achieved without growth in the public sector. He was familiar with Adolph Wagner's law, which asserts that government expenditure in any society will grow at a faster rate than national income. A visit to the United States in 1958 brought Peacock into contact with the American economist James M. Buchanan, who was working on public finance and who would later (with Gordon Tullock) be co-founder of public choice theory. Peacock's own position was then set out in a lecture at the University of Virginia in which he argued that liberal political philosophy lacked technical analysis of the conditions required to translate its aims into practical politics. He insisted Keynes's writings were part of the liberal tradition, and pointed out that Keynes had abhorred state socialism and large-scale nationalisation. On the other hand, he was well aware of the distinction between the ideas of Keynes and many of his

<sup>8</sup>A. Peacock, 'From political economy to economic science', *University of Edinburgh Journal*, 18 (1955–7), 249–57.

<sup>9</sup>K. Lumsden, 'Professor Sir Alan Peacock: how he influenced my career', in R. Perman (ed.), *Alan Peacock Dissenting: Essays in Memory of the Founder of the David Hume Institute* (Edinburgh, 2015), pp. 64–66.

followers, and quoted with approval the remark by the American economist James Duesenberry that 'Keynes was the Kerensky of the Keynesian Revolution'.<sup>10</sup>

Peacock's first major contribution to the study of public finance was a collaborative work with Wiseman, *The Growth of Public Expenditure in the United Kingdom* (London, 1961). The book's origins lay in an invitation by the American National Bureau of Economic Research for a book that would fill gaps in British statistics, but Peacock and Wiseman went on to offer their own explanation of why the public sector's share of gross national product (GNP) had increased from 9 per cent in 1890 to 37 per cent in 1955. They took Wagner's law as a starting point, but found the pattern of expenditure growth was more important than any secular trend. The curve of government expenditure featured a series of plateaus separated by expenditure peaks that coincided with periods of war or preparation for war. Wars, they argued, had a long-term displacement effect on government expenditure for two reasons. First, the electorate became accustomed to higher taxation; second, war revealed deficiencies in the health and education of recruits, prompting higher expenditure on social services. In contrast, while the business cycle might prompt short-term increases in the ratio of government expenditure to GNP, even the high unemployment of the 1930s did not result in a permanent shift (although it might have influenced public attitudes to government intervention). The only hints of public choice theory in what was essentially an empirical, macroeconomic study were a footnote reference to what Peacock and Wiseman described as a 'sophisticated discussion of political and market choices' in a forthcoming article by Buchanan and Tullock, and a general statement that 'citizens can have ideas about desirable expenditure which are quite different from, and perhaps incompatible with, their ideas about reasonable burdens of taxation'.<sup>11</sup>

Peacock's earliest attempts to clarify the liberal approach to welfare began independently of developments in America. In 1953 he became a member of the Unservile State Group, an amalgam of independent liberal thinkers, like himself, and committed Liberal party members. Most were academics but the group included Jo Grimond, soon to become Liberal leader in the House of Commons, with whom Peacock became

<sup>10</sup>'The future of liberalism in Britain', lecture delivered at the University of Virginia, 6 November 1958, Alan Peacock papers, St Andrews University Archives ms38965 (see Note on sources).

<sup>11</sup>A. Peacock and J. Wiseman, *The Growth of Public Expenditure in the United Kingdom* (London, 1961), pp. xxiv, 13n.

closely associated. The Group aimed to provide a sound basis of principles for Liberal party policies, and eventually a co-operative volume, *The Unservile State: Essays in Liberty and Welfare* (London), appeared in 1957. Peacock's contribution stated that no person's opportunities to develop should be frustrated by material circumstances, and that therefore there was a good distributional argument for the state providing individuals with financial support for access to health, housing and education. However, for the most part these services need not be provided by the public sector. For example, state provision of hospitals and public health services did not require a state monopoly for routine medical and dental services. In general, he hoped to encourage alternative sources to provide competition for existing public providers of social services. In particular he advocated the introduction of some form of tax relief to parents who chose to educate their children privately.<sup>12</sup> He became a member of the Advisory Council of the Institute of Economic Affairs (IEA), a think tank formed in 1957 to study markets and pricing systems as means of registering preferences and apportioning resources. He and Wiseman were invited by the IEA's Editorial Director, Arthur Seldon, to develop ideas on the finance of education, and the outcome was a pamphlet which advocated non-transferable vouchers that would be used by parents to pay fees to schools of their choice. There was a redistributive element to the scheme in that the vouchers would be subject to tax as ordinary income so that poor parents would receive more assistance than the better off. The intention was to improve access to education.<sup>13</sup> However, the scheme was rejected by the Liberal party in 1966, a decision made no easier for Peacock by it being announced by the party's president, Nancy Seear, who, as a lecturer in personnel management, had been a colleague at LSE. She said she did not believe the interests of the child could be left largely to the parent; moreover, under the scheme good schools would get bigger and better but would not eliminate bad schools for many generations of schoolchildren.<sup>14</sup> In Peacock's view, the party had deserted economic liberalism.<sup>15</sup> Nothing was actually said, but it was clear his advice was no

