

CHAPTER 12

HAROLD WILSON

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Harold Wilson first entered Parliament in 1945 as the MP for Ormskirk, aged twenty-nine. He was promoted to the Cabinet in just over two years, holding the position of president of the board of trade. Wilson fought Hugh Gaitskell to be leader in 1960, but lost. He became leader of the Labour Party in 1963, however, after Gaitskell's sudden death, beating George Brown and James Callaghan in the leadership contests. Wilson went on to win more general election victories than any other Labour leader, winning office four times (1964, 1966 and twice in 1974) and losing only once (in 1970), before announcing his shock resignation while still in office, in March 1976. This record, Thomas Hennessey argues, sets Wilson apart as Labour's most successful leader in terms of the primary function required of a major party leader – winning power. His premierships can be criticised for being besieged by economic crises (and Wilson's policy errors exacerbated these), however, Wilson inherited challenging conditions at the start of his two terms in office, and eventually made significant contributions towards putting Britain on the path to economic recovery, as well as holding the party together during the EEC membership referendum.

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Assessing Harold Wilson, and his reputation as Labour leader, is as thorny an issue as the man himself. Bernard Donoughue, Wilson's special advisor 1974–76, recalled that Wilson always operated on several different levels concurrently: 'He was perhaps the most complex

character I have met in my life.’³⁵⁴ Donoghue was an eyewitness to the stresses his Prime Minister faced in trying to govern a party that seemed itching to tear itself apart, and he admired the skills Wilson employed to preserve the uneasy truce between right and left in Cabinet – which was also complicated by the tremendous egos therein. Wilson exhibited ‘consummate skills in holding together a fissiparous party, which was increasingly just a loose coalition of different and often conflicting interests and beliefs’. He was similarly impressive as chairman of the Cabinet, giving every opportunity to voice a view, always ‘seeking consensus, maintaining unity’. Added to this were Wilson’s personal qualities – of great relevance to his success as party leader. He was ‘accessible, warm, kind and humorous, which drew the affection and loyalty of those who worked for him’. He had none of the pretensions or assumptions of grandeur that sometimes accompanied high office. Indeed, at the end: ‘He remained middle class, middlebrow, provincial in the best sense of the word, and a Non-conformist, grammar school, “Little Englander”.’³⁵⁵

THE ROAD TO LEADERSHIP

A proud Yorkshireman, and devotee of Huddersfield Town Football Club, Wilson was born on 11 March 1916, into a lower-middle-class family: his father was a works chemist, and his mother a schoolteacher before marriage. Famously, aged eight, he had his picture taken by his father outside No. 10, and, at twelve, he wrote an essay in which he saw himself as Chancellor of the Exchequer, about to levy a tax on gramophones and records.³⁵⁶ A bright, hard-working undergraduate at Oxford, he became a don at twenty-one and a high-flying civil servant during the war. In 1945, he was, aged twenty-nine,

354 Bernard Donoghue, *Downing Street Diary. With Harold Wilson in No.10*, London, Jonathan Cape, 2005, p. x.

355 *Ibid.*, p. 11.

356 D.J. Heasman, ‘The Life and Times of Harold Wilson’, *International Journal*, 20(1), winter 1964/65, pp. 104.

elected a Labour MP, and, as a result of his administrative reputation, went straight to the government front bench as parliamentary secretary to the Ministry of Works. After a stint as secretary for overseas trade, he became, at thirty-one, president of the board of trade – the youngest Cabinet minister of the century.

