

PERSONAL

PRIME MINISTER

SIR JOHN HOSKYNYS AND THE CIVIL SERVICE

Prime Minister

I attach a copy of John Hoskyn's letter, which it would be worth your time to read, not least because it may be raised at Questions.

If you want to pursue Sir D. Rayner's suggestion at para. 9, shall I invite Sir R. Armstrong's and Sir D. Watt's comments?

1. I have not seen a complete text of Sir John Hoskyn's address to the Institute of Fiscal Studies on Tuesday, but I have read with great interest the accounts of it in the press.

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2. It will not surprise you to hear that I find Sir John's recipe for replacing large numbers of senior civil servants with political appointees far too an idealistic solution.

3. Sir John is reported as saying that Ministers, often as much in awe of senior mandarins as parents are of headmasters, tend to give up the struggle after a while and "lose the will to govern". The correct answer to this is that given in the Daily Telegraph leader on 14 October, namely that if Ministers do not know how to drive the machine, the answer may be to find better Ministers.

4. Sir Robert Armstrong, several Permanent Secretaries and I have recently been thinking about defining the managerial job of Ministers and their Permanent Secretaries. The results of this will be available to you soon and should, simply by defining the relevant duties, help things on.

5. However, the crucial point is personalities. You are well seized of this. In thinking about the management of departments and the arrangements you want at the centre, I am convinced that you cannot do better than put your trust in officials who have the appropriate track record.

6. I think that some of Sir John Hoskyn's criticisms are well founded. The swing of the political pendulum is unsettling. But the clear constitutional duty of the civil service is to implement the lawful policies of the Government of the day. Officials who will not do so, however senior, should be moved. I would not tolerate for a moment a situation in my own company in which one of my departmental heads either followed a policy different from that I had laid down or pleased himself about

how seriously and conscientiously he addressed himself to the task. This means that, for my part, I have the responsibility of clearly stipulating what I want done and making sure that it is done.

7. I do not want to trespass outside my own field of immediate responsibility in Whitehall, which has to do with management reform. I am bound to say that the senior civil service is something of a state within a state. Many of the top posts are held by people who, by any standard, are excellent managers. But too often the prevalent feeling is that Ministers must demonstrate that they mean what they say by persistence over a length of time rather than that it is the duty of officials wholeheartedly to carry out their policies.

8. The answer to this is not, in my judgment, swamping the upper reaches of Whitehall with outsiders for the simple reason that I do not know where sufficient of the right quality and experience are to be found. Experience - as in Mr Heath's Administration - suggests that all too often businesses do not provide their brightest and best for government work but offload people who can easily be spared. American experience clearly shows that although the practice of bringing in outsiders is a well established constitutional convention, that does not make the economy successful or the Federal bureaucracy taut, economical and effective from end to end.

9. You might think it timely to cause some response to Sir John Hoskyns's criticisms to be notified by your office to Ministers and Permanent Secretaries. Indeed, it might be timely to follow up the recent White Paper containing your Government's observations on the Treasury and Civil Service Committee with a statement that while you did not intend a purge, the reliance placed by Ministers upon the civil service must be justified by a suitably vigorous and determined response to your policy of managerial reform. If this proposal commends itself to you, I or in my absence abroad my unit, will gladly provide a draft.

PERSONAL



10. I am minuting to you separately on some current American experiences, which you may find interesting.

Derek Rayner

h October 1982

conqueror



Civil Service
L. U. AH

10 DOWNING STREET

From the Principal Private Secretary

18 October 1982

PERSONAL

Dear Derek,

The Prime Minister has seen your personal note about Sir John Hoskyn's lecture to the Institute of Physical Studies. She has said that she does not want to use this as the occasion for circulating a statement to Ministers and Permanent Secretaries, but she was very grateful for your comments on the substance of the lecture.

Yours ever,

Robin Butler

Sir Derek Rayner

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Westminster and Whitehall: an Outsider's View

Sir John Hoskyns

When your Chairman paid me the compliment, and himself took the grave professional risk, of inviting me to deliver this lecture, he suggested that my title might be: 'The Reform of the Civil Service'. I was not happy to walk straight into that trap, for at least two reasons. First, unlike my distinguished predecessors on this platform, I am not in any sense speaking as an expert. I was an amateur civil servant, with just three years experience in Whitehall. It therefore seems very presumptuous for me to talk about Civil Service reform. The second reason is that such a title suggests that the case for reform, and its purpose, are already agreed. Instead, therefore, I have chosen a more modest title; 'Westminster and Whitehall: an Outsider's View'. I have included Westminster because I do not think you can separate the two. Each shapes the other.

A lecture on these lines, while much safer for me, will invite - at the very best - the comment: 'Long on analysis; short on prescription'. This is a well-tried British device for ignoring any troublesome problem. I shall offer some prescriptions, though only in a tentative and piecemeal form. My main purpose, however, is to persuade you that change is necessary.