<sup>12</sup> A. Peacock, 'Welfare in the liberal state', in G. Watson (ed.), *The Unservile State* (London, 1957), pp. 113–30.

<sup>13</sup> A. Peacock and J. Wiseman, *Education for Democrats: a Study of the Financing of Education in a Free Society*, Hobart paper 25 (London, 1964). The pamphlet also recommended student loans to top up bursaries for university students.

<sup>14</sup> A. Peacock, *Anxious to Do Good* (Exeter, 2010), pp. 179–80.

<sup>15</sup> For the Liberal party's leftward turn under Grimond see P. Sloman, *The Liberal Party and the Economy, 1929–1964* (Oxford, 2015), pp. 205–29.

longer welcome. Nevertheless, as Grimond's correspondence shows, he and Peacock remained on good terms.<sup>16</sup>

### New universities, cultural and welfare economics, and Whitehall

Peacock had not been very successful in academic politics at Edinburgh: he tried and failed to have a second chair advertised because, he believed, the Principal, Sir Edward Appleton, a physicist, had no interest in economics. In 1961 Robbins, who was chairman of the embryonic University of York's Academic Planning Board, persuaded Peacock to take up the chair of economics there. It was an attractive opportunity to make a fresh start. At Edinburgh Peacock was still the youngest professor. At York he would have the advantage of being the only founding professor to have already held a chair. He was the first Deputy Vice-Chancellor, from 1963, when the first students arrived, until 1969. He strongly supported the inclusion of what proved to be a highly successful department of music. He decided that his own department, initially a small one, should focus on public finance and related fields. Research and graduate work were encouraged from the start and Wiseman came from LSE to run York's Institute of Social and Economic Research.<sup>17</sup> Even while Peacock was Deputy Vice-Chancellor he spent time in Washington, DC, as a visiting senior research fellow at the Brookings Institute and as visiting scholar at the International Monetary Fund. He was elected president of the International Institute of Public Finance in 1966–9. In 1970 he spent six months as a visiting professor at the Einaudi Foundation in Turin, the beginning of an association with Italy, a country with a strong tradition in the study of public finance.

In 1969 Peacock published an article challenging the prevailing orthodoxy in what has become known as cultural economics. The American economist William J. Baumol had argued that the performing arts, being inherently labour-intensive, could not increase productivity through technical progress and capital investment in the same way as other sectors. 'Baumol's Cost Disease' was held to justify public subsidies, for the alternative would be for prices for performances to rise faster than inflation, depressing demand. Peacock showed Baumol implicitly assumed that the

<sup>16</sup> MS Acc.12820, National Library of Scotland.

<sup>17</sup> 'Very Early Days at the University of York', Alan Peacock papers, St Andrews University Archives ms38965.

state should maintain the existing supply of the arts, and took no account of people's preferences about how to consume them, for example by listening to recorded music or the radio. In so far as public finance was necessary for the survival of the arts, Peacock argued, vouchers that could be targeted at specific groups, for example schoolchildren, would be better than subsidised admission prices which in practice could only be afforded by better-off people.<sup>18</sup> Shortly afterwards he was appointed by the Arts Council of Great Britain to chair a National Enquiry into Orchestral Resources. As a music lover he felt a case could be made for public support for the formation of cultural taste. Instead of vouchers, the report recommended that a greater proportion of public funding should be channelled through awards made by regional arts associations to music societies, who could then engage orchestras and agree programmes with them. The recommendation that aroused most hostility, however, concerned the four orchestras based in London: only two of these, he thought, should receive direct subsidies; the others should be eligible for grants for performances and should be encouraged to travel in response to the funding available through music societies. The report in 1970 was in effect rejected by the Arts Council, whose chairman, Lord Goodman, inserted a preface disclaiming its recommendations.<sup>19</sup> Peacock's work on the Orchestral Resources Enquiry led to him being asked to act as a consultant for the Performing Rights Society in a dispute with the BBC. The historical survey and statistical analysis he and Ronald Weir did of composers' earnings formed the basis of a book, *The Composer in the Market Place*. Peacock was sympathetic to the problems composers faced in making a living, and recognised their need to take collective action through the Society in order to make their individual copyrights effective. The book was the first detailed discussion by British economists of the economics of copyright law.<sup>20</sup>

