

A.S.

Prime Minister

PRIME MINISTER'S OFFICE

1. Herewith memorandum from Alfred Sherman, which you have seen already, dated 11th June.
2. Hugh Thomas came to see me on 1st July and spoke, very strongly, in favour of you setting up your own Department.
3. I explained to him, the difficulties and the strength of opposition which these proposals would receive from "the Establishment".
4. Neither Hugh nor I think that that opposition ought to prevail.

5th July 1982

IAN GOW

MEMO

11th June 1982

Prime Minister's Office (PMO)

The need for a PMO is now accepted. But recapitulation of the reasons for its necessity can serve as a starting point for adducing its duties and structure.

Rationale

The PMO is needed primarily to restore the workings of Cabinet Government, by giving the Prime Minister the means of creating and sustaining Cabinet cohesiveness. We have re-learned the paradox that Cabinet can work cohesively only when it works as a team under a Prime Minister who enjoys a dominant position politically and administratively.

Otherwise, departmental egotisms develop centrifugal stresses, massive contradictions appear as the left hand neither knows nor cares what the right hand is doing. ( Need I exemplify? )

Worse still, the "spending Ministries" gang up in mutual support so that the total state demand on resources is more than society can afford, with resulting stagnation in the private sector, and general inflation.

It follows that the powers of the Prime Minister need strengthening to match an expanded government and hold it in check. An organisational framework which worked tolerably well when the total state share of the National Income was under ten per cent (including armed forces, police, teachers, prisons, customs and excise, etc.) is no longer suitable when state expenditures are around fifty per cent.

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(The same laws of scale hold good for living organisms, societies, road systems and businesses.)

To run Cabinet government, with its present scale of responsibilities and built-in political centrifugalism, on the kind of organisation which exists at Number 10, would be like using the rack-and-pinion steering suitable for a mini in place of the power-assisted steering needed for a forty-ton truck.

#### Dimensions of the PMO

To redress the balance and give the Prime Minister the powers and facilities needed to make Cabinet government work under present conditions, the PMO would need to operate in four main dimensions.

##### 1 Policy

Initiate policy-search, set goals, monitor implementation; relate what is done - or omitted - by departments; carry-out supra-departmental overviews; create additional supra-departmental foci of decision-making as needed.

##### 2 Data-Search

Provide independent sources of data for decision-making and appraisal, and to permit sophisticated extra-departmental monitoring of the implementation of decisions.

##### 3 Politics

Generating the will and support at all levels in party, parliament and government, to ensure implementation of the Prime Minister's strategies.

##### 4 Independent means of opinion-forming and media-management, to create understanding and to generate and fortify political will.

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Pre-history

The need for a PMO was recognised as early as the first world war, when the increased weight and complexity of decision-making, further complicated by the workings of coalition government with its majority party deeply divided on personal and political ground, could no longer be adequately handled by a cabinet and civil service structure

Lloyd George set up the Cabinet Office in the garden of Number 10 to meet this need. Although called the Cabinet Office, it fulfilled many functions which were sensu stricto the PMO's. (More details on this, if required, in a separate historical paper which HT or MB could organise).

After Lloyd George's downfall, from premier to premier there followed a gradual erosion of the Cabinet Office's PMO function, and the emergence of its mandarin-arbitration function. Hankey, then Cabinet Secretary, naturally wished to establish and re-inforce his own position, by becoming immune from the vicissitudes of changing political fortune. He therefore made common cause with the departmental mandarins, and from precedent to precedent increased his office's independence from the PM of the day, and integration into the departmental structure. It became part interdepartmental clearing house, and part instrument for pressing civil-service interests and views at the highest echelons of government, i.e. the diametrical opposite of LG's intentions when he originally set it up.

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The need for additional resources in the PM's own hands was felt in post-war governments. But successive PM's tended to treat symptoms rather than identify underlying causes. Kitchen cabinets were an obvious expedient, but did not solve the problem. New departments, e.g. the DEA and MinTech, only complicated matters further. Heath designed the CPRS, consciously or otherwise, to perform the supradepartmental functions which the Cabinet Office had manifestly failed to perform. But partly because of Rothschild's inadequacies and partly because of Heath's personal shortcomings, the CPRS never grew to the task. It has since regressed into a supernumerary research body subordinate to the Cabinet Office.

Wilson, when he returned in 1974, kept the CPRS in being for research which did not fit easily into a departmental framework, or, rarely, was directed against a particular department (e.g. the report on the FO). But he placed his main reliance on the Policy Unit under Bernard Donoghue, reader in Government at the LSE.

The Policy Unit, which at one time numbered eight executives, worked together with other groups, including special assignees like Norman Hunt, and with the more amenable departmental advisers. But, though it was sometimes able to hold the departmental civil service at bay and give Wilson a source of second opinions, it never became a PMO. One cause which springs to mind is that Wilson neither exercised sufficient political control over his government nor really aspired to. Another cause was its smallness. As with all organisations, there is a critical size for a PM's policy unit, below which it cannot function adequately. Unless the PMPU or PMO is large enough to embrace all major fields of policy and their interaction, it will be by-passed and upstaged by the Cabinet Office etc.