Within the Labour Party, Wilson made his name as a man of the left when he resigned, with Aneurin Bevan, from the Cabinet in 1951 in protest to Chancellor Hugh Gaitskell's decision to introduce prescription charges. After Bevan's death, feeling that he was the only left-wing challenger, Wilson ran against Gaitskell for the party leadership in 1960. He lost. (And he lost again when he challenged George Brown for the deputy leadership in November 1962.) Gaitskell, nevertheless, kept Wilson within his shadow Cabinet, appointing him to the key position of shadow Chancellor.³⁵⁷

Gaitskell's untimely death in 1963 provided Wilson with another shot at the leadership. His primary opponent was George Brown, from the right of the party, but there were reservations and concerns about Brown: his electoral appeal both in the party and nationally; his capacity to unify the party given his right-wing convictions; and his temperament, particularly his reputation for drinking.³⁵⁸ Crucially, the entrance of James Callaghan into the fray – as a potential compromise candidate – drew support from Brown. After Callaghan was eliminated, Wilson required a mere eight votes from the Callaghan first-ballot supporters, while Brown needed thirty-four, and when Callaghan endorsed Wilson, the latter was crowned leader.³⁵⁹ Thereafter he dominated the intellectual confrontation with the Conservatives, attacking the 'stop-go' affliction of the British economy and offering as an alternative a 'science plan', based on the 'white heat' of 'scientific management' and a planned economy.³⁶⁰

357 Ibid., pp. 106–9.

358 Timothy Heppell, 'The Labour Party Leadership Election of 1963: Explaining the Unexpected Election of Harold Wilson', *Contemporary British History*, 24(2), 2010, p. 159.

359 Ibid., pp. 161–2.

360 Glen O'Hara, 'Dynamic, Exciting, Thrilling Change': the Wilson Government's Economic Policies, 1964–70, *Contemporary British History*, 20(3), 2006, pp. 384–5.

PRIME MINISTER 1964–70

Labour started the 1964 general election campaign as firm favourites, but the result was a close-run affair. The increase in the Labour vote was no more than 0.3 per cent, from 43.8 to 44.1. However, as the Conservative vote was down from 49.4 to 43.4, there was a net swing from the Tories to Labour of 3.15 per cent. Labour emerged with 317 seats, the Conservatives with 304, and the Liberals with nine.³⁶¹ So, on 16 October 1964, Wilson staggered over the line with a majority of four in the House of Commons – Labour was in power after thirteen years in the wilderness. Now, constructing his Cabinet, the key appointments were heavyweights – and former rivals – James Callaghan, as Chancellor of the Exchequer, and George Brown, as Secretary of State for the new Department of Economic Affairs (DEA). The economic legacy was alarming, with Wilson inheriting a balance-of-payments deficit and huge pressure on sterling: this was a period of fixed exchange rates, established by the Bretton Woods Agreement, in which governments intervened in the market to prop up their currencies at a fixed value.

When Wilson, Callaghan and Brown held the first of many meetings in the Cabinet Room on 17 October the first item on their informal agenda did not take long to dispose of. It was to decide formally whether or not to devalue the pound: ‘We did not need to call in the officials, for each of us knew before the Prime Minister began what our answer would be,’ remembered Callaghan, ‘and we quickly reached a unanimous conclusion to maintain sterling’s exchange rate.’³⁶² This was the key economic decision taken by the new government – to keep sterling pegged at US\$2.80. The consequences were profound.³⁶³ Why did Wilson and his colleagues not devalue? As the Treasury put it: devaluation was ‘a major act of state that can only be taken when the alternatives have clearly and demonstrably failed, or are equally clearly and demonstrably

³⁶¹ Heasman, *op. cit.*, p. 112.

³⁶² James Callaghan, *Time & Chance*, London, William Collins, 1987, pp. 161–3.

³⁶³ O’Hara, *op. cit.*, p. 386.

intolerable'.³⁶⁴ So, to avoid devaluation being forced upon them, Wilson's government would, if necessary, have to commit vast sums of money to maintain the value of the pound at US\$2.80. And the only way this could be done was using the Bank of England's reserves or borrowing vast sums from the International Monetary Fund (IMF) and the world's central banks.