Peacock also entered contemporary debate in the 1970s on charging for entry to museums. He believed charges would enable consumers to influence museums' 'output' in the form of exhibitions, but that other museum services, such as restoration, cataloguing and research would have to be financed by the state according to expert advice. He was the first economist to point out that both artefacts in museums and the built

<sup>18</sup> A. Peacock, 'Welfare economics and public subsidies to the Arts', *Manchester School*, 4 (1969), 323–35.

<sup>19</sup> A. Peacock, *Paying the Piper: Culture, Music and Money* (Edinburgh, 1993), pp. 58–73.

<sup>20</sup> A. Peacock and R. Weir, *The Composer in the Market Place* (London, 1975).

heritage (from archaeological sites to modern buildings) offer particular challenges for economic analysis, in that they are not 'heritage supply' produced in response to demand, but items listed by experts as worthy of preservation. Moreover, while entry could be charged for stately homes and gardens, much of the built heritage in cities could be viewed free from the outside and thus had the character of a public good and required support from the state. Peacock made a major contribution to cultural economics over a period of forty years by applying his understanding of welfare economics, public finance and public choice theory, together with empirical evidence, to analyse the technical limits to markets as allocators of resources.<sup>21</sup>

By the 1970s Peacock was becoming a major public figure. He was a member of the Kilbrandon Royal Commission on the Constitution from 1970 to 1973, when, typically, his was a dissentient voice. He and Lord Crowther-Hunt anticipated what became known as the West Lothian question when they pointed out that the scheme of legislative devolution for Scotland and Wales recommended in the majority report would preclude Westminster MPs from legislating for these countries in a wide range of subjects, including health and education, while Scottish and Welsh MPs would share fully in legislating in these matters for England.<sup>22</sup> In 1973 Peacock began a three-year secondment to the Department of Trade and Industry (DTI) as Chief Economic Adviser. In February 1974 the incoming Labour government divided the DTI's functions between three new departments: the Department of Prices and Consumer Protection, the Department of Trade and the Department of Industry, with the last providing common services, including economic advice, to the other two. Tony Benn, the Secretary of State for Industry in 1974–5, recorded in his diary that Peacock was 'utterly wedded to laissez-faire', and that it was 'extremely difficult to operate with that sort of advice'. However, he allowed that Peacock was what Tony Crosland, the Labour intellectual, called a 'progressive right-winger'.<sup>23</sup> For his part, Peacock found it difficult to work with a minister who, in his view, adopted the principle that if the facts did not conform to his preferred diagnosis of the country's economic troubles, so much the worse for the facts. On one occasion Benn

<sup>21</sup> R. Towse, 'Alan Peacock and cultural economics', *Economic Journal*, 115 (2005), 262–76, and R. Towse, 'The dismal science of paying the piper', in Perman, *Alan Peacock Dissenting*, pp. 28–33. See also A. Peacock, 'A future for the past', Keynes Lecture, *Proceedings of the British Academy*, 87 (1994), pp. 198–226.

<sup>22</sup> *Royal Commission on the Constitution 1969–1973*, vol. II, October 1973 (Cmnd. 5460-I), p. viii.

