

**A CHANGE OF GOVERNMENT**

By

Michael Simmonds

Adam Smith Institute

London

1998

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The future of Britain's Civil Service has been at the forefront of public concern. The Efficiency Unit's report 'Improving Management in Government: The Next Steps', has put forward a series of changes to the way in which central bureaucracy functions. The report represents the latest initiatives since 1979 aimed at improving the efficiency of government. Such initiatives are so far estimated to have saved the British taxpayer a total of £1.3 billion, its maximum only £325 million per year. (1) This report argues that, as important as they are, these proposals are insignificant when compared to the £164.8 billion spent by the Government in 1986/87. There must be more fundamental change to the way that Britain is governed if public expenditure is to be more than tamed. The Efficiency Unit's report offers an exciting opportunity for such change. An inter-Departmental review should be conducted of all responsibilities and services carried out by departments. Departments should be rationalized and made to reflect today's society rather than the dreams of the early 1970s. The range of advice to ministers should be broadened and the whole question of political appointees must be re-examined.

### The scale of change

First published in the UK in 1988 by ASI (Research) Limited through over nine years, has dramatically reduced the scale of government activity. Yet, except for the merger of the Trade and Industry departments in 1988, all rights reserved. Apart from fair dealing for the purposes of private study, research, criticism, or review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted without the prior permission of the publishers, ASI (Research) Limited, PO Box 316, London SW1P 3DJ (01-222 4995). There have been major changes in Whitehall since the war. The views expressed in this publication are those of the authors and do not necessarily reflect those of the publisher or copyright owner. They are presented as a contribution to public debate.

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# 1. INTRODUCTION

1945 Cabinet

1987 Cabinet

Prime Minister  
Lord Chancellor  
Lord President  
Lord Privy Seal

Prime Minister  
Lord Chancellor  
Lord President  
Lord Privy Seal

The future of Britain's Civil Service has been at the forefront of recent political debate. The Efficiency Unit's report, 'Improving Management in Government: The Next Steps', has put forward an important series of changes to the way in which the central bureaucracy functions. The report represents the latest in a series of initiatives since 1979 aimed at improving the efficiency of government. Such initiatives are so far estimated to have saved the British taxpayer a total of £1.3 billion, at its maximum only £325 million per year.<sup>(1)</sup> This report argues that such savings, important as they are, pale into insignificance when compared to the £164.8 billion spent by government in 1986/87. There must be more fundamental change in the way that Britain is governed if public expenditure is to be more than tamed. The Efficiency Unit's report offers an exciting opportunity for such change. An Inter-Departmental review should be conducted of all responsibilities and services carried out by departments. Departments should be rationalized and made to reflect today's society rather than the dreams of the early 1970s. The range of advice to ministers should be broadened and the whole question of political appointees must be re-examined.

Environment

The scale of change

Sec of State for Transport  
Chancellor of the Duchy of

There has been a revolution in the functions of government. This revolution, carried through over nine years, has dramatically changed the scope and function of government activity. Yet, except for the merger of the Trade and Industry departments in 1983, the cabinet appointed in 1979 was not only identical to those of 1983 and 1987 but, allowing for the disappearance of Empire and the creation of a socialised welfare state, was remarkably similar to that appointed by Mr Attlee at the formation of his radical Labour government in 1945. (see Table 1). There have been major changes in Whitehall since the war, particularly in the late 1960s and early 1970s, but such changes have usually been short lived. Fundamental reform has been shirked. Instead the manifesto cautiously stated that the aerospace and shipbuilding industries would be returned to the private sector and that shares would be sold in the National Freight Corporation.

Since 1979 change has taken place at a speed unusual for British politics. Many services once in the exclusive domain of the state are now carried out by the private sector, either under contract from a public body or totally independently. Over one million publicly owned homes have been sold, often straight to the existing tenants. Inflation, which reached a peak of 26.9% in the mid 1970s, has been controlled - if not defeated. The most



**Table 1** Not only have industrial shares returned to private ownership, but there has been a major increase in the number of individual shareholders from less than 3 million in 1979 to 10 million today. There are now 10 million shareholders in the UK.

1945 Cabinet	1987 Cabinet
Prime Minister	Prime Minister
Lord Chancellor	Lord Chancellor
Lord President	Lord President
Lord Privy Seal	Lord Privy Seal
Chancellor of the Exchequer	Chancellor of the Exchequer
Home Secretary	Home Secretary
Foreign Secretary	Foreign Secretary
Colonial Secretary	
Secretary for India and Burma	
Dominions Secretary	
Minister of Defence	Sec of State for Defence
Secretary for Scotland	Sec of State for Scotland
	Sec of State for Northern Ireland
	Sec of State for Wales
President of the Board of Trade	Sec of State for Trade & Industry
Minister of Agriculture	Sec of State for Agriculture
Minister of Education	Sec of State for Education
Minister of Labour	Sec of State for Employment
Minister of Health	Sec of State for the Social Services
Minister of Fuel and Power	Sec of State for Energy
	Sec of State for the Environment
British Petroleum(5%)	Sec of State for Transport
British Aerospace(50%)	Chancellor of the Duchy of Lancaster
British Petroleum(3.6%)	June 1981
Cable & Wireless(49%)	Chief Secretary to the Treasury
Aeresham International(100%)	February 1982
Britoil(51%)	November 1982
Assoc. British Ports(51.5%)	February 1983
British Petroleum(7%)	September 1983
Cable & Wireless(22%)	December 1983
	February 1987
	May 1987

**A new beginning?**

The 1979 Conservative Party election manifesto had promised a "new beginning" for Britain. However, in spite of such a courageous pledge, the manifesto made only a hesitant commitment to change. There was no mention of the mass programme of privatization or spread of share ownership that has since been witnessed. Instead the manifesto cautiously stated that the aerospace and shipbuilding industries would be returned to the private sector and that shares would be sold in the National Freight Corporation.

Since 1979 change has taken place at a speed unusual for British politics. Many services once in the exclusive domain of the state are now carried out by the private sector, either under contract from a public body or totally independently. Over one million publicly owned homes have been sold, often straight to the existing tenants. Inflation, which reached a peak of 26.9% in the mid 1970s, has been controlled - if not defeated. The most



fundamental change has taken place in the former nationalised industries. Not only have industries been returned to private ownership, but there has been a major increase in the number of individual shareholders from less than 3 million in 1979 to almost 9 million today. There are now as many shareholders in Britain as trade union members.

Table 3. Privatization GOVERNMENT PRIVATE SALES SINCE 1979

The privatization programme started slowly with the sale of 5% of the government's holding in British Petroleum. In the early days government met opposition not only from the trade unions and the Labour Party but from within Whitehall and the management of the nationalised industries. Even some of the government's city advisors doubted that such an extension of share ownership was possible, but each new sale or flotation brought new lessons to ministers and to the merchant bankers handling them. By 1988 there had been 21 major stock exchange flotations of public assets, more than £20,000 million pounds has been raised and over six hundred thousand workers have been moved to the private sector.

Table 2.

GOVERNMENT PUBLIC FLOTATIONS SINCE 1979

COMPANY (& % of equity sold)	DATE OF ISSUE
British Petroleum(5%)	November 1979
British Aerospace(50%)	February 1981
British Petroleum(5.6%)	June 1981
Cable & Wireless(49%)	October 1981
Amersham International(100%)	February 1982
Britoil(51%)	November 1982
Assoc. British Ports(51.5%)	February 1983
British Petroleum(7%)	September 1983
Cable & Wireless(22%)	December 1983
Assoc. British Ports(48.5%)	April 1984
Enterprise Oil(100%)	June 1984
Jaguar(100%)	July 1984
British Telecom(50.2%)	November 1984
British Aerospace(59%)*	May 1985
Britoil(48%)	August 1985
Cable & Wireless(31%)**	December 1985
British Gas(100%)	December 1986
British Airways (100%)	February 1987
Rolls Royce (100%)	May 1987
British Airports Author(100%)	July 1987
British Petroleum(31.5)	October 1987

\* Including Issue of new shares

\*\*Including rights issue

Source: Dr Madsen Pirie, Privatization, Gower 1988



Other parts of the state sector have been the subject of management and employee buy-outs and other forms of private sale. (Table 3). Tables 2 and 3 are not intended to be comprehensive. However, they do provide evidence of the scale of change in one area of state activity since 1979.

Table 3

GOVERNMENT PRIVATE SALES SINCE 1979

COMPANY	DATE OF ISSUE
Fairey Engineering	June 1980
Ferranti	July 1980
National Freight Corporation	February 1982
International Aeradio	March 1983
British Rail Hotels	March 1983 (onwards)
Scott Lithgow	March 1984
Wytch Farm	May 1984
Sealink	July 1984
Inmos	August 1984
Brooke Marine	May 1985
Yarrow Shipbuilders	June 1985
Vosper Thornycroft	November 1985
Swan Hunter	January 1986
Vickers Shipbuilding and Engineering	March 1986
Royal Ordnance, Leeds	July 1986
National Bus Company	August 1986 (onwards)
BA Helicopters	September 1986
Unipart	January 1987
Leyland Bus	January 1987
Royal Ordnance	April 1987
Leyland Trucks	April 1987
DAB	May 1987
Istel	June 1987

Source: Dr Madsen Pirie, Privatization, Gower 1988

All of these changes, and others, amount to a major shift in the responsibilities of government. Nethertheless, seemingly oblivious to such change, the Whitehall machine has hardly altered at all. The Trade Department, following Mr Heath's example, has been merged with Industry and the Civil Service Department, created following the Fulton Report on the Home Civil Service, was once again placed under the wing of the Treasury in 1981 but, give or take the odd reshuffle of departmental responsibility here or the creation of a new co-ordinating committee there, that is all.