I would like to emphasise, at the outset, that this is very much a personal view of one particular government, at one particular time, with the emphasis on economic and domestic policy. If what I say sounds critical of politicians or civil servants, it is criticism of a system, not of individuals. If any civil servants in the audience feel, nevertheless, that I am being unfair or even hostile, I ask them to remember the old Turkish saying: 'One true enemy is worth a hundred false friends'. I do sympathise with them. Politicians

have always had a bad press, but they can at least answer back. Nowadays, Whitehall gets the same treatment, but without the right of reply. However, Whitehall and Westminster exist to serve the country, not vice versa, so diplomatic niceties would waste all our time.

As a politically appointed civil servant I cannot pretend to be a neutral observer. So if you sense an occasional note of bias in what I say, I hope you will forgive me.

I would like now to give you my reading of the situation in which the present government came to office, because it affects my assessment of Whitehall and Westminster's fitness for their purpose.

The background seems to me to be something like this. Previous governments, certainly as far back as the Wilson Government of 1964, had recognised that the country was approaching some sort of turning point: in particular, that the relative economic decline would eventually produce some sort of discontinuity with Britain effectively dropping out of the industrialised Western world. Successive governments seemed to recognise this, but either did not recognise, or else were defeated by, the inherent instability of the British economy, before they could tackle any of the longer term reforms needed for recovery. By 'instability', I mean the complex cause - and effect process by which all our familiar problems - inflation, growing public expenditure, taxation, borrowing, declining profitability, - interacted together to produce a powerful downward momentum.

On this analysis, which I believe was broadly correct, the present government saw the main purpose of its first five year term as one of financial stabilisation, to be accompanied by a radical re-thinking of the measures needed for recovery in a second term - which, of course, they might not get.

The prevailing view at the time of the election seemed to be that, since the country had been in relative economic decline since the 1870s, there was really no point in talking about policies for recovery. I have never understood the reason for this fatalistic attitude. It seems clear that, certainly since the war, we- and I mean successive groups of people in Westminster and Whitehall- have done foolish things. In short, we are where we are at least partly - because of the things we have done: and we should therefore do different things.

I believe one reason why governments have failed in the past is that they never actually asked themselves the question: why do governments fail? One of the reasons is that they have tried to move directly towards recovery, without first achieving stability. Another reason is the way in which ministers and officials think and work, the subject of my talk tonight.

So much for the background to my outsider's view. I would now like to talk fairly briefly about three aspects of government: the need for policy objectives; the culture of Westminster and Whitehall; and the political neutrality of the Civil Service.

POLICY OBJECTIVES

As a businessman, I regard the definition and agreement of objectives as the most difficult and the most important task of management. I was at once struck, on arrival in Whitehall, by the fact that people were not used to governments setting objectives which were sufficiently demanding or unambiguous to act as criteria for success or failure. The Civil Service cannot itself set policy objectives, and it had grown accustomed to a situation in which there were either no objectives, or the objectives were so vague as to be meaningless.

The result is that, in Whitehall, performance has always been judged by conduct rather than by results. That is the most profound difference between Whitehall and the private sector. And because politicians in office live in a symbiotic relationship with officials, most politicians feel as uncomfortable about objectives as do their officials.

Interestingly, the Whitehall machine is seen at its most brilliant when it is responding to an emergency. The sudden awareness of clear and pressing objectives seems to come almost as a relief. But the strategic objectives - so much harder to formulate - have been missing, and have, I believe, been badly missed.

Why has this been so? I believe it is because most politicians and most civil servants have not recognised the discontinuity to which I referred earlier. They seem to have assumed that the Ship of State was sailing normally. After each election, a new watch came on to the bridge to preside over the next leg of the journey. The sea might at times be a little rougher or the night a little darker. But everything was normal. "All's well", they would feel. Few realised that the ship was no longer functioning properly, or that it was now far off course.

Of course, today these illusions have largely disappeared. And yet, despite the oil shock of 1973 and the sterling crisis of 1976, many in government in 1979 did not seem fully to understand that we were entering uncharted waters; that we were fast approaching the point at which our problems would be no longer soluble by normal processes; or else they recognised it, but concluded that nothing could be done. If no such terminal problem existed, or if it existed but was insoluble, what was the point of setting objectives which implied that success was possible?

Instead of setting objectives for what were judged to be unattainable results, politicians and officials favoured the traditional approach: to be judged by measures taken, rather than results achieved.

A favourite defence of what one might call 'goal-free' policy-making is to say that you cannot equate politics with business; that business has a simple profit objective, which government can never have. This is wrong on two counts. First, profit is not in fact a strategic objective; indeed, it is not a direct objective even in the tactical sense. It is a condition of business survival, and the by-product of achieving other objectives. You cannot specify the unique purpose of a new company by saying, "The aim of this enterprise is to make a profit". A company's strategic objectives are never simple and require great intellectual effort to establish. Secondly, it is precisely the fact that setting policy objectives is so difficult that makes it so important. The reluctance to set policy objectives is due, I believe, to lack of competence and thus confidence. Because it will be intellectually demanding - much more difficult than in business, where it is already difficult enough - people are faint-hearted about it. Because it is novel, they fear ridicule. They cannot know from their own experience that it will prove worthwhile. Because their collective experience in post-war Britain has been largely of policy failure, they cannot believe that it is worth either the effort or the risk.