Labour had been elected on a programme of raising social benefits – such as higher pensions and the abolition of prescription charges – and these were introduced in the first Budget. While more than balanced out by higher taxes and insurance contributions, these measures 'caused irritation abroad', and the announcement of a proposed corporation tax and capital gains tax caused confusion in the City.³⁶⁵ The result was increased pressure on the pound, and the first sterling crisis (November 1964) set a pattern for Wilson, until devaluation was forced upon him in a humiliating fashion in 1967.³⁶⁶ In November 1964, the bank rate was raised to an unprecedented post-war level,³⁶⁷ and Wilson appealed personally to President Lyndon Johnson for financial support – the Federal Reserve was prepared to support sterling up to a maximum of \$250 million, with a further \$250 million from the US government, and \$100 million from the Canadian government. The Governor of the Bank of England was also tasked with securing further massive support from the European central banks.³⁶⁸ This credit was drawn upon periodically over the following three years to defend the sterling rate – which in turn blunted the government's domestic policy, as Wilson attempted to appease the 'Gnomes of Zurich' (as he referred to the international bankers and speculators).

In the meantime, the big economic idea of the incoming Labour government was the role of planning in the form of the DEA, with Brown at its helm.

364 National Archives, T 312/1485, 'Devaluation', 23 April 1964.

365 National Archives, PREM 13/866, Lord Kahn committee report of the enquiry into the position of sterling, 1964–5.

366 National Archives, PREM 13/261, conclusions of a meeting at Chequers, 21 November 1964.

367 National Archives, PREM 13/866, Lord Kahn committee report.

368 National Archives, PREM 13/261, note of a meeting held at 10 Downing Street on 24 November 1964.

Wilson, Callaghan and Brown agreed that it should be assumed for industrial planning and public presentation that gross domestic product (GDP) would increase by 25 per cent between 1964 and 1970. The growth in public expenditure would be fixed at 4 per cent a year.³⁶⁹ The main source of savings would be the containment of the defence budget within the figure of £2,000 million at 1964 prices for the entire Parliament – effectively a cut.³⁷⁰ However, under pressure to reassure the markets about increasing productivity and to address the problems of the British economy, Wilson introduced a prices and incomes policy. The onus for this largely fell on Brown, who reached an agreement with representatives on both sides of industry on a joint statement of intent on productivity, prices and incomes.³⁷¹ The incomes policy, however, increasingly took up much of Brown's time, to the detriment of the National Plan, which Wilson ultimately abandoned in all but name.

In fact, the decline in economic fortunes was rapid: on 15 July 1965, Callaghan presented plans to the Cabinet for projected additional expenditure of £240 million in 1969–70.³⁷² But, within days, another sterling crisis produced a *volte face*, as Wilson, together with Callaghan, drew up a plan for public expenditure cuts of £45 million in a full year.³⁷³ The only possible alternative to cuts was devaluation – also referred to in Treasury circles as the 'unmentionable', because of Wilson's opposition to it: for example, when, in March 1966, a group of the government's economic special advisors all put their names to a paper recommending devaluation (by up to 15 per cent), Wilson's response was hostile.³⁷⁴

Wilson had gone to the polls in 1966, with Labour winning a 96-seat majority. The breathing space generated by that result was short-lived. Once

369 National Archives, CAB 128/39, Cabinet conclusions, 28 January 1965.

370 Ibid.

371 National Archives, CAB 128/39, Cabinet conclusions, 15 December 1964.

372 National Archives, CAB 128/39, Cabinet conclusions, 15 July 1965.

373 National Archives, CAB 128/39, Cabinet conclusions, 27 July 1965.

374 National Archives, PREM 13/852, Mitchell to Prime Minister, 29 March 1966.

again, under pressure from the markets to address the balance-of-payments deficit, in mid-1966, Wilson persuaded the Cabinet to approve a series of measures amounting to a £500 million reduction in demand – cuts and tax increases – in the private and public sectors. The demand for imports was curtailed and capacity for production for exports was released by the measures, which were unprecedented by the standards of the time.³⁷⁵ But this too failed to convince the markets, and Operation Patriarch was the codename for the devaluation of sterling on 18 November to a new fixed parity of \$2.40 to the pound.³⁷⁶ It was a humiliation for Wilson: the political damage to his reputation was compounded by his ill-judged television broadcast, in which he claimed the ‘pound in your pocket’ did not represent a loss of purchasing power for consumers.