<sup>23</sup> A. Benn, *Against the Tide: Diaries 1973–76* (London, 1989), pp. 152, 191.

asked for research to be done into investment by British manufacturers, in the expectation that private investment would be shown to be less stable than investment directly controlled by the government in nationalised industries, thereby justifying his policy of seeking planning agreements with major British companies. The research results presented by Peacock did not offer much support for the minister's supposition, and the meeting was abruptly halted.<sup>24</sup> Peacock's relations with Peter Shore, the Secretary of State for Trade in 1974–6, were better. The Labour MP Tam Dalyell recollected asking Shore: 'How are you getting on with Alan? He's a liberal and certainly no socialist.' Shore replied: 'He gives me often unpalatable advice which may be a healthy antidote to Nicky Kaldor's.'<sup>25</sup> (Kaldor, Professor of Economics at Cambridge, was the government's principal economic adviser.) Peacock was invited to stay on at the Department of Industry but preferred to return to York at the end of his secondment. His experience of Whitehall turned him into a complete sceptic as regards industrial policy for three reasons: first, consensus between management, unions and government was achieved at the expense of clarity of aims; second, there was no technical agreement on the effects of selective aid policies; and third, firms were diverted from the pursuit of profit to seeking subsidies. Experience as an economic adviser also led him to edit a collection of his essays, *The Economic Analysis of Government*,<sup>26</sup> which Keith Joseph, a Conservative politician who helped to form the free-market policies associated with Margaret Thatcher, told Dalyell was a work that had influenced him.

The 1970s saw the Keynesian consensus in the British economic establishment challenged by stagflation. Peacock was alert to changes in macroeconomics, as differences between the 1971 and 1976 editions of his textbook, *The Economic Theory of Fiscal Policy* (written with G. K. Shaw), show.<sup>27</sup> The first edition was conventionally Keynesian, attributing the destabilising effects of fiscal policy to lags in the effects of policy; the difficulty of achieving more than one policy objective (full employment, price stability, a fixed exchange rate and economic growth) with one policy instrument; and the impact of indirect taxation on real wages and therefore on the wage-price spiral. The second edition incorporated monetarist arguments and emphasised uncertainty as a factor limiting the effectiveness

<sup>24</sup> A. Peacock, 'The credibility of economic advice to government', *Economic Journal*, 102 (1992), 1213–22, at 1214.

<sup>25</sup> Unpublished obituary by Dalyell in possession of Helen Peacock.

<sup>26</sup> A. Peacock, *The Economic Analysis of Government and Related Themes* (Oxford, 1979).

<sup>27</sup> A. Peacock and G. K. Shaw, *The Economic Theory of Fiscal Policy* (London, 1971 and 1976).

of policy. However, Peacock's principal research interest in the 1970s was the coercive implications of Paretian welfare economics. In 1975 he published (with Charles K. Rowley) one of his most important books, *Welfare Economics: a Liberal Restatement* (London), which was at odds with the Paretianism of Buchanan and Tullock's *Calculus of Consent* (Ann Arbor, MI, 1962). Buchanan and Tullock argued that rational self-interest would lead individuals to agree on a political constitution, even although it could be predicted that its rules would sometimes result in redistribution of income that ran counter to individuals' self-interest, since loss of a veto on particular decisions would be an acceptable trade-off for general enforcement of contracts and provision of public goods. Following John Stuart Mill and Hayek, Peacock and Rowley believed that the essence of humanity lies in the individual's freedom of choice. Consequently, in a hierarchy of liberal freedoms, they placed the freedoms of markets, of competition and entry, and of freedom of choice in occupation, above the freedoms arising from a political constitution. Whereas Buchanan and Wagner assumed good sense and commitment to democracy on the part of individuals, Peacock and Rowley believed that envy and corruption were the norm. Consequently, in their view, the principle of equality before the law ranked above any other kind of equality. Like Mill and Hayek, they believed that individuals should be free to exercise originality and talents, although social inequality would result. For Peacock and Rowley, equality before the law implied restraint in progressive taxation as a means of redistribution. Income taxes should be proportionate, that is they should have a fixed marginal rate, although the average rate would increase the higher a person's income was above his tax-free personal allowance. Degradation arising from acute poverty should be tackled through a means-tested support programme, which would imply deviations from proportionate income taxes (to allow for negative rates), but otherwise there should be no coercive redistribution through taxation. On the other hand, Peacock and Rowley believed that inequality arising from inherited wealth should be tackled (again following Mill) by limiting the amounts that an individual could pass on to chosen inheritors, with any excess going to suitable charities (not the state).