Setting objectives for a government's total strategy is obviously extremely difficult. The present government, striving for the achievement of a financial stability we have not experienced for a long time, has to have a snapshot, however crude, of what that stability looks like. But the second stage of its programme, if it wins a second term to carry it out, will require a new and more complicated 1989 snapshot to aim for; a socio-economic system which is sufficiently free of distortions, adaptive and yet, as it were, "chronically

stable", so that it holds to and can grow. Unless a government can discern the next landfall in enough detail, how can it decide what is to be done and in what sequence?

This brings me to that over-worked word, 'strategy'. If there are no objectives, then there can be no strategy. By strategy, I mean the working out of a route that will get us from one state of affairs to another; if necessary breaking, on the way, certain constraints - whether political or economic - which had hitherto been regarded as unbreakable.

If there are no objectives and no strategy, then there can be no leadership. Strategic leadership is necessary to agree objectives and strategy. Objectives, strategy and leadership are the three necessary ingredients (sufficient, too, if you add luck) for changing anything for the better. You need all three or nothing. It is impossible to do anything with only two out of the three. Once you have all three - and a little bit of luck - then you will automatically get an important by-product: morale. Morale means people knowing what they are expected to do and why; knowing that their leaders know what they're trying to do; and that success is possible. The Civil Service has a real problem here. It cannot, by definition, provide its own objectives, strategy or leadership for the country, because that is not its job. If ministers do not provide those things, how can the Service provide its own sense of direction? Instead, the Service will become increasingly inward-looking, with its own self-serving objectives and ethos.

Once objectives have been agreed, all sorts of benefits start to flow. Strategy really is strategy - in the chess-playing sense instead of being merely an unstructured shopping list of policy items. Tasks are tackled in their strategic

sequence, rather than by reference to their manifesto ranking. Instead of doing a little bit of everything, the things that matter can be done properly; and the things that don't, left for another day. Let me leave the last word on objectives with Ruskin:

"Failure is less frequently attributable to either insufficiency of means or impatience of labour than to a confused understanding of the thing actually to be done."

THE WESTMINSTER-WHITEHALL CULTURE

I would like now to say something about the culture that shapes ministers and officials: that is, the ninety or so ministers in government and the three thousand or so officials at the apex of the Whitehall machine.

Most ministers are members of the House of Commons. I am no authority on backbenchers, but I think that all MPs are in great danger of coming to believe that they must know all the answers, because people are always asking them the questions. If you are constantly being asked your opinion on every conceivable topic, pontification can become a habit. Politicians, even more than the rest of us, don't know what they don't know. If, as a minister, you are then surrounded by highly intelligent but deferential civil servants, you can quickly start to feel infallible. A notable exception to this tendency was, I believe, the late Anthony Crossland, who used to astound journalists by saying in answer to certain of their questions, "I have no idea. I've never really thought about it".

This feeling of infallibility, together with the infantile level of so much Westminster debate, makes ministers relectant to admit error, which tends to slow down the learning process. A minister's intelligence tends to be used up in self-defence. The result was nicely described in a schoolboy's misspelling in an examination, which I heard quoted the other day: "Parliament is where MPs disguise matters of importance". Of course, the minister's job is impossible, by any rational assessment. Let me quote from the memoirs of Mr Jim Hacker, the hero of that seriously and healthily subversive television serial, 'Yes, Minister'.

"November 9th. I am finding it impossible to get through all the work. The diary is always full, speeches constantly have to be written and delivered, and red boxes full of papers, documents, memos, minutes, submissions and letters have to be read carefully every night. And this is only part of my work. Here I am, attempting to function as a sort of managing director of a very large and important business and I have no previous experience either of the department's work or, in fact, of management of any kind. A career in politics is no preparation for government'.

He goes on to say that, on top of all this, he has to attend debates in the House, vote, attend Cabinet and Cabinet Committee meetings and look after his constituency. The situation is absurd, and no company chairman would survive who maintained to his shareholders that there was nothing he could do about such a situation, even though it was wrecking the firm's balance sheet. The pressures on ministers are such that precedent and the ritual of office tend to carry them through each hectic day.

There are broadly two types of minister: the 'doer', who wants to achieve something; and the 'survivor', who wants to be something. There is nothing

wrong with wanting to be something, rather than do something, at least in the early stages of a career. A young entry to Shell or Sandhurst may hope to end up as Chairman or Chief of the General Staff. But if, as he approaches his goal in later life, that is still all he wants, then he is likely to be passed over. In politics, the survivor is not required to show any sign of being what the American business professors call 'mission-oriented'. Indeed, in the Conservative party, I think that might even count against you. The survivor cannot 'do'; but the 'doer' may not survive, because he lives dangerously. I believe that the survivor is a relic from the more stable past. At a time of discontinuity the country cannot survive being ruled by survivors.

One last point about ministers. Ministers are shaped by the Civil Service. There is no staff college or alternative government in which ministers can learn their trade, nor is there any solid and coherent corpus of knowledge or method for them to master. A senior minister today will have served his apprenticeship as a Parliamentary Private Secretary to one of the great figures of twenty years ago. The most influential force will probably have been the Permanent Secretary of the department at that time. Many ministers remain, I think, for ever slightly in awe of the top mandarins, rather as parents remain in awe of headmasters.