Following devaluation, Callaghan resigned as Chancellor, moving to the Home Office, while Roy Jenkins moved in the opposite direction to No. 11, producing a scheme of major expenditure cuts for the financial year 1968–69, which bore sharply on both overseas defence spending and on civil programmes at home. As Jenkins informed the Cabinet, ‘We faced a difficult situation as regards confidence abroad.’ He warned that only:

A massive switch of resources would enable us to earn a substantial balance-of-payments surplus in 1969 and 1970. It was then that we should be feeling the full benefits of devaluation and it was essential that we should secure surpluses in those years sufficient to enable us to meet our obligations for repayment of debt and to build up our reserves and strengthen our borrowing rights so as to deal with any balance-of-payments difficulties that might recur in later years.³⁷⁷

There began a marathon series of Cabinet meetings on the cuts, ‘which was Wilson’s chosen tactic’. Between 4 and 15 January 1968, there were eight

375 National Archives, CAB 128/44, Cabinet conclusions, 20 July 1966.

376 National Archives, CAB 128/42, Cabinet conclusions, 16 November 1967.

377 National Archives, CAB 128/43, Cabinet conclusions, 20 December 1967.

separate meetings lasting a total of thirty-two hours.³⁷⁸ Cuts were forced through – including the reintroduction of prescription charges – and certain taxes were raised to redirect consumer demand away from imported goods. The major policy decision was the withdrawal of British military forces from ‘East of Suez’, effectively ending the UK’s world role: Wilson was informed by Foreign Secretary George Brown that the latter’s US counterpart, Dean Rusk, begged for the decision to be reversed with the words: ‘For God’s sake, be Britain.’³⁷⁹ Even after devaluation, throughout the rest of the year, an international gold crisis threatened a catastrophic flight from sterling, and Wilson had to approve a doomsday plan (Operation Brutus) that proposed the imposition of draconian exchange controls, though it would have effectively ended Britain’s status as a trading nation and introduced a siege economy.³⁸⁰

Wilson also found himself confronting a number of other issues that became prominent on his watch – and they were to remain pronounced throughout the 1970s and ’80s. In 1966, a national docks strike convinced him that trade union militancy was becoming an issue he had to address. Britain seemed to lead the industrial nations in terms of ‘wildcat’ unofficial strikes. Wilson tasked his Employment Secretary Barbara Castle with remedying the situation: the result was ‘In Place of Strife’ – a White Paper advocating the balloting of union members before strike action, with legal penalties in reserve. An infamous meeting with union barons, resistant to the proposals, at Chequers in June 1969 led, at one stage, to threats of mass strike action from Hugh Scanlon, who also suggested the Prime Minister might be seeking ‘another 1931’. Wilson reminded him sharply: ‘I was not a Ramsay MacDonald, but in the context of his previous comment I wasn’t a Dubcek either.’³⁸¹ He was defeated in his efforts by a combination of the unions and, in Cabinet, James Callaghan.

378 Roy Jenkins, *A Life at the Centre*, London, Macmillan, 1991, p. 226.

379 National Archives, PREM 13/2454, telegram from Foreign Secretary, 11 January 1968.

380 National Archives, CAB 130/497, Brutus.

381 National Archives, PREM 13/2726, note of a discussion at dinner, Chequers, 1 June 1969.

That same year, Wilson had to take the far-reaching decision to commit British troops to the streets of Northern Ireland as 'The Troubles' erupted. With the rise of Scottish and Welsh nationalism, his period of office signalled the beginning of a slow electoral realisation that the UK was not an extension of 'Greater England'. Coupled with the ongoing economic crisis, it was easy to forget that Wilson's premiership signalled a dramatic reform of social legislation, with the passing of the Race Relations Act, the reform of homosexuality and divorce laws, the legalisation of abortion, and the abolition of the death penalty. Wilson's support for these reforms is, perhaps, the greatest legacy of his 1964–70 governments.