In January 1978 Peacock moved from York to the independent University College at Buckingham, initially as Professor of Economics, but with a view to becoming Principal in the autumn of 1980. His status as a leading academic economist was confirmed in 1979 when he was elected a Fellow of the British Academy. However, it was as an administrator that he made his major contribution to Buckingham. He discovered

there was no effective system of budgeting and accounting in place, and that the college was on the brink of bankruptcy. The existing Principal, Max Beloff, the former Gladstone Professor of Government and Public Administration at All Souls College, lived in Oxford, and had delegated academic administration, including finance, to a Pro-Principal who had no knowledge of or interest in financial control, but who was not prepared to devolve it to the Bursar. Peacock believed that as Principal he should live in the college and be available for consultation and decision-making at all times, and decided he must take a key role in financial planning. In what he described as a ‘hostile takeover’, he made the necessary changes in financial administration a condition of becoming Principal in 1980.<sup>28</sup> Buckingham flourished under his leadership. He negotiated the royal charter which conferred full university status in 1983. He retired in 1984 and he and Margaret moved back to Edinburgh, where he was immediately made Research Professor of Public Finance at Heriot-Watt University.

### BBC financing, the David Hume Institute and an active old age

In 1985–6 Peacock chaired the Home Office Committee on Financing the BBC. In bringing public choice economics to bear on broadcasting he was influenced by the work of his former LSE colleague, Ronald Coase, author of *British Broadcasting: a Study in Monopoly* (London, 1950), and by his own experience in the field of cultural economics. He assumed the BBC pursued its own interests rather than those of viewers and listeners, and he sought to establish consumer sovereignty while retaining an element of public service broadcasting as a means of educating public taste. The Prime Minister, Margaret Thatcher, was believed to favour abolishing the licence fee and replacing it with advertising, but the Peacock Report pointed out that under an advertising-supported system people could express their preferences only by watching or not watching. Moreover, advertising on the BBC would divert revenues that might otherwise support new entrants to the broadcasting market. The report set a long-term goal of an indefinite number of cable and satellite channels to be paid for by pay-per-programme or pay-per-channel. It recognised that direct payment

<sup>28</sup>‘An Unofficial Account of My Becoming the Principal of Buckingham University College’, Alan Peacock papers, St Andrews University Archives ms38965.

for programmes was not yet technically feasible, and recommended retention of the licence fee in the short term to ensure an element of choice as between the public-service ethos of the BBC and the narrower range of programmes that advertisers were willing to support.<sup>29</sup> The Home Secretary, Douglas Hurd, wrote to the Prime Minister observing that the concept that the consumer should select and pay for his own viewing fitted Conservative philosophy well. Hurd noted the conclusion on advertising would disappoint some of the government's supporters, but advised that, in view of the weight of evidence on which the committee based its conclusions, it would be difficult to impose advertising on the BBC.<sup>30</sup> Since the report's long-term vision did not require immediate legislation, ministers decided not to foreclose options but to invite comment. Subsequently the Prime Minister held a seminar at Downing Street with Peacock and representatives of the BBC and the independent television companies. Peacock remarked that the reactions of these producers' interests were what one might expect from people worried about being subjected to the bracing air of competition. Such people always claimed to act in the public interest and to oppose freedom of entry on the grounds that interlopers would not observe the standards set by existing producers.<sup>31</sup> The Prime Minister was evidently not wholly dissatisfied with the report as Peacock was knighted for public services in 1987. The BBC for its part responded to the report by making changes to justify the licence fee, reducing costs by a more efficient allocation of resources through a quasi-market in which producers could maximise their budgets by contracting with outside providers rather than using in-house film crews, sets and other services. More broadly the Peacock report pointed broadcasting policy in the direction of a diverse market based on new technologies, new entrants and, above all, consumer demand.<sup>32</sup>

From 1985 to 1990 Peacock was founding director of The David Hume Institute (DHI) in Edinburgh. In a paper in December 1983 he had criticised existing think tanks on three grounds: they were too dependent on government funding, with the result that their activities concentrated on the immediate concerns of Whitehall departments; they were too con-

<sup>29</sup> *Report of the Committee on Financing the BBC*, July 1986 (Cmnd. 9824).

<sup>30</sup> Douglas Hurd to Prime Minister, 11 June 1986, Prime Minister's Office papers, series 19, file 1677 (PREM 19/1677), The National Archives of the United Kingdom, Kew.

<sup>31</sup> Prime Minister meeting, 21 September 1987, Alan Peacock papers, St Andrews University Archives ms39865.