Radical reform of government has taken place since 1979 but at local level rather than at the centre. The Conservative government has not flinched from a programme of concerted action



aimed at controlling the excesses of local government. Powers, once exercised within local fiefdoms, are now distributed more widely to individuals and businesses. The six Metropolitan County Councils, set up by the Heath government, have been abolished and a series of new central financial controls have been introduced. Changes have been made to the way in which the rate support grant is measured and the government has taken powers to 'cap' the level of rates levied by high spending authorities. Local authority spending still remains high. Partly in response to this, the Conservatives are now passing through Parliament a fundamental reform of the way in which local councils raise money.

Local government reform has figured prominently in the agendas of both the Heath and Thatcher administrations. Different lessons can be drawn from both experiences and there is certainly scope for further reform. This report, however, is concerned with the structure and form of central government.

The history of the twentieth century is a history of the relentless growth of government. Governments have passed legislation the results of which have been felt in almost every part of Britain's social and economic life. During the twentieth century the state has taken an ever greater role in the lives of ordinary people - from the provision of health care and education to the building of houses and the running of industries.

Alongside this march of government power has been an inevitable and seemingly inexorable rise in the levels of government spending. The figures in Table 4 show the level of general government expenditure as a percentage of GDP over the period 1890 to 1986.

As Peacock and Wiseman showed in their 1961 study of the growth in public expenditure, two major 'structural' breaks occur in the pattern of public spending during the occurrence of the two World Wars.(3) Spending after 1918 did not go down to the level of 1914, neither did spending after 1945 ever descend to the levels of 1939. During years of war the population became accustomed to paying higher levels of taxation in order to finance the national war effort. As a consequence, once war was over politicians found it easy to sustain levels of taxation which before the war would have been regarded as politically untenable. Lloyd George needed to maintain relatively high levels of public expenditure to finance his 'homes for heroes' and other social policies whilst Attlee's government was committed to a whole programme of expensive egalitarian measures.

As Table 4 shows, public expenditure remained fairly steady throughout the 1950s but during the 1960s and 1970s showed an



## 2. THE GROWTH OF GOVERNMENT

"The Circumlocution Office was (as everybody knows without being told) the most important Department under Government. No public business of any kind could possibly be done at any time without the acquiescence of the Circumlocution Office. Its finger was in the largest public pie, and in the smallest public tart. It was equally impossible to do the plainest right and to undo the plainest wrong without the express authority of the Circumlocution Office. If another Gunpowder Plot had been discovered half an hour before the lighting of the match, nobody would have been justified in saving the parliament until there had been half a score of boards, half a bushel of minutes, several stacks of official memoranda, and a family-vault full of ungrammatical correspondence, on the part of the Circumlocution Office".(2)

The history of the twentieth century is a history of the relentless growth of government. Governments have passed legislation the results of which have been felt in almost every part of Britain's social and economic life. During the twentieth century the state has taken an ever greater role in the lives of ordinary people - from the provision of health care and education to the building of houses and the running of industries.

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Table 4. General Government Expenditure as a percentage of GDP, 1890 to 1986

YEAR	GENERAL GOVT. EXPENDITURE	YEAR	GENERAL GOVT. EXPENDITURE	YEAR	GENERAL GOVT. EXPENDITURE
1890	9.0	1923	23.4	1956	33.4
1891	9.1	1924	23.2	1957	34.3
1892	9.6	1925	23.1	1958	34.4
1893	10.0	1926	25.2	1959	34.5
1894	10.0	1927	24.0	1960	34.1
1895	10.2	1928	23.5	1961	35.1
1896	11.3	1929	23.4	1962	35.7
1897	12.6	1930	24.4	1963	35.6
1898	13.3	1931	26.9	1964	36.0
1899	13.8	1932	26.6	1965	36.6
1900	14.4	1933	25.0	1966	37.4
1901	13.5	1934	23.5	1967	40.9
1902	13.2	1935	23.7	1968	41.4
1903	12.9	1936	24.2	1969	40.0
1904	12.4	1937	24.7	1970	40.1
1905	11.8	1938	28.5	1971	40.5
1906	11.7	1939	32.9	1972	40.8
1907	11.8	1940	51.9	1973	41.1
1908	12.5	1941	60.4	1974	46.8
1909	12.4	1942	61.1	1975	48.8
1910	12.2	1943	61.4	1976	46.9
1911	12.4	1944	61.4	1977	42.5
1912	12.4	1945	58.8	1978	43.0
1913	12.1	1946	45.5	1979	43.3
1914	24.6	1947	38.8	1980	45.1
1915	30.5	1948	36.3	1981	46.0
1916	34.4	1949	34.8	1982	46.4
1917	33.4	1950	33.8	1983	45.9
1918	46.3	1951	36.1	1984	45.5
1919	*	1952	37.2	1985	44.5
1920	26.6	1953	35.9	1986	42.8
1921	27.9	1954	33.8		
1922	25.7	1955	33.0		

\* Not available

Source: Public Expenditure White Paper 1988



alarming rise. Britain was not alone in experiencing such levels of public spending (Table 5). However, by the late 1960s politicians of all political parties began to make speeches questioning the high levels of public expenditure. Opinion polls showed that although the majority of the population wanted to receive good standards of health, education and other forms of welfare they were by no means convinced of the desirability of the high tax rates thought to be needed to finance them.(4)

Successive governments set up inquiries, or embarked upon initiatives, intended to bring about a reduction in the high levels of public expenditure as a percentage of national income. In 1961 the Plowden Committee on the Control of Public Expenditure recommended that all proposals for public expenditure should be related to the projected growth of national income. The Plowden proposals led to a fundamental re-organisation of the Treasury so as to make a clear distinction between economic policy aspects and its role in administering the finance of the machinery of government. Plowden also recommended that regular forecasts should be made of public expenditure over a number of years. As a result the Public Expenditure Survey Committee (PESC) was set up to examine where existing policies would lead, in terms of public expenditure, if continued.

The 1964/70 Wilson Labour government went further than Plowden and took away most of the Treasury's responsibility for economic planning and co-ordination and set up the Department of Economic Affairs. In 1966 the Fulton Committee on the Home Civil Service, although it had not been set up as a cost cutting exercise, made a series of recommendations which aimed to increase the efficiency of the civil service.

Efficiency in government has been the most favoured method of containing public expenditure to date. More radical options, however, had been canvassed by the Conservatives both before the 1970 and 1979 General Elections.

#### The Heath reforms

The 1970 Conservative manifesto, still imbued with the radicalism of the Selsdon Park conference, had promised to control government spending and reform the machinery of central government:

"there has been too much government: there will be less. We will reduce the number of ministers. We will reduce the number of civil servants...There will be cost reduction plans for every single Ministry in Whitehall, and the widespread application throughout government of the most modern management, budgeting and cost-effectiveness techniques...Government will be more efficient and less costly."

In October 1970 Mr Heath published a White Paper entitled "The Re-organisation of Central Government."(5) In it the government tackled a number of key areas of concern. Firstly, it sought to



Table 5. General Government Total Expenditure as a % of GDP

Country	1965	1970	1975	1980	1984
JAPAN	18.8	19.4	27.3	32.1	33.1
UNITED STATES	27.4	31.7	34.6	33.9	37.2*
AUSTRALIA	25.2	25.5	32.2	32.8	37.4
FINLAND	30.8	30.5	36.1	36.5	39.9
GREECE	20.6	22.4	26.7	30.5	40.2
UNITED KINGDOM	36.6	40.1	48.8	45.1	45.5
CANADA	29.1	34.9	40.0	40.0	46.8
GERMANY	36.6	38.6	48.9	48.3	48.0
NORWAY	34.2	41.0	48.4	50.7	48.8
FRANCE	38.4	38.9	43.5	46.4	52.7
BELGIUM	32.3	36.5	44.5	51.0	55.4
IRELAND	33.1	38.6	46.5	50.9	56.1*
ITALY	34.3	34.2	43.2	46.1	57.4
DENMARK	29.9	40.2	48.2	56.2	60.9
NETHERLANDS	NA	46.0	52.8	57.5	61.2
SWEEDEN	36.1	43.7	48.9	61.6	63.5
MEAN (UNWEIGHTED)	30.9	35.1	41.8	45.0	49.2

\* 1983

SOURCE: The Control and Management of Government Expenditure (OECD 1987)  
Public Expenditure White Paper 1988



establish an analytical approach to the problems of policy formulation by conducting a "rigorous analysis of existing and suggested government policies, action and expenditure". Secondly, it proposed a substantial reform in the structure of government departments. Heath proposed that government departments should be organized using a functional approach "by reference to the task to be done or the objective to be attained". The White Paper proposed the creation of 'super' departments of the Environment (DOE) and of Trade and Industry (DTI). The former brought together the Ministries of Housing and Local Government, Transport and Public Buildings and Works; the latter encompassed the Ministry of Technology, the Board of Trade and the Ministry of Aviation and Supply.

These new departments, following the synergistic trend in industry at the time, were intended to cover a wide area "so as to provide a series of fields of unified policy". The new "super" departments would, the White Paper argued be able to take advantage of economies of scale and avoid diffusion of expert knowledge between departments. Such departments would be able to oversee a wide area of policy and as a consequence better decisions would be reached. No longer would policy in one area be decided by inter-departmental compromise, instead any disputes would be solved within departmental lines of management.

The reforms did not prove to be as successful as had been hoped by the Heath administration. The "super" departments often suffered from dis-economies of scale and required even more complex systems of financial management and control. During the 1974 'energy crisis' Heath set up a separate Energy Department because it was felt that too many decisions were being made by ministers within the DTI and were not coming before the Cabinet.

The White Paper also led to the establishment of a system of Programme Analysis and Review (PAR). PAR was intended to increase the effectiveness of the Public Expenditure Survey which had been established after the Plowden investigations in the early 1960s. PAR was primarily policy orientated in that it was concerned with the consideration of objectives, the assessment of programmes and the evaluation of any proposed changes in policy.