Wilson's decision to end Britain's world role was ironic to say the least, especially as, from 1964 to 1968, he strove to assert the UK's position on the international stage. When he led a delegation to meet President Johnson in December 1964, the Americans were told that, of the 'three main roles we undertook – our nuclear deterrent, our presence on the continent of Europe in support of NATO, and our worldwide deployment outside the NATO area ... the general view of the Cabinet had been that we should give the highest priority to the third of these'. With the American military commitment to south-east Asia about to escalate dramatically, Wilson opposed the idea that a few soldiers in British uniforms in South Vietnam, for example, would have great psychological and political significance – as Johnson had hinted in none too subtle a manner.³⁸² At this stage, the fact that Wilson had inherited a 'secret war' from the previous Conservative government – the 'Confrontation' with Indonesian aggression to dismantle the Malaysian Federation – was his trump card in Washington: there were 8,000 British troops in Borneo and a total of 20,000 in Malaysia. The British commitment was comparable to that of the United States in Vietnam.³⁸³ When the Confrontation ended in 1966, Wilson continued to resist a British commitment to Vietnam.

382 National Archives, PREM 13/104, Record of a meeting at British embassy, Washington, and later at the White House, 7 December 1964.

383 National Archives, PREM 13/104, Record of a meeting at the White House, 8 December 1964.

Wilson's strategy was to support the US's activity in South Vietnam and, while working to call an international conference to settle the conflict, take no action to call such a conference until the United States indicated that they were ready for it.³⁸⁴ The pressure Wilson experienced was as much domestic as from Washington: Vietnam was *the* foreign policy issue that galvanised opinion on the left throughout the 1960s. As the Prime Minister explained, his government could live with the posture of the United States, which was 'namely that of a stick in one hand and an olive branch in the other. We could probably live with any degree of toughening up of United States responses, provided there was also a public recognition of a readiness to negotiate in parallel.'

But, as Wilson once warned the US ambassador, events in Vietnam 'could well lead to the biggest difficulty between Britain and the United States for many years, possibly since Suez'.³⁸⁵ And it almost did, when Wilson publicly dissociated the British government from Washington's Vietnam policy – much to the anger of Johnson – following US bombing action. This reflected the internal Labour Party pressure the Prime Minister was under, but it was also something he could use to his advantage, as, during a visit to Washington in 1965, Wilson showed Johnson a letter he had had from sixty-eight Labour MPs, protesting over US policy in Vietnam. While Johnson disagreed with some of the diagnosis in the letter, he was very understanding about his guest's internal political problems.³⁸⁶

But Wilson was also keen to demonstrate the asset he, and Britain, could be: thus, in June 1965, he proposed the idea of a three-man Commonwealth peace mission on Vietnam.³⁸⁷ As he argued, it was 'bound to be a winner', whether or not the mission succeeded, in terms of the propaganda value to

384 National Archives, PREM 13/692, meeting between the Prime Minister and Dean Rusk, 29 January 1965.

385 National Archives, PREM 13/693, record of a conversation between the Prime Minister and David Bruce, 12 March 1965.

386 National Archives, PREM 13/686, record of a conversation at lunch at the White House on Friday, 17 December 1965 (note by the Prime Minister).