When Callaghan took over, he retained the PU, which worked in harness with his own political office. But he was a one-issue-at-a-time man, and never really worried if what one ministry did counteracted what another did.

When the present Prime Minister took over in 1979, the ruling view was that the traditional machinery of government - Cabinet departmental civil service and a few central departments like Cabinet Office, Civil Service Department, CPRS - would be adequate. Cabinet Ministers and civil servants - it was fondly hoped - would behave as in Jennings rather than Trollope. Few outside advisers were appointed. The Policy unit was diminutive, two to three people. It began without agreed locus standi. It wrote its own terms of reference, but they were neither formally confirmed with the explicit authority confirmation would have imparted, nor implicitly accepted and internalised. As a result, it had to expend considerable energy in overcoming obstruction from mandarins and "colleagues".

Experience since 1979 confirms that a reforming government cannot rely on existing machinery. Inter-departmental committees are devoted to departmental horse-trading, and protecting the service's vested interests, rather than to tracing policies' interactions, which, of course, would entail modifying policies. The Civil Service Department predictably worked for the Civil Service. Cabinet committees are given more to political horse-trading and assessing what "Cabinet will wear", than in tracing inter-actions. Moreover, the range of interactions in government does not correspond with the structure of inter-departmental committees. New interactions arise which remain unrecognised precisely because they fall outside the ossified mould of mandarin thinking.

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For instance, a great deal is talked about "social policy", but this almost invariably refers to the provision of free or cheapened services or goods e.g. health, education, housing, while ignoring the decisive impact on social behaviour and problems of other aspects of Government policy, conveniently labelled "economic", "environmental", "home affairs", "transport", etc.

There is a whole range of inter-actions to which the establishment is compulsively blind, e.g. the influence of unemployment-pay and supplementary-benefit levels, and the ease with which they are obtained, on availability of manpower; the effects of immigrant labour (legal and illicit) on wage-rates and willingness of resident population to work; the effect of new and expanded towns on inner cities (labour supply, neighbourhood structure, immigration and its consequences); the effect of tourism promotion in London on social structure, cultural levels, commuting, pressure on land in and beyond the green belt; the effect of wage-levels in nationalised industries and wage demands in private industry, with their consequences for willingness to work in some regions, hence for economic development there. Governments which could waste billions a year on BR, NCB, BSC, BSh, BA, etc, skimped on defence expenditure.

Another weakness of the existing structure is that changing balance of power between cabinet members and groups, and their penchant for political in-fighting and ruses, impinges disproportionately on the interdepartmental balance between policy inputs of various departments.

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Several examples spring to mind: Prior's tactical gains both before and after the elections; the way Carrington's Falklands view was able to dominate defence thinking; successful Revenue opposition to desirable economic changes.

The government is unduly dependent on tainted sources of information, owing to the monopoly of information at present enjoyed by Departments and civil service, which regard their control over access to information as an instrument for winning policy battles rather than as a means of providing an objective basis for policy discussions.

Particularly unscrupulous in this context are the Home Office, Foreign Office, parts of the Treasury, Transport, DHSS, and Education. But I can think of no ministry I have dealt with which has been free from these malpractices. Political heads often concur, either through weakness or political ambition.

I can assure you that were the equivalent of the Croom-Johnson Inquiry (Crown Agents) carried out in any one of several dozen major enterprises and institutions run by most Departments of State (including the Treasury, Industry, DHSS, Trade, Bank of England, ECGD, Welsh Development Agency and its parent Department, among others) they would unearth equally horrifying pictures.

Corruption, sometimes illicit, sometimes licit, and nest-feathering are much more frequent than people are willing to recognise.

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A specially insidious form of institutionalised corruption is generated by the retirement at the age of sixty principle. This is quite out of phase with modern life-expectations and working-life capacity. As a result, senior civil servants palpably begin to bear in mind the need to assure their post-retirement bag of directorships, quangoes and other perks. The best way they can ensure these is by favouring their future providers; they do so at public expense. The Americans have devoted more thought to this subject: my interest here is restricted to safeguarding members of your PMO from subversion. This can best be safeguarded by altering the retirement procedures. Later retirement should be permitted, with much stricter limitations on post-retirement employment to exclude subversion.

Civil Service Resistance to PMO

We return, therefore, to the need for a supra-departmental organisation loyal to the Prime Minister and to the philosophies of reform and de-bureaucratisation of British society. This will be obdurately opposed by the Civil Service, which is a major virus of the British disease. It is no more possible to find arrangements suitable to both the Civil Service and Britain than it was to find a compromise with General Galtieri. Any arrangements worth having will need to be imposed over protests led by Armstrong. Unlike the Argentines, however, the civil servants and their friends will not fire their guns, i.e. resort to resignation or open confrontation, but will rely on more insidious means.