The most controversial aspect of the 1970 White Paper was the creation of the Central Policy Review Staff (CPRS). This body was designed to provide information and policy analysis for Cabinet ministers on the whole range of government activity. It was seen as a way of ensuring that Ministers who were too busy running their own departments had access to other areas of government decision making. Mr Heath saw it as an essential reform in order to make sense of the traditional doctrine of Cabinet collective responsibility.

The CPRS was also intended to help formulate an overall strategy for the government and to examine policy proposals in the light of this strategy. This was an extraordinary role for a government to place in the hands of a non-elected and non-partisan body.



Critics at the time rightly suggested that a government ought to have a strategy of its own and should not need to have one developed for it by a group of officials and multi-disciplinary experts headed by Lord Rothschild, a Labour peer. As Anthony Crossland commented in Parliament it seemed "an eccentric way of proceeding".(6) It is hardly surprising that the CPRS has often been seen as the source of the 'U-turn' in economic policy taken by the Heath government in 1972.

The CPRS and the various initiatives to improve management continued during the Wilson and Callaghan governments after 1974. The Trade Department was once again separated from Industry, and the Department of Prices and Consumer Protection was created. The Environment Department lost responsibility for Transport and Heath's merger of the Foreign Office with the Department of Overseas Development was reversed. In 1976 cash limits were introduced in an attempt to contain public spending and maintain the government's credit with the International Monetary Fund. The CPRS turned its attentions away from overall strategy and engaged in a series of studies into particular areas of policy and organisation. Following the leak of a report just prior to the 1983 General Election which questioned the future basis of the Welfare State, Mrs Thatcher abolished the CPRS.

#### Reform under Thatcher

The Conservatives under Mrs Thatcher did not embark on institutional reform of central government on anything like the same scale as the Heath administration. Upon coming to office the Department of Prices and Consumer Protection was merged with the Industry department, however, there was no big Whitehall reshuffle. Learning, perhaps from past mistakes, Mrs Thatcher's management of Whitehall reform has been much less overt but in many ways more effective.

Central to the Thatcher strategy was the control of public spending and the reduction of the size of the Civil Service. However, the Conservative government has also abandoned some of the tools of government which previous administrations used to delay the taking of decisions. The Conservatives have abandoned reliance upon the institutions of the corporate state, such as the National Economic Development Council, and have been much more open to the ideas of outside bodies and 'think tanks'. As part of this process the Government has been reluctant to set up Royal Commissions, which although they provide jobs for political friends, tend to take a number of years to report and have often been inconclusive and are very expensive. Instead, the government has relied upon the process of consultation or Green Paper which is then followed by a White Paper and Bill. Such changes do not attract headlines, but they are fundamental.

Cutting public expenditure...they acted in much the same manner as Richard Crossman had described the Labour ministers of the In 1979 43.3% of the nation's GDP was spent by government. The 1980 Public Expenditure White Paper announced the government's



intention to "reduce public expenditure in volume terms over the next four years".(6) The planned expenditure cuts were to be made across the whole range of government activity. Planned public expenditure was to be reduced by some 4% in volume terms over the next four years. The White Paper made it clear that the government intended to impose strict cash limits and so if costs rose by more than the cash provided real cuts would have to be made. It should be noted that until 1981/82 government 'cuts' were in fact to be cuts in planned increases rather than real reductions in spending. As John Burton points out in his study Why No Cuts, the government was only planning a very moderate cut in spending "amounting eventually to perhaps 2% of GDP."(7)

The government's public expenditure plans did not work out. In 1979/80 general government expenditure actually rose by just over 2% and the pattern has remained the same in the following years. By 1983 the government had abandoned its intentions to cut spending in real terms and stated that government expenditure should fall as a percentage of GDP. As a recent paper from the Institute of Directors points out, this guideline could "be satisfied even if government spending absorbed over two-fifths of any increase in GDP, however large."(8)

#### Squaring the circle

So why did public expenditure prove to be such an unconquerable beast? Firstly, the state of the world economy must be recognised. Britain in 1979/80 was about to enter a worldwide recession. Secondly, the incoming government brought with it a whole series of public commitments. Not only had it promised to honour the recommendations of the 'Clegg Comparability Commission' on public sector pay it had also made specific pledges to "preserve the purchasing power of long-term welfare benefits; to maintain - at least - the real value of resources committed to the Health Service; to increase spending on defence by 3% a year 'in real terms'; to restore...the comparative value of police pay".(9) Thirdly, the results of recession and the harsher reality of economic policy continued a period of increasingly high unemployment. As a consequence of this the levels of government spending on social transfer payments was dramatically increased.

It was, however, the political pressures exerted against the government by vested interests that created the greatest barrier to public spending.

Firstly, the government met opposition within its own ranks. Some ministers appeared to believe in reducing public expenditure so long as it was another department's budget to be cut. Lord Bruce Gardyne's account of the 1980 public expenditure review does seem to confirm Fry's view that "whatever political convictions the Conservative ministers had...they acted in much the same manner as Richard Crossman had described the Labour ministers of the 1960s: 'we came briefed by our departments to fight for departmental budgets, not as Cabinet Ministers with a Cabinet



view".(10) Bruce-Gardyne recounts that the Treasury's proposals to reduce expenditure on defence and social security aroused particular difficulties.

Secondly, civil servants proved to be reluctant cutters. Michael Heseltine, who has not always been regarded as one of the government's most obsequious supporters, provides a fascinating insight into civil service management of manpower cuts. (11) Immediately after the 1979 General Election the Cabinet agreed to consider options for reducing staff numbers over a period of years by 2.5%, 5% and 7.5%. The Minister was solemnly advised that a reduction of 2.5% was possible "if you are prepared to reduce the standard of maintenance of the government's estate... we can make some economies in the Property Services Agency. If you are prepared to forgo some of the statistical returns upon which our judgement of safety in the construction industry is based...". A doom-laden litany was run out listing all the disasters that would befall the nation if cuts of more than 2.5% were made. Finally, Heseltine himself decided to take charge of recruitment to the department in future he would decide whether posts would be filled. By 1984 the Department of the Environment employed 15,000 fewer people and was 29% smaller. Some ministers did better, other worse as Table 7 illustrates.

Table 6  
Change in staff numbers in government departments 1979 to 1982

Department	% change in staff (01/04/79 to 01/04/82)*
Defence	- 12.4
Education and Science	- 6.1
Employment (including Manpower Services Commission)	+ 9.1
Energy	- 10.2
Environment	- 24.9
Foreign and Commonwealth Office	- 8.2
Home Office	+ 3.3
Industry	- 12.6
Health and Social Security	- 2.9
Transport	- 6.3

\* full time equivalents

SOURCE: Martin Holmes Page 122 see (12)

Thirdly, the government fell foul of 'bleeding stump' tactics from administrators. Martin Holmes in his study of the first Thatcher government quotes from C Hood and M Wrights book 'Big Government in Hard Times':

"As in the case of the rational public service strike, which aims to do maximum harm to the public in order to force government to yield, bureaucracies and politicians seeking to



resist cuts may choose to concentrate those cuts in the places where they will most hurt the outside public, be most easily noticed, and thus court the maximum political unpopularity for the government. Such actors may actively help to orchestrate the chorus of protest against "inhuman" cuts. Hence (to put it vulgarly) the pressure for closing down the flower gardens rather than reducing the town hall bureaucracy, for cutting down on school books rather than on educational administrators, and so on..." (12)

The 'bleeding stump' tactics, cutting off limbs rather than excess fat, proved to be a media success. Since the government's cutting programme was across the board such tactics had a wide impact from health to housing; schools to swimming pools.

Vested interests in the field of higher education managed to tie in their concerns with a popular feeling amongst the government's own middle class support against proposals from Sir Keith Joseph to cut government support on student maintenance. Sir Keith proposed to increase spending on science and technology at the expense of government aid to the sons and daughters of better-off parents. A mass campaign was waged by the Committee of Vice Chancellors, leaders of the University Grants Committee, representatives of the student trade union, the NUS, and by middle class parents outraged at the proposals. The Daily Mail, in a Comment column entitled 'The demon Philosopher', even went so far as to suggest that "the eccentric Sir Keith [might be] becoming a late flowering socialist".(13) Faced with such pressure, and a backbench revolt of Conservative MPs fearful of the electoral consequences of an attack on the middle class pork barrel, the government gave up. As a result £11 million was cut from the proposed increase in the science budget and the public expenditure planning total increased by £10 million.

The government's attempt to cut or trim all programmes rather than to concentrate on particular programmes has been criticized by a number of academics. John Burton has proposed that an Economic Bill of Rights should be introduced which would ensure balanced budgets, outlaw wage and incomes policies and limit government spending to no more than 25% of GNP. Recognising that such a proposal would stand no chance of getting through the House of Commons, Burton suggests that a Bill of Rights could be entrenched through a national referendum.(14) Others, such as Professor Minford, have argued that government expenditure will only be reduced by cutting whole programmes and departments. Professor Minford's very detailed proposals, made in 1984, would have saved the Exchequer £3.8 billion by 1990. The plan involved the replacement of the NHS by competitive health insurance, the abolition of state education and wholesale privatization of both national and local services. However, as Minford himself recognised, such a strategy would have encountered fierce resistance from "numerous pressure groups." (15)

By the early 1980s many Ministers had started to recognise that a programme of 'across the board' spending cuts was not working.



Some senior Conservatives began to publicly question the continuation of certain programmes. In May 1982 Leon Brittan told the Institute of Fiscal Studies "the real question is how much the state can afford to provide free...I believe we have to begin to rethink the way basic services are financed."(16) Sir Geoffrey Howe was equally frank two months later when he stated: "there are powerful reasons why we must be ready to consider how far private provision and individual choice can supplement or in some cases possibly replace the role of government in health, social security and education".(17)

The fate of the CPRS report on the future of welfare provision should provide food for thought. Radical spending changes in such areas remain political minefields. Vested interests are most dangerous when attacked in groups. Until there is change in the way government operates spending cuts will remain areas of extreme political volatility.