That is all I want to say about ministers. Now, a few words about the officials. The first thing to realise about civil servants is that few, if any, believe that the country can be saved. There may be a few optimists in the 30 to 40 age group, but I doubt if many over the age of forty five thought that anything could be done, when the present government came to office in 1979. This is a distinct drawback for any government, but hardly surprising. Senior civil servants have been engaged in a twenty five year campaign with scarcely one significant victory to punctuate steady retreat.

For many of them, it must have been rather like joining Napoleon's army just in time for the retreat from Moscow. They have seen politicians trying to do the wrong thing and succeeding, or the right thing and failing. As each government retired exhausted after another few years of fire fighting, the Service had somehow to continue with the next. It has done so, I believe, by lowering its metabolic rate, in order to conserve its energy: and by persuading itself that the problem was insoluble, in order to conserve its self-respect. The convention of political neutrality has helped this process of rationalisation. A few years ago, a senior Treasury official, in an interview, said that it was necessary for civil servants in their work 'to withhold the last five percent of commitment', in order to preserve their political neutrality. This does not seem to be an appropriate state of mind for, say, three thousand officials who are meant to be helping about ninety over-worked ministers to shape the future of a country of 55 million people, in less than five years. But it is an understandable attitude. Their job has been to service governments whose ministers, for the most part, have turned out to be completely out of their depth with the problems confronting them. When they have failed, those same officials have had to be ready to serve a government with almost exactly contrary policies.

There is a further problem: the problem of 'burning-out'. Burning-out is what happens to a young civil servant of high ability, who spends too many years working extremely hard on what are often rather trivial tasks, without any of the confidence building and job satisfaction that comes from being given direct responsibility for making something important happen. By the time he reaches the higher levels, he may have stopped developing: the vital spark may have gone.

It is almost inevitable that a bureaucracy of this kind, blamed too much for our post-war failures, should close its ranks against advice, criticism

or reform. Policy problem-solving is a growth industry, and the Civil Service, as government's own Direct Labour Organisation, has a monopoly. Because the Service is not driven by an urgent need for results, it will not actively seek fresh minds and new experience from outside. It must be prodded into doing so by ministers, and will then listen courteously. But it would rather do without, because outside advice may devalue a department's accumulated expertise. It might even, by spectacular success, embarrass officials who are already tired of being blamed for every mistake. In Whitehall, the 'goal-oriented culture', by which I mean 'Get it right and don't worry about who gets the credit' may have existed during the war, but it certainly does not exist today. It needs a larger-than-life leadership style to transform a smaller-than-life Whitehall ethos. As I suggested before, such a style is impossible without shared objectives, and understood strategy, and a good deal more than 95% commitment.

As institutions go, therefore, the Civil Service is a very special case; almost closed to outsiders; lacking the confidence and energy that come from success; serving political masters with whom, all too often, it has disagreed; and regarding outsiders not as welcome reinforcement but as distractions or even threats. Such an institution shapes or selects its people so as to develop a type of official who can adapt to its by now somewhat distorted culture. Those who do not adapt to it may remain in the Service as valuable grit in the oyster, but many of the best will, I fear, sooner or later 'switch off' or else leave altogether. If the Civil Service were a commercial think-tank, demand for its services would fall and it would be forced to invest in fresh thinking and new people and skills. But the essential feature of a bureaucratic monopoly is that it does not have to do what it does not want to do. It will not reform itself and, so far, politicians - themselves largely the product of the same institutional process - have not been able to do it for them.

The result of all this is, I suggest, a sort of leadership vacuum. The Service itself becomes almost leaderless in its day to day operations. At the national level, a deeply pessimistic Civil Service looks for political leadership - especially at moments of crisis - to a tiny handful of exhausted ministers. Those same ministers look in vain to their officials to provide policy options which, to be any use, would have to be too 'politically controversial' for the officials to think of. It seems to have been in some such circumstances, in previous administrations, that ministers have started to lose the will to govern; while the officials sigh and start to tidy their desks in preparation for the new arrivals. I happen to think that this is unlikely to happen to the present government, not because all has gone, or will go, smoothly, but because they have, if anything, a rather clearer view now than they had earlier in their term. Instead of moving from apparent clarity to actual confusion, they are moving from apparent confusion to relative clarity. In those circumstances it is more likely that they will avoid the blunders that tend to accompany a sudden loss of nerve. But I believe that if this is so, it will be against all the tendencies inherent in the Whitehall-Westminster system. It will be the exception that proves my rule.

The overwhelming impression of government, to an outsider, is of a rather small world: perhaps too small for what it has to do. A small policy-making monopoly, with salary tariff barriers to repel outsiders; a Cabinet formed from a tiny pool of talent; the Cabinet of 1995 already for the most part sitting in the Commons; the key posts filled again and again from the same cast of players. Cabinet ministers this time were the junior ministers last time; the Permanent Secretaries this time were the Private Secretaries last time; a few remarkable people, on whom too much depends; all linked by the shared experience of past failure.

It should be noted that the media form an active part of this small world. There is the same inbred lifelong career pattern, without experience of the burdens of responsibility carried by the people about whom they write. Hence the tendency to recycle conventional wisdom and political gossip, rather than to think long and hard about real problems.