387 National Archives, PREM 13/690, Commonwealth peace mission diary.

London and Washington.³⁸⁸ In 1967, during Soviet Premier Kosygin's visit to London, Wilson once again tried to help Johnson by attempting to use his long-term relations with Moscow to broker a breakthrough on Vietnam.³⁸⁹ Wilson's efforts on Vietnam came to nought, and seemed to illustrate Britain's declining influence on the world stage – a view reinforced when his support for British membership of the EEC (to which he committed himself and the government in 1966/67) were dealt a death blow by General de Gaulle's rejection of UK membership a mere week after the humiliation of devaluation.³⁹⁰

1970 – 76

By the time of the 1970 general election, it appeared that the Labour government's tough measures following devaluation had worked, delivering a consistent balance-of-payments surplus. The defeat to Edward Heath was, therefore, all the more surprising to Wilson. In the interregnum of 1970–74, dissatisfaction with the record of the Labour governments in the previous decade, coupled with Wilson's disengagement from internal policy processes, witnessed the strengthening of the left's hold on alternative economic strategies. The fact that, after Labour scraped home as a minority government in the February 1974 general election, Wilson just ignored party policy aggravated his critics on the left even more, fuelling their demands for more nationalisation and control of the economy.³⁹¹

But upon returning to office, Wilson found the country confronting an economic situation that 'might well be the worst ever faced in peacetime' – and it was deteriorating. Inflation was running at over 10 per cent; the

388 National Archives, PREM 13/690, note for the record Commonwealth mission on Vietnam, 15 June 1965.

389 National Archives, PREM 13/1918, Prime Minister's personal telegram, serial no. T24/67, 11 p.m., 6 February 1967; PREM 13/1918, Prime Minister's personal telegram: serial no. T26/67, 11 p.m., 10 February 1967.

390 National Archives, PREM 13/2646, Paris to Foreign Office telegram, no. 1192, 27 November 1967.

391 Mark Wickham-Jones, 'The challenge of Stuart Holland: the Labour Party's economic strategy during the 1970s' in Lawrence Black, Hugh Pemberton and Pat Thane eds, *Reassessing 1970s Britain*, Manchester, Manchester University Press, 2013, pp. 125–42.

balance-of-payments deficit was at around £1,500 million; the borrowing requirement was £4,000 million; and growth virtually came to a halt by the end of that year. The three-day week had multiplied the problems, reducing GDP by 10 per cent during the first two months of the year, and resulting in a cut in industrial output of 20–30 per cent. As in 1968, it was necessary to shift resources from private consumption to the balance of payments and investment – but not so rapidly as to dislocate the economy or lead to large increases in unemployment.³⁹²

But this was a different Harold Wilson to the one who had been Prime Minister previously. Bernard Donoughue noted how, by 1974, Wilson – old for his fifty-eight years, tired and often unwell – saw nothing left to prove as a politician, other than to achieve certain records of time in office.³⁹³ He recorded Wilson's lament: 'I am so exhausted.' The Prime Minister began to talk about how, in 1964–70, he used to take his dog for a walk to the pub, but no longer managed that. He also used to play a lot of golf, but didn't any more: 'I don't get any relaxation ... I'm so tired.' And he saw no way out of the problems facing the UK, noting how the West German Chancellor Helmut Schmidt had described Britain to him as 'useless and ungovernable'.³⁹⁴

But despite this dire economic situation, Wilson was forced to point out that all policy proposals, including proposals for legislation, had to be considered against the background of 'this was not a government that had a firm parliamentary majority and could look forward to a long tenure of office', so a relatively early general election was regarded as likely – although, if possible, at a time of the government's own choosing.³⁹⁵ Wilson announced the new government was to move smoothly from the previous administration's statutory pay controls to voluntary methods.³⁹⁶ Partly as a result, the annual rate of wage increase, which had been 13.5 per cent in the first

392 National Archives, CAB 128/54, Cabinet conclusions, 14 March 1974.

393 Donoughue, *op. cit.* p. 11.

394 *Ibid.*, p. 594.