#### Cutting the Civil Service

The Conservative government was committed to a reduction in the size of the civil service. This was to be achieved through a drive for efficiency and by the setting of civil service manpower targets. The Rayner review, assisted by the new efficiency unit, of the civil service's manpower requirements estimated that it would function better if 100,000 posts were abolished over the next five years. As a result the size of the civil service was cut from 732,000 to 705,000 during the government's first year and by April 1984 it had been reduced to 624,000. By early 1988 the number of civil servants stood at 588,000 - a reduction of 20% since 1979. This considerable reduction in numbers led to savings of around £750 million a year on wages. In 1987 the government announced that it would no longer set manpower targets for the Civil Service. Instead it would rely on a return to cash limits but made it clear that its commitment to a reduced Civil Service still remained. The 1988 Public Expenditure White Paper states that the "government [will] retain a close interest in the trend of Civil Service numbers."

#### Management by MINIS

Coupled with the fall in civil service numbers have been a series of managerial initiatives aimed at increasing efficiency.

Upon his appointment as Secretary of State for the Environment in 1979 Michael Heseltine had been dismayed to discover that his civil servants were unable to tell him "what was happening in my department and who was responsible for making it happen; who had set the targets, what the targets were and whether they were being monitored".(18) Heseltine drew on his experience of the private sector and together with a team of civil servants devised a system that would set civil servants clear objectives and give them greater awareness of costs. The Management Information System for Ministers (MINIS) created units of accountability and provided the head of each of the DOE's 57 directorates with the



costs of the people working under his direct authority. Since each directorate head was close enough to the 'front line' of activity to know the exact nature of the work done by his subordinates he was able to analyse the time and cost devoted to each task. This information was then set out in writing and targets were set for the six months ahead. money in 1986/87 which, he said, were attributable to the FMI. These included the MINIS was a very valuable weapon in Heseltine's armoury when it came to shedding jobs. Since all 57 directorates now had analysed precisely what they were doing it was for the first time possible for ministers to know what was being done in their name and whether such tasks could be done by fewer people or cut out altogether. flowing from other improvements."(23)

Mrs Thatcher was quick to back the MINIS initiative. In a letter to a backbench MP she wrote: "The use of MINIS...has shown what can be done, and this lesson must not be lost on the rest of the civil service".(19)

Under Mrs Thatcher managerial initiatives have received a new impetus. For a government unable to cut spending in the way it would have liked efficiency was an obvious goal. No government committed to reducing spending could stand by and watch whilst the costs of maintaining the central government machine were fast approaching £14,000m.

#### FMI - The Financial Management Initiative

In May 1982 the government announced the launch of the Financial Management Initiative (FMI) to improve the allocation, management and control of resources throughout central government. Building on the example of MINIS the government's central objective was the promotion in each department of an organisation and a system in which managers at all levels would have:

- (a) a clear view of their objectives; and means to assess, and wherever possible measure, outputs or performance in relation to those objectives
- (b) well defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
- (c) the information (particularly about costs), the training and the access to expert advice which they needed to exercise the responsibilities effectively. (20)

The FMI was a timely move - every one of the departments subsequently studied by the National Audit Office (21) found it necessary to change their systems of control and management in order to comply with the initiative. FMI has not just identified

A series of Parliamentary questions from Michael Latham MP in April and May 1987 provide interesting evidence as to the successes of the Initiative. Mr Latham asked the responsible



minister in fifteen ministries what had been the effect of the FMI on his department. All ministers seemed to recognise that the FMI had had a valuable impact upon improving management and achieving value for money. Some departments found such savings easier to quantify than others. For instance, the Home Secretary listed four examples of better value for money in 1986/87 which, he said, were attributable to the FMI. These included the reduction of the costs of operating prisons; the improvement of procurement which was estimated to result in savings of over £10 million and the civilianization of over 680 posts in the police force.(22) The Agriculture minister, on the other hand, told Latham that the effects of the Initiative were "indistinguishable from those flowing from other improvements."(23)

The National Audit Office report on the FMI was broadly favourable. The then Comptroller and Auditor General, Sir Gordon Downey, reported himself satisfied that departments were implementing reforms in accordance with the FMI principles. He noted, however, that departments had made "substantially greater progress in developing arrangements for assessing outputs and performance in relation to the objectives set for their administrative costs...than for programme expenditure".(24) In other words departments had been able to develop better internal management systems but had not been very successful in actually controlling the efficiency of central government programmes. This is a key factor in any consideration of the success of the FMI or of any other programmes aimed at increasing efficiency. Departments must not only have a clear idea of broad policy goals and objectives but must also have a clear idea of what particular programmes are meant to achieve and how achievement should be measured.

One tangible result of the Initiative has been an increase in information which is now available to ministers, Parliament and the public about what is done by government. The Public Expenditure White Papers since 1982 have contained more and more detailed information about departmental budgets and the aims and objectives of departments and, to some extent, programmes. Such an increase in the amount of information available is welcome. The Public Expenditure White Paper, however, is still largely concerned with inputs and not outputs. Anyone who reads through its pages will be able to see what government is spending money on, but will not be given any indication of what the money actually produces.

The Financial Management Initiative has certainly led to an improvement in the efficiency of the government machine. Departments now have much clearer guidelines and policy objectives. Cost centres have been identified and managers have been given greater scope for informed expenditure decisions. Unlike previous efficiency drives the FMI has not just identified small savings. However, as the Audit Office report makes clear the greatest success of the FMI has been to improve management systems within departments, which Sir Gordon Downey estimated to account for only 13% of central government expenditure.



Efficiency in government is not the same thing as a reduction in the role of government. If government is to be reduced, however, it is vital that both government and people should be able to know what government does, what taxpayers money is actually spent on and who benefits from it. The FMI is a small move in the right direction.

### The Next Steps

On February 18th 1988 Mrs Thatcher announced to the House of Commons a further major change in the management of Whitehall. After weeks of leaks and speculation the government finally published a report from the Efficiency Unit entitled 'Improving Management in Government: The Next Steps'. The report foresees a radical shake up in the way the central bureaucracy functions:

"The aim should be to establish a quite different way of conducting the business of government. The central Civil Service should consist of a relatively small core engaged in the function of servicing ministers and managing departments...Responding to these departments will be a range of agencies employing their own staff...and concentrating on the delivery of their particular services".(25)

The recommendations in The Next Steps seem to draw heavily on the Swedish system of government. Swedish central government consists of twelve ministries and about 250 agencies. The ministries are very small - few employ more than 200 civil servants - and their main task is to assist ministers in the formation of policy. The implementation of policy is the responsibility of the agencies who report to the Cabinet and not to individual ministers. In effect, in making proposals along the Swedish model, the Efficiency Unit was proposing the end of the unified Civil Service created as a result of the Northcote-Trevelyan Report of 1854. The report envisages the end of national pay structures and of the uniform grading of civil service posts. It concludes that the Civil Service is "too big and too diverse to manage as a single entity".(26)

In its calls for the creation of agencies to run services, the Efficiency Unit envisages a new tier of managers. Each agency will be headed by a Chief Executive who generally will be responsible to the central department's Permanent Secretary who in turn is responsible to the Secretary of State. The agencies will be given a "well defined framework in which to operate, which sets out the policy, the budget, specific targets and the results to be achieved".(27) It is here that the links between the FMI and The Next Steps are most clear. In her statement to the House of Commons, the Prime Minister stated that the framework would not be solely a matter for individual departments and Ministers but that the Treasury would also have a central role. The report's authors recognised that the centre should remain in charge of allocating resources and the government has announced its intention that the new bodies will not be allowed total financial independence. Peter Kemp, the Civil Servant



appointed as project manager to head the reform process, told journalists that ministers "must have the right to move the goalposts" of agreements.(28) The Treasury will still impose cash limits.

The government has said that most of the agencies will be set up within government, however, "in a few cases it may be appropriate to set up the executive agencies outside the Civil Service, eg by setting up private limited companies".(29) The choice of which functions of government are most suitable for setting up as agencies (whether private or public) will be left to ministers and senior civil servants. (Twelve possible candidates, including HMSO, the issuing of driving licenses, the running of job centres and the operation of the Meteorological Office, have already been identified as "promising candidates".(30) The report argues that in "some instances very large blocks of work comprising virtually a whole department will be suitable to be managed in this way".(31)

The government's acceptance of the report has been received with muted criticism. Some have raised the spectre of unaccountable bodies acting against the public interest. However, for those agencies which do remain in the public sector, ministers will remain responsible to Parliament for the actions of their departments. The report's authors clearly recognised that whilst ministers must remain responsible for policy it "is unrealistic to suppose that they can actually have knowledge in depth about every operational question."(32) The report envisages a situation where managers are responsible for operational matters and ministers answerable for broad questions of policy. The report argues that legislation may be required to achieve changes in the arrangements for formal accountability, however, Mrs Thatcher and the Civil Service Minister, Richard Luce, have ruled this out.

The Next Steps is a radical document. Its authors clearly envisage a small central bureaucracy concerned with the formulation of policy and that the executive functions of government should be carried out by de-centralised agencies. The government have indicated that some of these agencies may be hived off from the public sector. The possibility of privatization of some government services is real. The report is aiming at the creation of a market for public sector management. If all of the report's proposals are implemented there will be a noticeable change in the operation of the Civil Service. National pay scales and gradings will go. Managers will be given greater responsibility for the operation of services and will be expected to be more answerable for their actions.