<sup>32</sup> C. Carter and A. McKinlay, 'Cultures of strategy: remaking the BBC, 1968–2003', *Business History*, 55 (2013), 1228–46.

centrated in London, and tended to develop a metropolitan perspective; and the balance of macroeconomic to microeconomic research was lopsided in favour of the former. His proposal for what became the DHI was designed to fill a gap in the market for policy research by creating something akin to the IEA which would have a firm intellectual foundation in the links between economics and law. He believed economists and lawyers faced a challenge from conventional wisdom which sought solutions to 'market failure' in the extension of government intervention rather than by looking for policy measures that minimised the need for complicated legislation and growth of bureaucracy. He drew attention to German and American examples of economists and lawyers collaborating to devise ways in which state intervention worked through and not against market forces. He invoked the name of David Hume as someone whose essays on political economy and jurisprudence were a point of departure for much of contemporary discussion of public choice economics.<sup>33</sup> With Sir Gerald Elliot, the chairman of Christian Salvesen, Peacock did much of the initial fund-raising by knocking on doors up and down Edinburgh's George Street. He began the series of Hume Occasional Papers, contributing to the second, *The Political Economy of Pension Provision* (1986), a subject which he had studied in 1983–4 as a member of the Fowler Committee of Inquiry on Retirement Provision. He argued that the state should do less for people who could help themselves, but raise the basic old-age pension. He co-wrote two Hume books with Graham Bannock: *Governments and Small Business* (London, 1989) made the case for reducing the burden of regulation and tax collection on small firms, and *Corporate Takeovers* (Aberdeen, 1991) argued that takeovers were more a symptom of defects in the market than a means of increasing efficiency, and recommended changes in taxation and regulation to remove biases in favour of takeovers. After stepping down as director Peacock continued to be associated with the DHI, as economic consultant from 1992 and as honorary president in 2003–5. He continued to be associated with the IEA as a managing trustee from 1987 to 1993 and as an honorary fellow from 1994.

Peacock's services were much in demand. He was chairman of the Scottish Arts Council, and a member of Arts Council of Great Britain, from 1986 to 1992, and did not shrink from controversy when he encountered special pleading by members of the cultural establishment. He was

<sup>33</sup> N. Kuenssberg and G. Lomas (eds.), *The David Hume Institute: the First Decade* (Edinburgh, 1996), pp. 2–7: available from <http://www.davidhumeinstitute.com/about-us/history/>, accessed 14 April 2015.

a member of the Secretary of State for Scotland's Panel of Economic Advisers from 1987 to 1991, and a non-executive director of the Caledonian Bank from 1990 to 1996. In 1992 he went to Moscow as chairman of a mission organised by the United Nations to advise on social protection in the transition to a market economy. His report (written with Michael Hay) showed he was no gung-ho neo-liberal: he urged caution in the pace of privatisation, which he anticipated would raise unemployment in the short term, and made clear that a successful market economy would depend on the creation of a stable and predictable legal and tax regime.<sup>34</sup>

In 1989 Peacock gave the Raffaele Mattioli lectures at Bocconi University, Milan, subsequently published as *Public Choice Analysis in Historical Perspective*.<sup>35</sup> He recognised that public choice analysis originating in the United States had transformed the study of public finance, reinterpreting bureaucrats as utility-maximising rent seekers rather than impartial guardians of public welfare. However, he drew attention to the influence of the Italian tradition of public finance, which Buchanan had acknowledged at an early stage in the development of his ideas. Peacock defended the value of the history of economic thought and drew on the insights of Hume and Smith on human nature to deepen understanding of bureaucracy. Peacock's own contribution to economics received further recognition when he was elected a Fellow of the Royal Society of Edinburgh in 1989 and a Corresponding Fellow of the Italian national academy of arts and sciences in 1996. The range of his interests is reflected in his later publications. In 1997 he brought out a collection of papers on the theme of economic liberalism and freedom.<sup>36</sup> In 2000 an IEA paper (co-authored with Brian Main) explored how competition and responsiveness to market signals could improve the efficiency of the civil justice system.<sup>37</sup> By 2005 the technology for subscription to television channels that he had anticipated in his report on BBC financing was available and in another IEA paper Peacock proposed that the BBC's monopoly of public service broadcasting should end; instead of a licence fee there should be a fund to which any provider of public service programmes could apply on a competitive basis, and subscription to the BBC would be

<sup>34</sup> M. Hay and A. Peacock, *Social Policies in the Transition to a Market Economy: Report of a Mission to the Russian Federation Organized by the United Nations* (Edinburgh, 1992).