395 National Archives, CAB 128/54, Cabinet conclusions, 28 March 1974.

396 National Archives, CAB 128/54, Cabinet conclusions, 2 May 1974.

quarter of the year, rose to over 18 per cent by the third. Early in the New Year, the National Union of Mineworkers received a much-publicised increase of 35 per cent.³⁹⁷

The result was drift, and it was only well after the second 1974 election in October, when Labour won with a majority of three, that Wilson was forced to face the realities of the economic situation Britain faced. In February 1975, the ministerial committee on economic strategy reviewed the government's counter-inflation policy and agreed upon a new drive to get down the rate-of-pay increases. This posture meant that the government would have to provide more leadership on pay.³⁹⁸ The economic situation was desperate, with Denis Healey, the Chancellor of the Exchequer, warning the Cabinet that the 'country was living beyond its means', running an external deficit equal to 5 per cent of GDP. This deficit was financed by overseas borrowing, but the United Kingdom's credit was low and falling. The reason for this was that the UK's rate of inflation was twice that of the other countries in the Organisation for Economic Cooperation and Development (OECD). This affected the balance of payments and the public sector borrowing requirement. The balance-of-payments deficit was also the highest of all countries in the OECD. The public sector borrowing requirement for 1974–75 was put at £7,500 million.³⁹⁹ Healey's first deflationary Budget was in April 1975 – income tax was raised, a higher rate of VAT was introduced, and cuts were announced in public expenditure (especially food subsidies).⁴⁰⁰

It was only in the summer of 1975 when Wilson finally accepted the case for a serious counter-inflation policy – the target being to get the rate of domestic inflation down to 10 per cent by the third quarter of 1976, and down into single figures by the end of 1976.⁴⁰¹ The social contract was

397 Michael Artis, David Cobham and Mark Wickham-Jones ed., *Twentieth-Century British History*, Vol. 3, 1992, pp. 43–4.

398 National Archives, CAB 128/55, Cabinet conclusions, 27 February 1975.

399 National Archives, CAB 128/56, Cabinet confidential annex, 25 March 1975.

400 Artis et al., op. cit., p. 44.

401 National Archives, CAB 128/57, Cabinet confidential annex, 1 July 1975.

employed in order to reach a voluntary agreement with the unions to limit pay increases to £6 per week.⁴⁰² Coupled with this was Wilson's support for Healey's decision to apply for two borrowings totalling £975 million from the IMF⁴⁰³ – but it was bought at a price: a reduction in public expenditure of £3,750 million in 1978–79.⁴⁰⁴ This decision scraped through Cabinet by a small majority, as the opposition therein was led by Tony Benn, who advocated a retreat to a siege economy, and 'believed that senile industries, like infant industries, needed a wall behind which the necessary restructuring could take place'.⁴⁰⁵ By the beginning of 1976, however, Wilson and Healey's policies appeared to be working, with inflation falling fast, the balance of payments improving and public expenditure being brought under control.⁴⁰⁶

In contrast to his ambivalent position in the 1960s, Wilson now advocated unequivocal retention of the British 'independent' nuclear deterrent, on the grounds that it represented an insurance against a breakdown in the credibility of the US strategic nuclear guarantee. He also claimed that: 'If we abandoned our deterrent, France would be the only country in Europe with a strategic nuclear capability', and this was not committed to NATO.⁴⁰⁷ Possession of the deterrent was one of the few manifestations of Britain as a great power, after the country had withdrawn from East of Suez. Wilson's commitment to updating the deterrent was taken in defiance of an increasingly powerful, unilateralist segment of a party already divided over Europe. And it was the fissures over Europe in the party that, more than anything, demonstrated Wilson's skill in navigating hostile political waters – or his ability 'to wade through shit' and hold Labour together on the common market question (as the Prime Minister himself described the experience of leading the