The report expects that savings of more than 5% of present Civil Service running costs should be achievable from the package of reforms. However, change will not occur overnight. The report does not recommend a revolutionary change but rather envisages an evolutionary approach. In the words of one Civil Service union leader: "we are talking about a very long term programme, many



civil servants will be drawing their pensions before all the changes are brought in".(33)

Mr Neville Johnson, Nuffield Reader in the Comparative Study of Institutions in the University of Oxford, told a House of Commons Select Committee in 1986 that: "the present Prime Minister is clearly someone who is very much concerned with achieving objectives and believes very much in...getting things done...she may have rather less faith in organisation and puts more emphasis on getting the right people and seeing that things happen in that way."(34) This view has been echoed by Robin Oakley who wrote in 'The Times' that Mrs Thatcher "believes that however ramshackle the machinery, if you install ministers with the political will, things will get done."(35) Thus a consensus has emerged that Mrs Thatcher will not embark upon a process of major departmental change.

Mrs Thatcher herself, however, has not ruled out such reforms. In an interview with 'The Daily Telegraph' she admitted that she had considered the possibility of a change in the machinery of government. She concluded that her priority was first of all to see the major planks of her legislative programme, such as the Community Charge and the Education Bill, pass through Parliament and that then "you have to look at...departments such as Energy, the Department of Trade and Industry and Employment...But the time to do it isn't now, it's when we've got some of those things done".(36) So clearly reform is not off the political agenda.

#### The Right men in office

Few would dispute Mr Johnson's view that the Prime Minister is inclined to appoint ministers who "get things done". The record of the present Conservative administration is clearly marked with the political corpses of ministers who did not live up to the Prime Minister's exacting standards. But are such demands upon ministers realistic? No Prime Minister can expect to fill their Cabinet with ministers, all of whom are able to enforce their will upon a department. There are a number of examples of ministers entering departments with a clear intention to introduce reforms and who for some reason fail to achieve their goal. Perhaps the most often cited example comes from the Department of Education and Science. Critics question how, with Sir Keith Joseph as Secretary of State and Dr Rhodes Boyson as a Junior Minister, the education voucher scheme (which had for so long been a central plank of the radical right's agenda) failed even to enter serious political discussion.

It may be that the present system works to the advantage of good government. No administration, however large its majority in the



### 3. ADMINISTERING REFORM

that would inevitably result from a ministerial team made up of men with access to ideas and the ability to force them upon departmental officials. Even if such a view is correct (and it should be realized that many worthwhile reforms do not need legislation), this should not be used as an argument against a package of reforms aimed at making it easier for ministers to implement policy.

#### The departmental view

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It may be that the present system works to the advantage of good government. No administration, however large its majority in the



that would inevitably result from a ministerial team made up of radical, tough politicians with access to ideas and the ability to force them upon departmental officials. Even if such a view is correct (and it should be realised that many worthwhile reforms do not need legislation), this should not be used as an argument against a package of reforms aimed at making it easier for ministers to implement policy.

The departmental view

Throughout the preceding discussion there has been an assumption that there is such a thing as a departmental view - that civil servants within a department hold particular views and that these views are forcibly pressed upon ministers. This question was examined in some depth by a sub-committee of the Treasury and Civil Service Select Committee in 1986. The views of two former ministers are particularly revealing.

The Rt Hon Tony Benn MP, a former Secretary of State for Energy, was emphatic in his belief that the "Civil Service has clear policies of its own." He went on: "in 1974...the Department of Energy made it clear that [it] wished to have American reactors. I declined to accept it and it did not happen. It came back again for the present government. I think if you followed those briefs over a period of years, you would find Civil Service policy is very often implemented -if not always- after a passage of time. What the civil servants will offer a Minister is this arrangement: 'If you support the policy we believe in, we will put out to the press what a very able Minister you are, and help you to pretend that the policy you are following is the policy that you said you would follow in the election'." (37)

Another former Energy minister the Rt Hon Patrick Jenkin MP, in a written reply to the Committee, stated: "It is perfectly proper for the Civil Service as a whole, or in particular Departments, to come to a collective view of what they think long-term interests of the country are..." (38) He made it clear, however, that he believed that civil servants recognised their duty to implement the policies of an elected government. During the committee's examination of Mr Jenkin he admitted that he had experienced a situation where a senior civil servant had been "so reluctant to prepare a paper putting forward the proposals which I wanted...that I had to do it myself." (The civil servant was soon afterwards moved to a different department). (39)

There is convincing evidence to suggest that departments do take a 'house' view on important issues which affect them. Memoirs, from the Crossman diaries to the numerous accounts of ministers under Mrs Thatcher, have provided many such insights. Some may argue that such a continuity of view within departments displays the essential strength of the British system of government. That is, that the machinery allows a strong minded minister the opportunity to make reforms (ie to override the departmental view), but on the other hand can cope equally well with a minister who does not have any clear sense of policy direction.



It is perhaps naive to assume that governments should have policies and be prepared to govern. However, a system of government which makes it easier for even the most politically timid minister to administer change should be aimed at.

As Patrick Jenkin pointed out in his evidence to the sub-committee, that there should have been a continuity of view taken within departments during the years of political consensus is hardly surprising. It would, however, be worrying for the democratic process if the departmental view were to override the aims of the government of the day. A reform in the way in which departments are organised, and in the channels of advice open to ministers, is long overdue. There must be a better system than that which relies on political will of ministers to force through change. For, in the words of Lord Callaghan: "You cannot expect all of your ministers to be first class!"(40)

Departmental re-organisation

In 1984 the Adam Smith Institute published a detailed examination of the functions of government. The Omega File contained a series of reports which looked closely at the workings of the main departments of state. Among the proposals made were a number which would lead to major departmental reorganisation. Many of the report's proposals have since been adopted.(41) One report called for the creation of a Department of Enterprise.(42) Lord Young's newly relaunched DTI has moved in this direction and the department is now known as 'DTI - the department for enterprise'.

The publication of the Efficiency Unit's report has awakened interest in the whole question of Whitehall reform. The inter-departmental reviews which are now taking place to consider which of a department's functions can be carried out by 'agencies', provide an opportunity for a thorough review of the organisation of departments.

#### i) Ministry of Agriculture, Fisheries and Food (MAFF)

The Department was first set up, as the Board of Agriculture, by Lord Salisbury in 1889 following a collapse in agricultural prices. Throughout the twentieth century MAFF has increased its role in Britain's agricultural life. Unlike other departments many programmes within MAFF are not constrained by cash limits, and so government spending is the prisoner of subsidy formulae.

Since 1973 the department has primarily been concerned with administering Britain's contribution to the European Community's Common Agricultural Policy (CAP) - over 50% of MAFF's budget goes towards EC related expenditure. The case against CAP has convincingly been made by a number of academics and agricultural experts (43). CAP is aimed at assisting farmers' incomes by raising their revenue through prices supported by intervention buying, import levies and export subsidies at levels considerably above world market prices. Such support is indiscriminate and tends to be of benefit to larger efficient farmers and not to



smaller farms.

ii) Office of Arts and Libraries

Much of MAFF's non-CAP agricultural budget goes towards price support of potatoes and wool, as well as on capital grants towards various structural measures, such as schemes designed to promote alternative land use and the rural economy and grants towards building renovation or improving farming methods. The 1986 Agriculture Act, for example, provides for the designation of Environmentally Sensitive Areas (ESAs) in which farmers receive payments in return for adopting methods of farming which are not efficient but which, in the view of the Ministry, will do least harm to the environment.

MAFF is also concerned with fishing policy and financial assistance to the fishing industry. The Forestry Commission falls within the Ministry's ambit.

To many observers it might seem strange to have a Minister for Agriculture. Why not a Minister for Car Manufacturing or Brewing? Government does not offer price support to car manufacturers - so why for agriculture? To many critics the answer lies within MAFF itself. The cosy relationship between the National Farmers Union (NFU) and MAFF, exemplified by the department's reliance upon the NFU for membership of over fifty agricultural advisory committees, has led to a situation of 'producer capture' of a department of state. MAFF's interests have increasingly come to reflect those of the NFU.

There is no real case for a separate Ministry of Agriculture. MAFF does perform a number of valuable tasks. The public health functions, such as the anti-brucellosis immunisation programme and other schemes are valuable. However, there is no reason why such initiatives could not continue in another department. Once MAFF has been reduced to these minimum functions (including R&D) it should be merged with the new Department of Enterprise (see below).

The educational aspects would be much better carried out in the Department of Education. The Forestry Commission should be privatized, non-CAP price support should be scrapped and MAFF's CAP commitment's should be transferred to the new Foreign and European Office (see below) which would undertake to seek real reforms of the Community's budget - unencumbered from MAFF's "hand in glove" relationship with farming vested interests. The various schemes, such as the ESAs, which seek to subsidise inefficiency should be scrapped. However, in the short term there is a case for transferring some of these 'green' schemes to the Department of the Environment. The withdrawal of subsidies should be done in a sensitive manner and there would be a strong case for compensation. For, as the Omega Agriculture Report conceded, "when long-standing expectations are dashed by the government...the people who have suffered by the change in policy have some moral right of redress."

Recruitment Scheme should be ended. There is no reason why the government could not still run schemes such as Jobstart, Restart and the Community Programme in



Partnership with the private sector and the Benefit Offices.

ii) Office of Arts and Libraries

At present the Department of Employment operates the Benefit  
36% of central government spending on the Arts goes to the Arts  
Council. In a recent report Douglas Mason has made a convincing  
case for the ending of state subsidy to the Arts.(44)

iii) Department of Education and Science (DES)

The Employment Department's programmes concerning small firms.  
The DES should be split up. Responsibility for science policy  
should be held by one department. At present, various departments  
play a role - this leads to confusion, inefficiencies in the  
allocation of resources and a lack of a coherent policy approach.  
In 1988-89 the Science Budget within the DES will be £699  
million, which represents less than 4% of the total DES budget.  
The Ministry of Agriculture, the Department of Trade and  
Industry, the Department of Energy, the Department of Health and  
Social Security and others also maintain research budgets. It  
would be a sensible move to merge all such budgets into one  
department.

in answer to the deepening energy crisis. Since 1979  
it has year by year seen more and more of its functions  
Some commentators have called for the creation of a new Science  
and Technology Department. Such a move would have the effect of  
institutionalising science and research in the public sector and  
as such would run contrary to the government's often declared  
intention of reducing the role of government. The Science budget  
should be transferred to the new Department of Enterprise.  
Enterprise and at the same time announce a timetable for the  
Similarly, the DES should be given responsibility for all  
educational programmes - such as those presently operated by the  
Ministry of Agriculture.

