

Mr Gow,

STATE AID

The attached note was written as a piece of private enterprise on my part. I then submitted it to the Chancellor for advice - whether to tear it up or to discuss it privately with one or two people.

The Chancellor has authorised the latter course, and invites me to send copies to Treasury Ministers and Special Advisers, and to Messrs Ian Stewart, Tony Newton, John Hoskyns and Ian Gow.

I think the Chancellor may envisage a wider circulation later. But for the time being this is only a first draft; it will benefit from criticism. If I may, I will seek audience with you.



P J CROPPER
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STATE AID FOR POLITICAL PARTIES

(A note drafted before reading the recent Hansard Society report)

In his recent memorandum on "Strategy", Lord Thorneycroft discusses the constitutional themes that may feature in the next General Election campaign. He particularly mentions "Proportional Representation", asserting that the Conservative Party is against it. He omits any mention of "State Aid for Political Parties". Although this issue may not bulk large in popular debate, it is in my submission a matter of the utmost importance for the future of the Conservative Party and, indeed, for the country.

2. I am aware that the idea raises strong emotions, and that it is anathema to many in the Party. I do not particularly welcome it myself. I can see a number of dangers lurking in the idea. But given the stark choice between accepting State Aid and falling down on its job, I think the Conservative Party should accept State Aid.

3. In the following note, I say a number of things which might be taken as critical, even impertinent, about our present organisation. I hope readers will accept that it is written in a spirit of basic loyalty and affection. It is thirty years this September that I first sat down at my desk in 24 Old Queen Street; one cannot work in and about an organisation like CRD over that span of years (albeit interrupted in the middle) without developing a strong attachment to it. However, it is no good pretending that during the 1975-79 period I did not develop a conviction that something was very wrong with the Party organisation; nor is it any good denying that my recent experience at the Treasury has not redoubled that concern.

4. I will amplify my argument later in these notes. Meanwhile if I may summarise the conclusion, it is that:

- i) the Party is falling down on its job because of shortage of finance;
- ii) ? the Party is not likely to expand its income to ?
? the necessary level from traditional sources; ?

- P iii) for better or for worse, State Aid is the only P
solution;
- ? iv) the Conservative Party should include proposals ?
in its next Manifesto.

The Functions of a Party Central Organisation

5. The functions of a party central organisation in the British system of government are:

- (i) To provide co-ordination, support services and guidance for the party organisation in the country.
- (ii) To assist the party leadership in formulation of policy, and (to an increasing extent) in its implementation.
- (iii) To keep telling the country what the party has done, what it stands for and what it is going to do.

6. In this note I want to concentrate on items (ii) and (iii). These are the functions mainly undertaken in the past by the Research Department, where my experience lies.

The Problem

7. When the disappointments of this administration come to be looked at later on, I believe they will be found to lie mainly in policy development and implementation. The broad philosophy of the Government is clear and consistent. The electors knew what the Conservative leadership stood for in May 1979, the electorate gave the Party a clear mandate to go ahead, and the Party has stuck to its prospectus.

8. However, the overall impression given by the Government has not been one of self confidence or efficiency. Things have happened too slowly and the Government finds itself half way through its term with most of its major tasks barely begun. I believe that the historian will say that this has happened because:

- (i) the broad policies were thought out in the period 1975-79,

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but detailed implementation was left to be sorted out "on the day". Public expenditure control, indexed pensions, local government finance, public sector pay all spring to mind.

- (ii) even in office, detailed policy proposals have sometimes been incompletely thought out before publication - eg ESSP, Start-Ups, Taxation and Fringe Benefits, Local Government finance.
- (iii) public presentation of government policies and proposals has often been so muted as to be barely audible.

The government has, in short, often seemed to be indifferent to the impression it has created - not minding whether people thought it was efficient or not. All these faults, if they are admitted, can be argued to stem from the paucity of political resources at the disposal of the Shadow Cabinet and then the Cabinet.