A POLITICALLY NEUTRAL CIVIL SERVICE?

The third and last aspect of government I would like to talk about is the political neutrality of the Civil Service. Conventionally, an official can preserve his neutral status provided he concerns himself with policy and not with presentation. On closer inspection, this distinction is almost meaningless. All the big problems facing government, especially at a time of discontinuity, require it to do things which are essential, but which are regarded as 'politically impossible'. In fact, we can really say that this is the practical definition of discontinuity. A policy is itself a statement about a government's objectives and values. Every policy is thus a message, which will have its own effect on public opinion. Similarly, conventional political messages may be essential in order not just to win acceptance for policies but to make them function as intended. Increasingly, we find that events themselves have the biggest communication effect, causing changes of attitude which no amount of ministerial messages could have done. I suggest that policy; events, political messages and public debate are all part of a single behaviour-changing process. You cannot separate out the components of this process. But the civil servant must try to do so, so that his conduct - forget the results - conforms to the code of political neutrality. Thus, while he may work with great skill and effort to develop policies and make them succeed, it must never be suggested that his efforts might contribute in the end to electoral success for his political masters.

If he started to worry about it, his position would soon become impossible. For the only way he could be sure that he was not furthering his minister's political aims would be to lean in the other direction - perhaps to the extent of low-key political sabotage! But of course most ministers suspect he's doing that half the time anyway.....

If you agree with me that many of the problems confronting present day governments can only be solved by shifting the boundaries of political possibility, then you will see that it is precisely at these boundaries that the officials may begin to feel uneasy and may start to withhold that last five percent of commitment.

I am suggesting that the concept of political neutrality puts senior civil servants in an impossible position, where they have to become passive, doing what they are told but no more, just when a supreme effort of will and resourcefulness is called for. The job thus requires an impossible - or at least an improbable - sort of person. How can senior officials work whole-heartedly for a Thatcher government for four or five years and then turn about and do the same thing for, say, a Benn government? They can only do so, I suggest, by cultivating a passionless detachment, as if the process they were engaged in were happening in a faraway country, which they service only on a retainer basis. If a country's problems require radical remedies, you need a radical government. But how can you have a radical government, without radically-minded officials? Difficult problems are only solved by people who desperately want to solve them: not by people who had been fully prepared, until polling day, to make those self-same problems worse, rather than better. Although there will be individual exceptions, you cannot have a radical team of officials. The commitment, the urgency and energy must be provided by just ninety-odd ministers, and a handful of

special advisers - about a dozen in this government and between thirty and forty in the last; less, I am told, than the number of people employed in storing and changing the pictures in ministers' offices.

The argument is sometimes advanced that the career civil servant can hold the balance between otherwise extreme policies of Left or Right. This argument seems to me to be quite fallacious, because it grants to officials the right to defend what it sees as the centre-ground. But it is the electorate which determines the centre-ground. If the electorate wants the policies of Mr. Benn, then those policies are the centre-ground, for all practical purposes. We should look to the Constitutional safeguards, and then give Mr. Benn a fair run.

I said earlier that I thought the Civil Service selected or shaped its people so that they could adapt to this peculiar way of life. I will now go further, and say that I think the way of life is in fact so peculiar that it eventually becomes the dominant factor. Being a civil servant becomes, for many of them, a full-time job in itself, leaving little time or inclination for doing anything.

PRESCRIPTIONS

I believe that the present system of career politicians and career officials is a failed system. I don't think it is possible to look at our post-war national decline and argue that it happened in spite of high quality policy-making. Of course I would argue that the political direction of policy, under both Conservative and Labour governments, has been largely responsible.

But I would also suggest that low quality policy work and the attempt to tackle problems piecemeal has ensured that, even when governments have tried to correct the consequences of their own folly, they have simply lacked the competence to do so. I am not saying that the existing machine, despite its post-war track record, cannot deliver more successfully in the future nor that a few remarkable politicians, with a lot of effort and a bit of luck, cannot succeed. But in the long term the machine has a propensity to failure. Let me make a few suggestions for change.

I believe that the balance of taxpayer support for government should be shifted from the apolitical career Civil Service towards the political parties. The present balance of less than one hundred ministers, supported by, say, three thousand politically neutral officials at the apex of the Whitehall machine seems wrong.

I will not discuss the question of reducing the extraordinary burdens on ministers, because that raises issues on which I am even less well qualified to talk. Let us assume no change in that area. To compensate for that, we need to replace a large number of senior civil servants with politically appointed officials on contracts, at proper market rates, so that experienced top quality people would be available. They might number between ten and twenty per department. Some of them would fill senior positions in the department. Others might work as policy advisers to the Cabinet minister concerned. There is no reason why, in some cases, the Permanent Secretary should not be an outsider, with a career official as Second Permanent Secretary, responsible for the day to day running of the department.

Where would these people come from? I believe we need taxpayer support for political parties, so that they can maintain shadow teams of officials.