<sup>35</sup> A. Peacock, *Public Choice Analysis in Historical Perspective* (Cambridge, 1992).

<sup>36</sup> A. Peacock, *The Political Economy of Economic Freedom* (Cheltenham, 1997).

<sup>37</sup> B. Main and A. Peacock, *What Price Civil Justice?* Hobart paper 139 (London, 2000).

voluntary.<sup>38</sup> In 2008 he returned to cultural economics with a book (co-authored with Ilde Rizzo) outlining the contribution economics could make to policy regarding the conservation of historic buildings and artefacts.<sup>39</sup>

Peacock latterly also wrote autobiographical books which were marked by humour and understanding of the human condition. *Paying the Piper: Culture, Music and Money* (Edinburgh, 1993) drew on his experience of public policies towards the arts; *The Enigmatic Sailor: Memoirs of a Seagoing Intelligence Officer* (Latheronwheel, Caithness, 2003) was a rare and lively account of how the navy made use of Bletchley Park's code breaking; *Anxious to Do Good: Learning How to be an Economist the Hard Way* (Exeter, 2010) covered his career until his breach with the Liberal party; and *Defying Decrepitude: a Personal Memoir* (Didcot, 2013) was a light-hearted memoir of old age with analysis of the costs and benefits to the patient of NHS care. He began his last academic project in 2011, at the age of eighty-nine, returning to the question of whether National Insurance contributions should be merged with income tax, a study which involved him travelling to London to discuss issues with Treasury and Inland Revenue officials. The outcome was an article in *Economic Affairs* in February 2014.<sup>40</sup> He was pleased when the Permanent Secretary of the Treasury, Sir Nicholas Macpherson, sent him a handwritten letter saying he had much enjoyed the article, and had also recently read his 1961 book on the growth of public expenditure.<sup>41</sup>

### Appreciation of the man

Hector MacQueen, Peacock's successor as director of the DHI, recalls how Peacock relished controversy, the sense of combat in meetings or open-floor debates being possibly heightened by his inability to make out precisely what his opponents were saying on account of deafness resulting from an eardrum perforated at birth. The walking stick on which latterly

<sup>38</sup> A. Peacock (ed.), *Public Service Broadcasting without the BBC*, IEA Occasional Paper 133 (London, 2005), pp. 33–53, <http://www.iea.org.uk/publications/research/public-service-broadcasting-without-the-bbc>, accessed 14 April 2015.

<sup>39</sup> A. Peacock and I. Rizzo, *The Heritage Game: Economics, Policy, and Practice* (Oxford, 2008).

<sup>40</sup> A. Peacock and G. Peden, 'Merging National Insurance contributions and Income Tax: lessons of history', *Economic Affairs*, 34 (2014), 2–13.

<sup>41</sup> Letter dated 9 July 2014, Alan Peacock papers, St Andrews University Archives ms38965.

he leaned and occasionally flourished also gave him a somewhat belligerent air on these occasions.<sup>42</sup> Peacock was ever the contrarian. For example, as a member of the Academic Advisory Council of the Global Policy Foundation from 2009, he denounced climatologists' claim that 'the science is settled' since he believed they aimed to close down debate on global warming when scepticism was warranted.<sup>43</sup> He had a strong egalitarian streak and treated everyone on their merits. He would state his case frankly; yet he was also one of the kindest and most generous of men. A high proportion of his publications were co-authored, sometimes with an established scholar such as Jack Wiseman, but more often with a younger colleague whom he wished to encourage. Wiseman remarked that collaboration with Peacock was a process of conflict resolution, but paid tribute to his qualities of intellectual integrity, stimulation and personal loyalty untouched by intellectual differences.<sup>44</sup> Peacock's career suggests he placed no great weight on venerable tradition: he moved from St Andrews to LSE, from Edinburgh to the new university of York, and from York to Buckingham, which was not even part of the British university system.