It may be tempting to transfer responsibility for the  
government's employment training schemes and the Careers Service  
to the Education department. The Manpower Services Commission  
(soon to renamed the Training Commission) duplicates many of the  
DES's functions. The DTI's Technical and Vocational Education  
Initiative (TVEI) is another example of duplication. However,  
there are powerful reasons which suggest that education and  
training should not be merged. If school leavers after 11 years  
at school, are unfit for work, and in need of further training by  
the state, then clearly there is something wrong with the  
educational system. It would be strange to allow those who have  
been responsible for this failure to be given control of after  
school training. Training most naturally falls within the ambit  
of the Department of Enterprise.

iv) Department of Employment

also be privatized at the first  
opportunity. Most of the rest of the DOEs responsibilities should  
The Department of Employment should be abolished. As the Omega  
Employment report suggested the Jobcentres should be closed,  
leaving private employment agencies to fill the gap. Similarly  
the Professional and Executive Recruitment Scheme should be  
ended. There is no reason why the government could not still run  
schemes such as Jobstart, Restart and the Community Programme in



partnership with the private sector and the Benefit Offices, and a healthy environment recognised. The ministry should not aim to At present the Department of Employment operates the Benefit Offices as an agent of the Department of Health and Social Security. All transfer payment functions of government should be concentrated within one department. A new Department of Social Security should be set up.

The Employment Department's programmes concerning small firms, tourism and various other initiatives aimed at helping or creating enterprise should be transferred to the Department of Enterprise. Responsibility for the government's employment training schemes and the Careers Service should also be transferred to the Department of Enterprise.

v) Department of Energy

Along with MAFF the Department of Energy is a prime candidate for abolition. It was created during the final days of the Heath government in answer to the deepening energy crisis. Since 1979 it has year by year seen more and more of its functions privatized. It now has two Nationalized Industries under its control - electricity and coal. On February 25th 1988 the Secretary of State for Energy, Rt Hon Cecil Parkinson MP, announced government plans to privatize the Electricity industry. Once Electricity is in private ownership the government should merge the remains of the Energy department with the Department of Enterprise and at the same time announce a timetable for the privatization of British Coal.

vi) Department of the Environment (DOE)

The Department of the Environment is a massive monolithic organisation. Created in the early seventies, it is responsible for housing, local government, planning, sport, the water industry, environmental protection, royal parks and palaces, new towns, inner city policies, construction and much else. It should be re-organised and split into two, with many of its functions transferred to other departments and to the private sector.

The Department of the Environment should be refashioned as a primarily 'Green' ministry concerned with the condition of the countryside and other 'environmental' issues. Local government, housing and the urban programme should be separated and run as a new Department of Local Services. The Water Industry is scheduled for privatization and should remain in the Department of the Environment until its return to the private sector. The Property Services Agency should also be privatized at the first opportunity. Most of the rest of the DOE's responsibilities should be passed onto the new 'green' Environment Department.

The case for a 'green policy' has been well argued by, amongst others, Andrew Sullivan.(45) The new 'green' ministry should have a more enlightened attitude than its predecessor department. Rights of property ownership should figure much more greatly in



any planning decisions and the link between a healthy economy and a healthy environment recognised. The ministry should not aim to preserve an idealised view of country life or to lay down rigid planning rules preventing building on derelict land inside green belts or national parks.(46) Planning control should be taken out of the hands of local government, where decisions can be made for local political reasons rather than for sound environmental reasons.

vii) Foreign and Commonwealth Office (FCO)

"I think your woman's gone crazy. Please God she'll never be Prime Minister."

According to one former minister "Mrs Thatcher is the sort of Prime Minister whom the Foreign Office think that the gods have sent to try them."(47) The quotation above allegedly comes from a senior civil servant in the FCO upon reading a speech given by Mrs Thatcher to mark the first anniversary of the signing of the Helsinki Agreement. In the speech she attacked the policy of detente and the Soviet system in general.(48)

Mrs Thatcher's dislike of many of the attitudes of the Foreign Office is well known. Yet, she has done little to seek alternative policy advice and has, on a number of important issues, been persuaded to follow the Foreign Office 'line'. The most spectacular example of this occurred within Mrs Thatcher's first year as Prime Minister when, according to Lord Bruce-Gardyne, she "was effectively outvoted by the Foreign Office" over the Rhodesia/Zimbabwe agreement.(49) The Foreign Office was confident that Joshua Nkomo would win the direct elections. In fact he was resoundingly defeated and the victor, Robert Mugabe, has since torn up the 'Lancaster House' constitution. It should be recognised that the Foreign and Commonwealth Office is a very well run part of government and that Britain's diplomats are of the highest quality. The FCO is responsible for communications between Britain and foreign governments and international organisations. It maintains over 200 overseas missions and is deeply involved in commercial, economic and cultural work throughout the world. There can be no doubting the expertise available to government within the Foreign Office.

The FCO is concerned with the continuity of Britain's foreign policies. There seems to be a departmental view that only FCO officials can have the necessary experience and knowledge to make foreign policy decisions. FCO officials become experts in particular geographical and political areas. However, this can lead to an identification with a particular area and with a particular country's point of view. In this way the collective 'Foreign Office' view, which is offered to ministers and the Cabinet, can come to reflect the views of foreign governments and leads to a situation where, instead of representing the views of Britain abroad, the FCO is representing the views of foreign governments to the British Cabinet. By controlling the flow of



information and interpretation available to ministers the FCO can control policy.

The expertise of the Foreign Office is not in doubt. Yet, in seeking continuity in Britain's foreign policy, the FCO has led to the creation of a 'passive' policy in which Britain responds to other country's initiatives and actions, rather than portraying its own views to the rest of the world. Britain needs to adopt a coherent political foreign policy representing British interests and beliefs to the outside world. The stranglehold on information and analysis of the FCO must be broken if politicians are to live up to their constitutional role of making foreign policy decisions.

Civil Servants within the Foreign and Commonwealth Office should cease to be the sole source of foreign policy advice. A new body should be set up, with access to intelligence from the security services and from diplomatic sources. Its brief should be to develop alternative foreign policy advice for ministers, in tune with the government's general ideological and policy objectives. It need not be a full department of state like the US's National Security Council, instead it could take the form of an expanded 'cabinet' along the lines proposed in the next chapter.

Mrs Thatcher has in the past been reported to be suspicious of a whole range of Foreign Office views - from its alleged pro-Arab attitudes, which were recently re-inforced by a junior Foreign Office minister's trip to Israel, to its stance on the EC. The new source of foreign policy advice would be able to offer other explanations of the world's problems. Too often in the past the FCO has seemed out of tune with the modern world. For example, it has totally failed to take account of the 'Reagan Doctrine' of aggressive intervention to prevent Communist tyranny. The failure of the leaders of the 'Contra' movement in Nicaragua or the MNR-RENAMO resistance in Mozambique to gain a hearing in this country can, in large part, be seen as a failure of the Foreign Office. The government would in no way be tied into accepting the new body's advice - it could reject it in favour of the Foreign Office position. However, competition between the two bodies would lead to a better foreign policy, more in tune with the political climate of the day. It would help to return foreign policy to the politicians.

Britain's lack of an active political foreign policy has led to a situation where British foreign policy has been slow to react to a changing world. The Foreign Office should be renamed the Foreign and European Office - reflecting Britain's changed world role. The Commonwealth countries are increasingly distant to British objectives and there is no reason for our continuing link. The important, but largely, ceremonial role of the Monarch in the affairs of the other Commonwealth nations, should not be used as a reason for keeping this link with the past in the Foreign Office's title. Britain's future would seem to lie in Europe and our commitment to that future would be well expressed by such a move. At the same time the European functions of MAFF



(see above) should be moved to the Foreign Office.

The abandonment of the word Commonwealth from the title of the Foreign Office would not necessarily signal Britain's withdrawal from the Commonwealth. The creation of the Foreign and European Office would be welcomed by our European partners and would indicate Britain's commitment to Europe. Foreign Office Ministers would be able to speak with greater authority (benefiting from the alternate source of policy advice) and Britain should be better placed to pursue its interests.

viii) Department of Health and Social Security (DHSS)

The Department of Health and Social Security was created in 1968, largely to satisfy the ego of a difficult senior Labour Party minister. There is no logical reason, other than socialist nostalgia for the creation of the Welfare State, why the administration of the National Health Service should be undertaken by the same department as that which oversees the Social Security system.

As was suggested in paragraph (iv) the Social Security functions of the DHSS should be joined together with the Department of Employment to form a new Department of Social Security. The rest of the DHSS would remain as the Department of Health - charged with the politically sensitive task of administering the forthcoming health service reforms.

ix) Department of Trade and Industry (DTI)

The Department of Trade and Industry has two Cabinet ranking ministers and yet has a surprisingly small departmental brief. The DTI has recently undergone a major relaunch. In October 1987 Lord Young, the Secretary of State for Trade and Industry, published a new set of objectives for the department which emphasised the need for open, competitive markets. In January, a White Paper was published detailing the department's new approach and the Enterprise Initiative, which aims to give specialist help to small firms was launched. The department's 'industry' divisions are to be replaced by 'market' divisions. The department has been rechristened DTI - the department for enterprise.

Critics have dismissed the re-organisation as a public relations move. However, behind the glossy leaflets and expensive advertising campaign, real change is proposed. Regional development grants are to be scrapped in favour of a more selective approach; the process of monopoly and merger decisions will be speeded up and government policy on support for research and development is to be overhauled. The White Paper is a curious mix of the free market and the interventionist - it remains to be seen just how radical a change Lord Young has embarked upon.