Thus an experienced outsider might contract for a seven year tour - two years in opposition and up to five in government. On this basis the parties could develop their own training and induction programmes. Assuming that one day we have no major party pledged to the overthrow of capitalism, businesses would do better to lend more of their very best people to do a tour of this kind with one of the political parties than to make political contributions. In any case, I would favour moving from 'contracting out' to 'contracting in', and away from corporate contributions altogether; with, say, something like the 'tax-deductable dollar' together with direct taxpayer support related to actual funds raised.

Many objections would of course be raised to any change of this kind. It would be argued, for example, that it takes years to get to know how Whitehall works. But of course my main point is that the way Whitehall works now should not be regarded as the normative model. It is a paradox that, when government was arguably at its most effective, during the war, it was full of motivated outsiders: while, ever since, we have mistakenly assumed that government can do almost as much in peacetime as in war, but without fresh infusions of outside vigour and talent.

In addition to this injection of fresh blood in the departments, there is also a need for a small new department, responsible for the development and overseeing of the government's total strategy, across all departments, integrating policy and politics into a single whole. This department could be quite small - perhaps one hundred to two hundred people. It would certainly incorporate the CPRS and might, as some have suggested, emerge as a 'Re-constructed Cabinet Office'. It would be headed and partly staffed from outside, though it would also include a substantial number of high-flying career officials.

At first sight this looks like a recommendation for a lot more bureaucratic expenditure. But the net increase in numbers need not be large. It is possible that no increase would be necessary at all. We are never going to solve the country's problems by false economies at the very top of the policy-making machine. Running a tight ship certainly matters, not least because a small number of really good people will always out-perform three times their number of mediocrities. But it's not going to affect the Medium Term Financial Strategy.

CONCLUSION

That brings me to the end of my talk. I will not attempt a complete summary, but will just make one or two concluding remarks. I am, of course, much less confident about my prescriptions than about my analysis. If you find my analysis even partly convincing, then you will probably have much better ideas than mine for changing things.

We do not live in normal times. Massive structural changes are hitting the Western industrialised democracies just as, in our case, our past follies are starting to catch up with us. But other Western economies seem to have created rather similar problems for themselves, too. The democratic dilemma remains. Do you grapple with long-neglected problems, and risk losing votes? Or do you ignore the problems until they are no longer soluble? Is it to be popular policies or popular results? Is the cynical conventional wisdom about how to win elections still correct? Or are there signs of discontinuity there, too?

Unless we take the view that modern democracies, in present conditions, are ungovernable, we must conclude, instead, that we have failed to develop the competence necessary to govern. We must therefore work out how to develop that competence.

Finally, all this raises a much larger question. When a country goes into decline, is it always the result of historical processes which no-one can resist? Or is it sometimes because the rulers fail in their analysis of the process, and therefore never develop the methods, the organisational machinery, and thus the will to do anything about it?

Speech by Sir John Hoskyns to the Institute of Directors

CONSERVATISM IS NOT ENOUGH

10025SEP

INTRODUCTION

May I first thank your Director-General for inviting me to deliver this lecture, and say how honoured I feel to be doing so. It was only after I had accepted his invitation that I suddenly remembered that your speaker last year had been Lord Denning. I have to confess that, at that point, my nerve faltered.

Let me start with a quotation from Lord Radcliffe's Reith Lecture of 1951:

"The British have formed the habit of praising their institutions which are sometimes inept, and of ignoring the character of their race, which is often superb. In the end they will be in danger of losing their character and being left with their institutions: a result disastrous indeed."

In 1977 Sir Keith Joseph made a very important speech. It was called "Monetarism is not enough". In it, Sir Keith emphasised that monetary discipline was only one of the necessary conditions for economic recovery. He was, of course, immediately accused of advocating monetarism as a panacea for the nation's ills. In politics the hope of being understood - or at least of not being deliberately misunderstood - springs eternal.

I have chosen the title for tonight's talk to make an analogous point, and with a similar hope. I want to suggest that the Conservatives' attachment to the individual; their scepticism about the capacity of government; their patriotism; their acceptance of the of the imperfectability of human nature and institutions; their determination to manage the country's finances responsibly; are all necessary political ingredients of national recovery; but that they are not enough to make it happen.

About a year ago, I had the opportunity to open this debate, in a lecture to the Institute for Fiscal Studies. My aim was not, as some people thought, to blame the Civil Service for Britain's decline, but to start a wider debate about whether any British government, as at present constituted, could solve Britain's problems. Tonight, I would like to take that debate a stage further. I should stress that many of the ideas contained in the IFS lecture and in this one came either directly from, or through conversations with, Norman Strauss, who worked with me in Downing Street on secondment from Unilever. He had concluded, long before I did - and rightly, in my view - that the cure for the British disease must start with government itself. There was never any question of reform in Whitehall and Westminster being on the agenda for the first term, which had immediate financial crises to contend with. But I am convinced that it should be for the second.

Before I start, I would like to make two points. First, none of my remarks is relevant to the case of a Labour government, reflecting today's Labour party. I am concerned with the reasons why a Conservative government, responsibly trying to make modern capitalism work, may nevertheless fail. A Labour government would be simply a higher form of madness, whether the machinery itself worked or not.

It is too early to tell whether the Alliance could win office with a serious and coherent purpose.