The question is not how many outsiders, as distinct from civil servants, need to be employed, but how staff can be protected against the subversion which would occur were officials in the PMO to be dependent for their future careers on the good will of senior departmental civil servants. The Australians have found a simple way by creating a separate career structure inside their PMO, from which civil servants either retire from the service, or leave to head other departments.

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No campaigns are won without fighting battles. All one can do is minimise the risk and disadvantages, and maximise one's advantages. In the case of the PMO, this entails ensuring the loyalty of the department from the outset, and obviating means by which it can subsequently be subverted. By bringing loyal civil servants in to the PMO, it is possible to minimise the number of new appointments. (It might seem paradoxical that those who have most favoured massive increases in the most parasitic segments of the state sector, i.e. hospital auxiliaries, race-relations agitators, community workers, local government paper-pushers, inter alia, will most fiercely argue against relatively small accessions of manpower to the PMO. But double standards are part of their armoury, and must be guarded against.)

In so far as the PMO can be built up by cannibalising units of the Civil Service, in some cases, and shifting individual civil servants in others, so much the better. The element of commitment to reforms and supradepartmentalism would then be reinforced by this new departmental loyalty, esprit de corps and collective egotism. (Why should the devil have all the best tunes?) For the rest, it would be difficult for anyone to cavil at a number of outside appointments within the limits set by the previous government, provided they could be justified on the grounds of professional competence, rather than party political orientation. This will need better provisions for remuneration.

The CPS can help here, since a high proportion of our associates are not even members of the Conservative Party. Moreover, if needs be, we could draw on the help of well-disposed Labour people, including former advisers and ex-ministers, e.g. Bernard Donoghue, Lord Crowther-Hunt, Professor Peter Hall.

In addition, I should argue that the PMO match Departmental structure by having several middle-ranking and junior ministers from either House. In order to avoid creating new ministerial posts, the posts could be moved from departments which have an excessive number of ministers, e.g. FCO, Treasury, Environment.

In some cases, the ministers could simply move from their existing department together with some of their present responsibilities. In other cases, a ministerial post could be abolished or de-manned in order to allow a post to be created in the PMO, while keeping the number of ministers constant.

Departmental Structure      Ministerial Posts :-

\* National Security:

Defence, foreign affairs, internal security, EEC, the economics of commitments and arms.

\* Economic and Social:

Money, nationalised sector, state sector, housing, health, pensions, road and rail, public sector pensions, the impact of welfare, wages boards and public-sector wage levels on labour supply, and other inter-actions.

\* Information and Knowledge:

Research, supradepartmental research and policy overview, media-relations, opinion-forming generally, new telecommunications and electronic media constitutional arrangements in light of facilities and opportunities inherent in the new cable and satellite technology.

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\*Politics:

Creating and mobilising the political will to ensure the adoption and carrying through of correct policies, against systematic inertia in cabinet, government, parliament, party organisation, civil service, unions, media, academe, churches. Finding ways of harnessing egotisms to reform. The whips' re-appraisal.

\*Constitution and Law and Order:

Penal policy by Lord Chancellor and Home Office, political and trade union violence, other lawlessness which undermines public security, and laws and practices which have no justification. Police remissness in imposing the law, e.g. on Trade Union violence. Existing Interdepartmental and ad hoc committees, now manipulated exclusively by civil servants and "the great and the good". These often move matters so far that the momentum is difficult to reverse.

\*Government Manpower:

Civil Service, quangos, etc. An overview, transfers estimates, an end to window-dressing.

People to Staff Structures

There are people without end in a talented nation of over fifty million inhabitants. Retired people are handy for a start, because they are quite happy to accept short and part-time contracts without terminal compensation, e.g. RV Jones, David Wood, who has just left The Times, Anthony Mann.

We all know civil servants like Duguid, Wassermann and Malcolm MacIntosh (Cabinet Secretariat Intelligence, known to HT) who are on our side.

If you go through the reports of commissions, you will find members who produced good minority reports.

The higher-calibre consulting engineers, mining engineers, computerisation advisers, top TV men (who do administration and planning as well as journalism) also throw up competent and imaginative people. There are good businessmen, though as a rule they keep well away from the political milieu.

What I am saying is that if the decision is taken to set it up, to recruit a few dozen executives fit to hold the equivalent of civil service ranks to Second Permanent Secretary, from inside and outside the service, it will create no difficulty in staffing.

#### Discussants

People involved in discussing all, or some aspects of this question since May 1979, include:-

Hugh Thomas	Max Belof
Ian Gow	Ray Whitney MP
David Wolfson	Sir William Clark MP
John Hoskyns	Lord Orr-Ewing
Norman Strauss	David Wood
Alan Walters	Professor R V Jones
Henry James	Terry Price

At a more general level, I have discussed the future of the Premiership and the role of advisers with Professor Yehezkel Dror, Lord Crowther-Hunt, and Bernard Donoghue. It is a subject on which conventional political science or "government studies" tell us much less than we need. But none of the above-named necessarily share the ideas I tentatively propose.