The DTI is still responsible for a number of major nationalised industries: the Post Office, British Steel Corporation, British



Shipbuilders, and the British Technology Group. All of these industries ought to be sold to the private sector. Earlier in this report it was suggested that British Coal should be transferred from the Department of Energy. The Department of Trade and Industry should take on a role as the department for privatization and a timetable for the sale of the rest of the state owned industries announced.

Similarly it was recommended that the remaining functions of the Ministry of Agriculture, Fisheries and Food (see above) and the rest of the Energy Department's responsibilities should be transferred to the DTI. The report has also called for responsibility for the government's expenditure on science to be removed from the DES to the Department of Trade and Industry.

The DTI should also have responsibility for the government's employment training schemes. In an enterprise economy the government's training efforts would seem to be best administered from the Enterprise department. The DTI should also take responsibility for the Department of Employment's programmes concerned with small firms and tourism.

The proposals in this report will lead to a major shift in government responsibilities toward the DTI. The proposal to make the DTI responsible for privatization calls for only a short term increase in the Department's workload. The report supports Lord Young's announced intention to make the DTI the Department for Enterprise. The department is to have a new ethos of practical help rather than financial aid. Lord Young says that the DTI's role is that of "a catalyst and an influence on industry and commerce" (50) If the DTI does have a new role to play in a government committed to enterprise then it should be officially re-named the Department for Enterprise.

x) Department of Transport

Transport has been at the forefront of the government's privatization and de-regulation programme. Many of the Transport department's responsibilities, such as National Freight, Sealink British Airways and the British Airports Authority (BAA) have already been returned to the private sector. Others, such as the National Bus Company, are in the process of privatization. British Rail and London Regional Transport should be added to the privatization agenda and transferred to the Department of Enterprise. All other non-road functions of the Department should similarly be transferred. Further consideration should be given to the contracting-out of driving tests in a way similar to the testing of private pilots.

In 1983 Omega Transport Policy recommended the setting up of a National Highway Trust (NHT). The NHT would have responsibility for the maintenance of all existing or new roads and would act as planning body for all new roads. Its primary function would be to oversee the introduction of a pricing system. The Omega report suggested that an electronic vehicle metering system and a road



use pricing policy should be introduced. In the short term control of the nation's road network should be transferred to the Department of Local Services - prior to an experiment with road pricing.

The Department of Local Services should also take over responsibility for any local transport revenue support or concessionary fare schemes. The Department of Transport should be abolished.

According to Sir Humphrey Appleby in TV's Yes Prime Minister "it is important to put political advisors in rooms as far away as possible." (51) The Civil Service attempts to 'control' ministers.

#### Summary of proposals

The proposals above are aimed at producing a smaller, more cohesive system of government. They are a broad outline, rather than a detailed blueprint for reform. The proposals would lead to the abolition of four departments - the Departments of Agriculture, Energy, Transport and Employment. A new Social Security Department would be created out of the DHSS and the Department of Health would be left to oversee the administration of the National Health Service. The Department of the Environment would be split and a new Department of Local Services created. There would be a reduction in the size of the Cabinet by two.

A new source of foreign policy advice will be created - providing a second opinion in the formulation of foreign policy. The Science budget will be brought under the control of one department. The Department of Trade and Industry will be renamed the Department for Enterprise and some of the remaining functions of the Departments of Energy, Agriculture, Employment and Transport will be transferred to it. The Department of Enterprise will also include privatization in its remit.

The ideas above are aimed at producing a better run and more rational system of government. The proposals which follow are designed to regain political control of departments for the politicians.

Over the last decade they...have become an accepted feature of administration". (52)

The most striking innovation in the field of outside advice has taken place within 10 Downing Street. Harold Wilson appointed a number of political sympathisers to act as advisors to him as Prime Minister. The CPRS was set up by Heath in order to provide advice to the whole government. The 1974-79 Labour government continued with the CPRS and developed a Number 10 Policy Unit - dubbed the 'Kitchen Cabinet'. Mrs Thatcher has continued the Downing Street Policy Unit. Once again, this experience has had mixed results.

Sir John Hoskyns was head of the Policy Unit in Downing Street from 1979. He left somewhat depressed at the inability of the system to speed up the pace of change. Since his early experience in government, Sir John has become the Director General of the Institute of Directors. In his new post he has devoted time to



#### 4. FREEING WHITEHALL

le reforms of the Whitehall machine. He assembled a team of experts in administration who have devised a series of schemes to improve policy management in government. At the centre of the Hoskyns proposals lies the creation of a system of ministerial policy units based upon the French system of 'cabinets'.

##### Ministerial cabinets

##### Breaking the monopoly

The French system of ministerial cabinets separates the policy

According to Sir Humphrey Appleby in TV's Yes Prime Minister "it is important to put political advisors in rooms as far away as possible from the Prime Minister. Influence diminishes with distance."(51) The Civil Service attempts to 'control' ministers by isolating them from alternative policy advice. This is done through a variety of methods, some are overt whilst others are more subtle.

The department's administration. There is a strict dividing line between administration and policy formation. The

The Efficiency Unit report, The Next Steps, offers government an opportunity. A move towards de-centralised agencies will leave a small core of civil servants in Whitehall. Ministers should take advantage of such a change and introduce a system which enhances ministerial control of departments and creates a new class of policy advisor.

The minister's cabinet is largely comprised of men and women of

the minister's choosing. Often, but not always, they will come Since the 1960s governments have begun to recongnise a need to bring into government 'outsiders' to advise ministers. A number of ministers have invited prominent academics, journalists, businessmen and others to enter a department with them and to act as special advisors. These people enter government on the understanding that as soon as their political master moves on, they too will leave. They become temporary civil servants. As with all such experiences, some have left after their time in a department disillusioned, frustrated at their inability to force ideas through a jungle of bureaucracy. Other special advisors have found the experience more to their liking. According to the findings of the Treasury and Civil Service sub-committee of 1986 "over the last decade they...have become an accepted feature of administration".(52)

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considering possible reforms of the Whitehall machine. He assembled a team of experts in administration who have devised a series of schemes to improve policy management in government. At the centre of the Hoskyns proposals lies the creation of a system of ministerial policy units based upon the French system of 'cabinets'.

#### Ministerial cabinets

The French system of ministerial cabinets separates the policy formation and planning aspects of the Civil Service from the administration side of a department. In a sense the 'cabinet' is similar to the private office which serves British ministers - however, it has a larger staff and a more political role. The 'cabinet' handles the political activities of the minister, helps the minister make policy decisions and keep an eye on the workings of the department's administration. There is a strict dividing line between administration and policy formation. The 'cabinet' is staffed largely by civil servants chosen by the minister. The Commission of the European Community has a similar system of 'cabinets'.(53)

There are a number of advantages of the French 'cabinet' system. Firstly, the 'cabinet' is largely comprised of men and women of the minister's choosing. Often, but not always, they will come from within the Civil Service. (The definition of 'Civil Service' in France is somewhat broader than in England - for example, University teachers are classified as civil servants). However, the fact that a minister appoints them often means that their loyalty is to him rather than to the department. Secondly, the political advice that a minister receives is separate from administrative matters. Thirdly, civil servants appointed to the 'cabinet' are generally at least sympathetic to the policy aims of the minister and his party.

The French system could not be grafted onto the British system. Britain's Civil Service has a number of distinct differences. There is not, for example, a clear division between policy and administration or a tradition of political alignment of civil servants. However, an adaptation of the 'cabinet' system could prove to be a useful innovation in Britain.

#### A British 'cabinet' system

The Institute of Directors study group proposed that the existing ministerial private office should be replaced by a new enhanced Private Office.(54) This new office would blend the functions of a traditional private office. It would be staffed by political appointees to help ministers with constituency and party work and experts, either from within or outside the Civil Service, to advise the minister on key problems high on the departmental agenda. These experts need not be politically sympathetic. The Executive Office would be backed up by a staff of analysts capable of policy research and development on long-term issues, who had close links with outside research bodies. The IOD also



foresaw the need for wider political advice to be available to ministers on subjects which reach Cabinet or Cabinet committees. The IOD proposals have received broad support from a number of sources - including a working group of the Royal Institute of Public Administration, members of the Association of First Division Civil Servants and the House of Commons Treasury and Civil Service sub-committee. There would seem to be a consensus that a 'cabinet' system would, in the words of former Cabinet Secretary Sir Robert Armstrong, "could be made to work". (55)

A move towards an enhanced Private Office, as suggested by the Institute of Directors, would be an important step towards improving ministerial control over policy. The path towards such a system will not be easy. The Civil Service will naturally want to dominate the new structure. Questions of the political inclinations of civil servants will come to the fore. The arguments about a politicised Civil Service, which will inevitably follow any move in this direction, need to be considered.

In recent years there has been considerable debate about the appointment of top civil servants. The House of Commons Treasury and Civil Service sub-committee concluded in 1986 that "we have received no convincing evidence that the British Civil Service is being or has been politicized." The Committee went on to say that "Ministers should be able to play an active role in selecting the key officials who are going to work with them in planning and implementing their policies." (56) In order to make any move towards a 'cabinet' system work, politicians and civil servants will have to come to terms with the fact that appointments will be made partially on the basis of political allegiance. This may well cause problems in the short term, since civil servants who have served a particular minister may not be welcomed by an incoming administration of a different political hue. Such problems are not insurmountable. It ought to be possible to devise a system which would re-assimilate officials into other posts.

#### Advantages of reform

The theme of this report has been the failure of ministers to achieve policy objectives. All of the blame for this cannot be placed on the Civil Service. However, a system which would allow ministers greater freedom to make policy decisions and more access to necessary information would be of major significance.