402 Artis et al., *op. cit.*, p. 44.

403 National Archives, CAB 128/57, Cabinet confidential annex, 6 November 1975.

404 National Archives, CAB 128/57, Cabinet confidential annex, 13 November 1975.

405 National Archives, CAB 128/57, Cabinet confidential annex, 6 November 1975.

406 Artis et al., *op. cit.*, p. 46.

407 National Archives, CAB 128/55, Cabinet confidential annex, 20 November 1974.

country to a 'yes' vote in the 1975 EEC membership referendum).⁴⁰⁸ Wilson's solution to overcoming a split on Europe was ingenious, and was revealed in Cabinet on 21 January 1975, when Wilson drew on the 1932 National Government's 'agreeing to differ' precedent on the question of free trade versus tariffs. 'Harold', recorded Barbara Castle, 'announced a fundamental change in our constitutional convention as casually as if he had been offering us a cup of tea.'⁴⁰⁹ Having held the party together, and being eager to leave on his own terms, Wilson resigned as Prime Minister in March 1976.

CONCLUSION

Harold Wilson is, arguably, Labour's most successful leader ever: his record of winning four out of five general elections ensures this claim is taken seriously. Admittedly, he did only squeak home in three out of the four he won – but he won nevertheless, which is a feat that has eluded many other Labour leaders before and since. In assessing his leadership, it has to be recognised that there were two Harold Wilsons as Prime Minister: the first Harold (1964–70) was a dynamic, positive and ambitious leader, who relished the challenges before him; the second Harold (1974–76) was a weary, relatively uninterested leader, who had stayed too long as head of a party that was increasingly fractious. In between, and during his second stint of office, Wilson had to contend with a party on the verge of rupture. Wilson, often accused of deviousness, demonstrated his Machiavellian strategy to keep the Labour Party together during the 1975 referendum campaign by bending the constitutional rules. It worked, and the party did not tear itself apart; keeping the Labour Party united was yet another feat that was to elude other leaders.

If one is to judge Wilson's two tenures as Prime Minister – and the criticism levelled at him – then the fundamental factor governing the 1964–76 period is

⁴⁰⁸ Peter Hennessy, *The Prime Minister: The Office and its Holders since 1945*, London, Allen Lane, 2000, p. 365.

⁴⁰⁹ *Ibid.*, p. 367.

that of almost perpetual economic crisis. When Wilson became Prime Minister in 1964 and 1974, he inherited, on both occasions, the worst economic conditions since the war. Yet on both occasions – after what, admittedly, can be seen as serious policy errors – Wilson took decisions that set Britain on the road to recovery: restoring the UK's balance of payments to a healthy position by 1970, and introducing a counter-inflation policy that brought wages and prices under some sort of control by the time he left office in 1976. The perceived wisdom that Wilson should have devalued the pound upon entering Downing Street in 1964 does not stand up to detailed scrutiny: it is doubtful his government could have survived had he done so. As subsequent events showed, devaluation would have required severe deflation to succeed, and nearly all the advice to Wilson – from the Treasury, the Bank of England, the US Federal Reserve and the White House – was to oppose devaluation at all costs. In 1975, Wilson and Healey set in motion a credible counter-inflation policy (the IMF crisis after Wilson left office was produced by Treasury forecasts that were incorrect by billions).

If, on both occasions he left office, others made errors of judgement that led to economic shocks to the system, these errors cannot be laid at Wilson's door. Wilson's political tragedy, and that of the Labour Party, was that he was unable to lead his government and party in a period that would have allowed a better judgement of his leadership qualities. But, under huge political pressure, he did as well as any of his rivals might have done, or indeed did do subsequently. As Roy Jenkins observed:

One of his great qualities was that he had a very good nerve in a crisis. He never recriminated in a crisis and he never panicked in a crisis, and those are two very high qualities in a Prime Minister. It was when things were going better that he got suspicious and difficult.⁴¹⁰

⁴¹⁰ Hennessy, *op. cit.*, p. 362.