The second point is that this debate is too often inhibited by a subtle Catch-22 which goes like this. Noone is qualified to criticise the effectiveness of government unless he has first hand experience of working in it. But if he has worked in it, then there is a convention that he should never speak about it thereafter, except in tones of respectful admiration. There is also a natural reluctance to say things in public which are likely to be misinterpreted by people with whom he has worked and for whom he has respect and affection. If, however, his experience leads him to believe that Westminster and Whitehall are not up to the job, he has a duty to break with convention, at the earliest opportunity.

There is an old management maxim: "If the people or the organisation are wrong, nothing will go right." After three years working in Whitehall, I am convinced that the people and the organisation are indeed wrong. The only person who can change things is the Prime Minister. If our present Prime Minister does not do it, I doubt if we shall ever have one who will. But, despite having been so often right in challenging conventional wisdoms, there is no evidence that she sees the need to challenge this one. She is, in any case, surrounded by colleagues and career civil servants who, for the most part, prefer things the way they are. Debate outside Whitehall is therefore the only way to get fresh thinking started.

THE STORY SO FAR

We cannot assess the adequacy of government without first looking at the nature of the task facing it. It has surprised me that none of the ex-civil servants who responded to my IPS lecture tried to set the problem in this context. So I will summarise, as briefly as I can, my own view. If I sound dogmatic, this is simply because I don't want to waste your time with my caveats.

The Conservatives' first term was little more than a preparation for the real task. That is not to belittle their achievements. Their first priority was to restore financial law and order, after five years of what was virtually economic civil war. In this they were relatively successful because, unlike previous governments, they realised from the outset that economic turn-around was a two-term job - and said so. In shifting the whole political frame of reference, Mrs Thatcher's most important achievement may well have been to accelerate the self-destruction of a Labour party whose very existence seemed to veto any chance of national recovery.

The first term was painful for the country, especially at a time of recession. But in problem-solving terms, it was the easy bit. The task ahead is more complicated, because it requires the gradual transformation of our entire political economy. This programme of transformation could fill a lecture by itself, so let me simply outline a possible agenda.

THE TASK AHEAD.

We must concentrate, as always, on economic matters, not because economic strength will itself solve all our problems, but because it is difficult to solve them without it. Prosperity does not ensure happiness, but it does reduce the number of people for whom unhappiness is inevitable.

There are five great unresolved problems of domestic economic policy: public spending, from which most of our other problems flow, and which has been out of control throughout the working lifetime of most of the people in this room, rising from 33.6% of GDP in 1955 to 44.5% last year; the need for price stability, which even monetarist economists seem now to regard as unattainable; the removal of economic distortions caused by an unreformed system of taxation and benefits; the search for a proper role for the unions; and, finally, the social and economic time-bombs which no previous government has had the nerve to tackle - the future of state pensions, the future of the National Health Service and the whole principle of free provision, urban decay, the future of work, and no doubt others as yet unrecognised.

Other domestic policy issues are really of secondary importance as long as these central problems remain. Each must in the end be solved. Yet each appears insoluble within conventional assumptions about what is politically possible. All will grow more acute as North Sea revenues start to decline in the second half of the decade. All are inter-connected. Each affects almost every major Whitehall department and raises questions of great political, as well as technical, difficulty.

When these great issues of policy are successfully tackled, we can talk seriously about all the other things we might do to promote private sector recovery: by which I mean not the latest upswing in the business cycle, but a step change in the competitive power of British business. For nothing less will prevent us slowly dropping out of the industrialised Western world, with social, political and foreign affairs consequences not very different, perhaps, from those of a siege economy. "Industrial policy" is no alternative to radical change in our political economy.

We can see this more clearly when we compare our home grown business environment with that of our European competitors. (On that subject, let me commend to you a paper written by Sir Douglas Hague* in 1980, called "The Central Problem of Government Expenditure". I think it will give you food for thought.) But even while we struggle to maintain our position as a rather impoverished member of the rich man's club, that club itself is coming under threat from the newly industrialising countries (NICs) of the Far East.

I believe that we are seeing a "field test" of two quite different political economies: on one hand, the West - and particularly Western Europe - with heavy welfare spending, elaborate employment laws, increasingly rigid labour markets and deeply entrenched interest groups; on the other, the ~~unrestricted~~ liberal economies of the NICs, with public spending at around 25-30% of GDP, low taxes, basic welfare provision in cases of real need only, unprivileged trade unions, quite dirigiste policies on education and the support of sunrise industries. Today, technology can transfer almost overnight from the West to these countries with their lower labour and tax costs. It is no good our grumbling about "technological sweatshops" or comforting ourselves with the thought that these

countries do not have democracy on the Westminster model. They have rapidly rising living standards and low unemployment. Democracy costs money, and they will soon have more of ~~that~~^{it} than we do. The world is a socio-economic laboratory, and we had better learn from the experiments being conducted in it.

The result of this test of political economies may confront us with a painful proposition: that all-embracing welfare provision erodes the economic processes necessary to support it. If that is so (and I think that, at least for Britain, it probably is) government will no longer be able to insist on competitive free trade at enterprise level, while postponing or fudging the action necessary to develop a competitive political economy. In the end, exhortation and policy must match.