Peacock was much more than an economist. Music played an important part in his life. He would overcome stress by improvising on the piano. Indeed, he would have liked to have been a professional musician and a composer. He could play several instruments, including the viola and clarinet. As a professor at Edinburgh he took lessons in composition from Hans Gál, the Austrian composer, who taught at the university, and in 1988 Peacock published a set of waltz contrasts for piano solo.<sup>45</sup> His musical side could be exuberant; one of his colleagues from Edinburgh recalls that he had various party tricks, including playing a violin while standing on his head. Peacock enjoyed the theatre and until shortly before his death he was regularly driven the 70 miles from Edinburgh to Pitlochry to see plays there. He was fluent in Italian as well as German, and developed a great affection for Italy, especially Sicily. He enjoyed wine and included wine spotting among his recreations. He was a witty and generous host, and a great raconteur about the people he had met and worked with,

<sup>42</sup>[http://www.royalsoced.org.uk/cms/files/fellows/obits alpha/peacock A appreciation.pdf](http://www.royalsoced.org.uk/cms/files/fellows/obits%20alpha/peacock%20A%20appreciation.pdf), accessed 14 April 2015.

<sup>43</sup>[www.thegwgf.com/sir-alan-peacock-the-royal-society-of-edinburgh-and-climate-change](http://www.thegwgf.com/sir-alan-peacock-the-royal-society-of-edinburgh-and-climate-change) (*Scotsman*, 28 June 2010), accessed 14 April 2015.

<sup>44</sup>Preface to D. Greenaway and G. K. Shaw (eds.), *Public Choice, Public Finance and Public Policy* (Oxford, 1985), p. x.

<sup>45</sup>Peacock wrote appreciatively of the experience of being taught by Gál in a preface to the latter's book, *Music Behind Barbed Wire: a Diary of Summer 1940* (London, 2014).

often imitating individuals in credible American, German or Italian accents. He also enjoyed the outdoors: he and Margaret had a timeshare at Rannoch for over thirty years and did a lot of hillwalking with close friends.

His marriage to Margaret was central to his life. She was a candid friend whose wisdom he respected. They faced joy and heartbreak together. In 1950, shortly before their daughter Helen was born, their first son David, aged five, was diagnosed as an 'imbecile' at the Maudsley Hospital. They took the painful decision, on strong psychiatric advice, to have him admitted to a mental hospital in North London. Later, when psychiatry had advanced, David was diagnosed as being severely autistic. At an art therapy unit in Gogarburn Hospital, Edinburgh, he developed a talent for abstract painting. After years of worry about his care his parents were relieved when he settled happily in L'Arche Community in Edinburgh in 2009. Richard studied chemistry at Aston University, Birmingham, and became a secondary school teacher as well as an itinerant preacher. Helen studied architecture at Edinburgh University and worked in housing and urban regeneration in South America and in London. In 1992, to their great delight, the Peacocks became grandparents. Margaret, who had a breathing condition that went back to having had tuberculosis as a child, developed severe emphysema in old age. Her death in November 2011, three months short of their sixty-eighth wedding anniversary, was a severe blow.

Peacock continued to live in their sheltered flat in Edinburgh and only moved into a care home when the end was near. He received a stream of friends who came to enjoy his conversation. He described himself as a lapsed member of the Church of Scotland (his link with the Kirk had been broken when he moved from St Andrews to London in 1948) and said he did not believe in life after death. However, he added, if there were, he 'would have some questions to ask'. That seems an appropriate epitaph. He died on 2 August 2014.

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*Note.* Peacock's papers have been deposited in St Andrews University's Archives (collection number ms38965) but are not yet catalogued. There are also family papers in the possession of his daughter, Helen Peacock. There is an interview with him in K. Tribe (ed.), *Economic Careers: Economics and Economists in Britain 1930–1970*

(London, 1997), pp. 192–205. The main source for the evolution of Peacock's thought remains his publications. A bibliography prepared for a Festschrift in his honour at the time of his retirement—D. Greenaway and G. K. Shaw (eds.), *Public Choice, Public Finance and Public Policy* (Oxford, 1985)—contains twenty books and pamphlets; ten edited works and translations from German; twelve contributions to official reports; and 139 articles, many in German, Italian and French, in journals and book collections. A select bibliography in a memorial volume—R. Perman (ed.), *Alan Peacock Dissenting* (Edinburgh, 2015)—lists a further fifteen books and pamphlets, and thirty-four articles published after his retirement.

I am grateful to Hector MacQueen and Donald Winch for comments on earlier versions of the text.

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