1975-79

9. In the period of Opposition 1975-79, the Research Department was kept continuously at General Election pitch. Its resources were devoted almost entirely to writing propaganda material (mostly a fairly crude variety) and to dealing with mountains of individually trivial items of correspondence from MPs and the public. The result was gross neglect of long range detailed planning for the time when the Party would be in office. In my own field the various ad hoc voluntary policy groups helped to create the broad policy on taxation and wider ownership, but they could not be expected to work out detailed blue-prints for implementation. Nor did they. The only serious work was done by Lord Cockfield in the final few months, and that was done under a cloak of intense secrecy. One suspects that the same was true in matters of monetary policy, expenditure control, local government and social security reform.

10. The fact is that the desk officer category in the Research Department were being employed on the wrong jobs and the policy work they ought to have been doing largely went by default. During that

phase we needed a far stronger and better organised team of copy writers, correspondence officers, reference librarians etc, both in the Research Department and at Central Office.

1979 Onwards

11. In Office, the performance of Ministers has been frustrated by:

- i) the huge burden imposed on them by a combination of modern media techniques, the requirements of Parliament and the Party, and the sheer volume and complexity of government business.
- ii) a change, not yet fully understood, in the relationships between the Civil Service and politicians.

12. Politics have taken charge of public life in this country since the war. Britain has in a way served as the cockpit, the battleground of ideas between those who believe in state planning and ownership, and those who attempt to maintain the liberal tradition in British affairs. Although it is easy to sneer at the political parties, and say that once they come to office there is little to tell between them, the fact is that there has all along been a fundamental divergence between the philosophies of Labour and Conservative administrations.

13. This polarisation, which promises to become sharper rather than the opposite, has put a paralysing blight on the Civil Service. Whereas traditionally the Civil Service recommended policies to Ministers on the basis of shared views about the national interest, Civil Servants are now serving alternate governments which have little common ground between them save, maybe, the belief that the man in Whitehall does not know best. The individual Whitehall civil servant is faced with the choice between doing a Vicar of Bray act, which can all too easily be written off as insincerity; or he can retreat into a strict non-committal neutrality, which is then mistaken for obstruction. The educational and social background of the average senior civil servant is not such as to produce a respectful and self-respecting butler for the Ministerial household -

fetching the great man's slippers and bringing him his whisky, but not presuming to tell him how to run the estate. But that is what he must sometimes feel he is employed to do.

14. And so, just at the time when the magnitude and speed of change have thrust an enormous burden of work onto the shoulders of Ministers, relations with their traditional support staff in the senior Whitehall Civil Service have gone sour.

The Need for Political Reinforcement

15. The reader will not be surprised to learn that I see the solution to this impasse lying in a rapid expansion of the corps of Special Advisers - having their roots in the central party organisation, and probably being paid by it. John Silkin has recently reached a similar conclusion (see attached paper). I myself believe that, for the time being at least, we need to politicise a substantial proportion of the jobs in the top policy forming echelons of the Civil Service.

16. There is, I believe, a gross imbalance between the slender political forces at the disposal of Ministers and the battalions of career civil servants. Civil servants cannot do politicians' jobs, and should not be expected to do them. The following examples spring to mind, of things which have lately required more of a political slant:

1. Consultations. In a number of recent cases, the Inland Revenue has undertaken public consultation on controversial issues where legislation was promised. In the event a number of substantial interests have been overlooked, mainly in the self employed small business sector.
2. Private Offices. Political matters are constantly arising in a Minister's private office. Where there is a Special Adviser these matters fall naturally to him. But as things stand at present there are no demarcation rules or guidelines and - in my experience - friction and confusion are only avoided by the exercise of great self control by both sides. It would be appropriate to place advisers in all Ministerial offices and to define their duties openly.