A system similar to the cabinets of France and the European Commission should be introduced. An expanded ministerial private office, perhaps called a Minister's Policy Unit or Executive Office, would enable ministers to take greater control of policy. The Minister's Policy Unit's staff should be made up of about six or eight people and should comprise mostly of 'outsiders' committed to the government's policies. These 'outsiders' would bring experience from the worlds of business, academia, the policy 'think tanks' and research organisations and elsewhere.



The Unit should also include a Minister's Parliamentary Private Secretary, to act as a link with colleagues in the House of Commons, and representatives of the Department.

The Policy Unit should receive and consider the policy advice originating from within the department, as well as having access to its own research facilities. One member of the unit will be responsible for looking after the minister's relationship with his party and constituency work. The Unit will be appointed by the Minister and it will be up to each minister to decide upon the precise structure. However, if they are to be most effective, the policy units should contain a majority of non career civil servants. Those civil servants who are appointed to the Unit may or may not be chosen because of their political convictions. A minister may well believe that the tradition of impartial policy advice should be represented in the Unit.

Once a system of ministerial Policy Units was established, Unit members would be able to meet with their colleagues from other departments free from the usual departmental rivalry. If the units work well they will be able to fill a perceived gap in government strategic thinking. The infusion of 'outsiders' into Whitehall will also increase the links between the government machine and the real world and could lead to a greater (two-way) interchange between the public and private sectors.

The IOD report recommended that all Cabinet ministers, who head departments and some senior Ministers of State should have a policy unit. Where Departments, such as the Department of Trade and Industry, have two Cabinet ministers the report recommended that "it would be appropriate for each to have a 'cabinet' but these would not need to be accompanied by a third set of advisers for their junior colleagues".(57) The IOD believed that if their approach was adopted some twenty Cabinet ministers and thirty other ministers would be supported by ministerial Policy Units. The Association of First Division Civil Servants has estimated that such a system (assuming that Cabinet members' Policy Units were staffed by eight people and that those of other ministers were staffed by six) would lead to additional salary costs of about £7 million. Such costs are modest and are worth bearing if they lead to improved policy making.

#### Taking the horse to water

The creation of Minister's Policy Units will not guarantee better government. It will be up to politicians to make use of them. Some will not, at first, see that any benefit will be gained. A number of former ministers have expressed little warmth for the idea. Patrick Jenkin told the House of Commons Treasury and Civil Service Sub-committee that he did not believe the British system of government lent itself to the "institution of ministerial cabinets".(58) Michael Heseltine, a former advocate of a 'cabinet' system, preferred to rely upon his ministerial team for political support and advice.(59) For the system to work it will need to have ministerial backing. There would be little point in



setting up an experimental system in departments where ministers are apathetic or hostile. Ministers do not know that advice being offered is the same advice that was rejected by a previous

An experiment should take place. The case for alternative sources of policy analysis and for 'new blood' inside the Whitehall machine is strong. Ministers will miss an important opportunity to exert greater control unless advantage is taken of the apparent consensus in favour of a system of 'cabinets'.

#### Assessment of Civil Servants

As the authors of The Next Steps recognised, government is unlike business in that there are no real or effective methods of measuring success. In business if a firm is unsuccessful it will be reflected in the balance sheet. When bureaucracies are unsuccessful there is no profit and loss account upon which it can show. Unlike unsuccessful businesses, failing bureaucracies are still invested in by 'conscripted' taxpayers.

In the USA the 1979 Civil Service Reform Act introduced a performance appraisal system. For the first time American state employees could be sacked if they failed to meet laid down performance targets. These standards are agreed between managers, employer and employee on a yearly basis. At the end of each twelve month period civil servants are required to face performance review boards, which assess their standards of work and efficiency during the year. If an employee gets two unsuccessful ratings in a row, he is subject to dismissal.

Such a system is long overdue in this country - especially amongst the top ranks of the Civil Service. Standards ought to be set and civil servants judged according to their ability to meet them.

#### Freeing information.

There is a convention within Whitehall which restricts the access of ministers of one government to papers prepared for their predecessor administration. Although the Civil Service give the impression that the convention is a valuable tradition there is evidence to suggest that this convention is relatively new. In written evidence to the House of Commons Treasury and Civil Service Sub-committee, Dr Geoffrey Fry wrote that there was evidence that the convention may only date back to the early 1950s when the Conservatives came to power "armed with slogans about the evils of bureaucracy, and the leading civil servants may have felt that their precise relationship with the Attlee Government needed to be protected." (60) In his evidence to the committee, Sir John Hoskyns was forthright in his criticism of the convention. He wrote: "I have always found the convention limiting ministerial access to papers of previous administrations extraordinary...The papers concerned are about policy, not about party-political manoeuvring."(61)



The convention serves no purpose. It can be used by the Civil Service to ensure that ministers do not know that advice being offered is the same advice that was rejected by a previous minister. Ministers are put at a disadvantage. They know that if they ask for a paper to be prepared that much of it will be based on another report prepared for a previous government - yet ministers are not able to see the original. It is a crazy situation. Ministers should exert their right to know.

Since 1979 there has been a fundamental change in the functions of government. Mrs Thatcher's policies of privatization are only the most obvious signs of reform. The climate has shifted from one of failure and subsidy to success and enterprise. Yet, the machinery of government has not kept pace with these major changes, its form has not realigned itself to take account of its altered role. Britain is operating on the edge of the last decade of the Twentieth Century with a government structure still appropriate to the 1960s. The time for an adjustment is long overdue. Government itself must be brought into line with the changes which have already been made to its function. Now it is the structure and the form which must change.

The government's failure to reform Whitehall has been a major factor in its inability to reduce the burden of public spending on the taxpayer. In spite of nine years of 'Thatcherism' the state still spends over 40% of Britain's GDP. For a government elected upon a rhetoric of rolling back the frontiers of the state such a situation should not be tolerated. This report has identified some of the major problems which the government has encountered in its attempts to curb public expenditure and has pointed to measures that should be taken in order to turn the rhetoric of 1979 into a reality in the 1990s.

The government has adopted a policy based upon managerial initiatives to improve efficiency in government. Schemes, such as the Financial Management Initiative, have proved to be fairly successful yet have only saved the taxpayer around £325 million per year. The government's acceptance of many of the findings of the recent Efficiency Unit report The Next Steps may prove to be a further step along the managerial path. It is disappointing that there has been a reluctance to see the proposed agency structure as an opportunity for a radical shift of government functions to the private sector. Efficiency strategies will not by themselves bring about a reduction in the role of government. Managerialism will help to create a more efficient and, therefore, more powerful machine unless it is used as a tool to critically examine the role and functions of government. A Conservative government should not be in the business of increasing the role of the state in the everyday lives of ordinary people.

Perhaps Mrs Thatcher has been wary of administrative reform. Because of the failure of past initiatives, in particular that of her Conservative predecessor Edward Heath. The Reform of Central Government White Paper of 1970 more than matched the present government in its use of radical language. The White Paper



## 5. CONCLUSION

product of this review will be less government, and better government carried out by fewer people. Less government, because its activities will be...aimed at liberating private initiative and placing more responsibility on the individual and less on the state. It will be better government, because the tasks to be done will be better defined and fewer in number, requiring fewer Ministers and fewer civil servants to carry them out". (62) Mrs Thatcher's government has shown itself more than Since 1979 there has been a fundamental change in the functions of government. Mrs Thatcher's policies of privatization are only the most obvious signs of reform. The climate has shifted from one of failure and subsidy to success and enterprise. Yet, the machinery of government has not kept pace with these major changes. Its form has not realigned itself to take account of its altered role. Britain is operating on the edge of the last decade of the Twentieth Century with a government structure still appropriate to the 1960s. The time for an adjustment is long overdue. Government itself must be brought into line with the changes which have already been made to its function. Now it is the structure and the form which must change.

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2. The Ministry of Agriculture, Food and Fisheries should be abolished. Some of its functions should be transferred to the new Department of Enterprise, whilst Britain's contribution to the CAP should be under the control of the new Foreign and European Office. Many schemes, such as the Environmentally Sensitive Area scheme, at present funded by MAFF should cease, and control of any remaining 'green' policies should be transferred to the Department of the Environment.

3. The government's Science budget should be concentrated in one department - the most obvious candidate is the Department of Enterprise.

4. The Department of Employment should be abolished. Responsibility for the government's employment training schemes should be taken on by the Department of Enterprise.

5. The Department of Energy should be abolished after the privatization of the Electricity industry. All of its remaining functions should be transferred to the Department of Enterprise. A timetable for the privatization of British Coal should be announced.

6. The Department of the Environment should be split into two. Local government, the urban programme and housing should be separated and form a new Department of Local Services. The remainder should form a new 'green' Department of the Environment.

7. Planning controls should be taken out of the hands of local government.

8. The Foreign and Commonwealth Office should be re-named the Foreign and European Office as a reflection of Britain's commitment to its changed world position.

9. An alternative source of foreign policy advice should be established which would help to establish a more active and coherent foreign policy.

10. The Department of Health and Social Security should be split into two.



## 6. RECOMMENDATIONS

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12. It is proposed that the Department of Trade and Industry will take on the role of department for privatization.

13. The DTI should be officially re-named the Department of Enterprise.  
1. Following the government's acceptance of the recent Efficiency Unit report's recommendation that departments should examine which of their functions could be carried out by agencies, a thorough inter-departmental review should be conducted of all responsibilities carried out by government.

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14. The Department of Transport should be abolished with control of its nationalised industries going to the Department of Enterprise.

15. Responsibility for Roads and local transport subsidies should pass to the Department of Local Services.

16. An experiment in road pricing should be carried out.

17. A system similar to the French ministerial cabinets should be introduced. This would give ministers access to alternative policy advice and make policy making easier.

18. An experimental scheme to implement this should be introduced immediately.

19. Civil Servants should be subject to regular performance reviews.

20. The convention which restricts access of ministers of one administration to papers prepared for their predecessors hinders ministerial control of departments and should be scrapped.

11. Michael Heseltine, Where there's a will, Hutchinson 1987, Pages 16-19

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