3. Speechwriting and Press Relations. It must make sense for Ministers to be supported by political staff both for speechwriting and for maintaining their relationships with the Press and other media. The very idea of an uncommitted government information service, trying to explain lucidly and convincingly why government is doing such and such, is faintly ludicrous.
4. Liaison with outside interests. Relations between Ministers and outside bodies fall naturally to the political servant. In the Treasury context, for example, one has in mind bodies such as the Institute of Directors, the Stock Exchange and major banks, trade associations research institutes and political associations.
5. Policy Work. The Civil Service is bound, by virtue of its size and nature, to favour an administered solution to most problems, rather than a market solution. Particularly for right-wing governments this substantially reduces the value of official input to policy work. Areas where policy work has gone very slowly under the present administration have included reform of pensions; privatisation of nationalised industries and associated questions of regulation; restructuring of capital markets; privatisation of health and education; simplification of the tax system. In all these areas, progress has to be maintained by political pressure from within the system, and Ministers do not have enough time.
17. These are all political functions, falling in theory to be carried out by the Minister, or under his eye. But unless the Minister is superhuman, he will not be able to keep up the pressure on the army of Civil Servants beavering away in his Department. And the Civil Servants themselves will not feel the need for constantly projecting the political dimension of a particular government - even given that their personal inclinations are not actually hostile to its aims.
18. Ministers today are grossly overburdened, and therefore cannot have complete mastery of their jobs. Leadership too often presents the appearance of fighting to stay afloat in a sea of problems, surrounded by hostility on all sides. Ministers just do not have

the time that is needed to put their policies across to the people patiently and with understanding. They do not have enough time to ask journalists in for drinks and win them over. They do not have time to think out the repartee they will need for Question Time. They do not have time to go through every detail of draft legislation with officials before it is published. They do not have time to chew the cud with the Chairman of the Stock Exchange or the Chairman of Lloyds. They do not have time to ensure that party workers and officials understand, for example, their policy on fringe benefits or taxation of social security payments.

The Use of Special Advisers

19. Everything points, in my belief, to a substantial switch of resources from the Civil Service to the Political Parties. This would do no more than reflect the enhanced politicisation of public life. As I have said, my view is that this should involve a much wider spread of special advisers - several to each department. These are the people who can provide Ministers with extra eyes, extra ears, and even - on rare occasions - an extra mouth. These are the people who share the motivation of the Minister - ie to hold on to his job by being a success in it. These are the people who can be switched round easily from one Minister to another, to ensure the maximum personal compatibility. These are people who - given that they returned to the Party central organisation during period of Opposition - would gradually acquire the long term practical experience that is needed by the practitioner of government, as in the practise of anything else.

The Need for Money

20. And so, it seems self evident to me that the Conservative Party could strengthen itself and strengthen the country if it would face up to the need for a substantially greater income than it commands at present. The sort of people required in its Research Department and its corps of Special Advisers can command high salaries; it is no good expecting them to work on the cheap, for then they will inevitably turn their minds to what they can get out of the system by other means - either by corruption or by simply using their experiences and contacts as a stepping stone to better things.

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21. It would be good to think that the Conservative Party might set up a system of personal membership that was capable of bringing in £10 million a year for central funds. For reasons not immediately apparent that at present seems unlikely. The sooner we cease to depend on the willingness of company directors to divert shareholders' profits into party coffers the better. Therefore I can see no alternative to State Aid.

22. My own proposal would be an annual capitation payment, made by the Treasury to party central organisations, at the rate of £1 or so per vote cast at the previous general election. I would accompany this by a contracting out arrangement, under which an individual might request to be excluded from the levy by means of a PAYE adjustment. I do not think many citizens would contract out of such a modest contribution towards healthier more efficient government.

23. This recommendation goes well beyond that which is made in the Hansard Society report, to the effect that the State should match individual subscriptions pound for pound. I would be all in favour of leaving constituency expenses to be met out of local collections. But I believe that the central expenses of the parties should be publicly funded in their entirety. The State recognises the office of Leader of Her Majesty's Opposition by paying him a salary and giving him a nucleus of staff; it should go further, and recognise that the Opposition Party's organisation has a public role. And, beyond that, it should recognise that Ministers need to take some of their own people with them when they are appointed to run major departments of state.



P J CROPPER
7 July 1981