It would be easier to address these great problems if we lived in a safer world. Arms expenditure is at unparalleled levels for peacetime - because it is not peacetime. Since 1945 we have been fighting World War Two-and-a-Half, in which the Soviet Union seeks to expand its empire and the West to contain it, each side aiming to do so without starting World War Three. Since winning World War Two-and-a-Half is more important, in the end, than anything else we might discuss, we must be rich enough to pay for it, rather than poor enough to be crippled by its cost. It will, however, be difficult to win this non-shooting war, if the Western electorates are unaware that it is happening.

* In a paper, "The Central Problem of Public Expenditure", published in The Manchester Business School Review, Autumn 1980, Sir Douglas Hague showed that there is a well established relationship, for Western economies, between per capita GDP and the proportion of GDP spent by government. Only the UK was out of line, in trying to combine a Western level of spending with a sub-Western standard of living.

That, then, is my view of the main tasks facing government over the next 5-10 years. It will of course be neither correct nor complete. But I doubt if it overstates the size of the job. Where are the thinking and planning for all this going on? The answer is "nowhere".

The reason why the thinking is not done is that Whitehall is not organised to do it. Ministers cannot do this sort of thing in the odd day at Chequers. Such days, unsupported by training, method or organisation, simply waste time. (Anyone who thinks otherwise should read the entry for 17 November 1974 in "The Castle Diaries".) The only department which might attempt such work is the Cabinet Office. But the Cabinet Office coordinates. It lacks the competence for strategic leadership, which would in any case compromise its political neutrality. The CPRS, or "think-tank", no longer exists. It is significant that Lord Hunt, with many years of experience as Secretary to the Cabinet, spoke recently of there being "a hole at the heart of government".

In organisational terms, government is a creature without a brain. I hope I have persuaded you that it is going to need one. But it also needs other things. Westminster and Whitehall cannot change Britain, if they will not change themselves. I would now like to discuss why they need to change; why they won't change; and what we should do about it.

THE MEANING OF RADICALISM.

First, a brief word about the concept of radicalism, since there is much talk about the need for it in British politics. The word is often used to mean egalitarian aims, or political extremism, or the pursuit of change for its own sake. I want to use it here in its correct sense of getting to the root of things.

In business, radicalism is the norm. Managers are not radical by choice but by necessity, because they are judged by results, not by appearances. Radicalism requires absolute candour, a refusal to change the subject when the conversation gets uncomfortable. You may remember the case of the ICI report of a few years ago, called "ICI in the Year 2000", which opened with the sentence, "On present policies, there will be no ICI in the year 2000". It means realism rather than false optimism. It was, I think, Alfred Sloane, the founder of General Motors, who used to tell his aides, "Don't bring me the good news. It weakens me."

Above all, radicalism requires intense effort to establish objectives: in particular, the distinction between "want" objectives (it would be nice if we can achieve them) and "must" objectives (it will be very nasty if we can't). It calls for analytical staying power, the readiness to keep asking "why?", as the network of cause-and-effect proliferates. Radicalism is the opposite of naivete or wishful thinking. It is the art of the necessary.

Radicalism in this sense is dismissed by most experienced politicians as too "theoretical". The idea that certain problems which have been long regarded as insoluble must nevertheless be solved, if greater evils are to be avoided, makes them uneasy. They will quote historical examples of how the unexpected has repeatedly upset the best laid plans. Like managers in the sixties, desperately resisting the encroachment of professionalism, politicians insist that their business is different.

THE NEED FOR METHODOLOGY

Radical thinking in government is essential. But a determination to get to the heart of things will be useless without an adequate methodology (dictionary: "a system of methods"). Conservative MPs (and probably MPs of other parties, too) are uninterested in method. This is, I believe, because they are, at heart, romantics. They see Britain as a canvas on which the young MP, a sort of Dick Whittington figure, can paint his political self-portrait; making his way in the world, until he holds one of the great offices of state, finally retiring full of honour and respectability. Political life is thus about the triumphs and disasters of personalities; living biography. The old legends fascinate them, so that they often seem to live in the past, whether with Disraeli or with the Tolpuddle Martyrs. Obsessed with tradition, Conservatives often forget that, like period houses, today's traditions were once innovations by bolder spirits. For most of them, questions of policy analysis and formulation are thus of secondary interest, until it is too late.

More importance is attached to day to day performance - in Cabinet, Cabinet Committee, the House. Officials have talked of marking their ministers out of ten in Cabinet. Demonstrated ability to "master a brief" is more highly valued than what is done with the knowledge thus gained. Fleet Street talks of ministers' end of term reports. Like too much of the academic world, Whitehall and Westminster seem to be full of people who know everything and do nothing.

The sense of drama and romance is heightened by the rules and conventions of secrecy, which conveniently hide error and human frailty from the public gaze, while increasing the emphasis placed on learning how to avoid the tactical errors which secrecy cannot hide.

Watching the process of government at close quarters, I have been struck by the lack of method. There is little sense of system, of dynamic processes, despite the fact that all significant problems for government are systems problems. Solutions are discussed before there is agreement about the nature of the problem. Papers prepared by lead departments are often accepted without question as the only menu from which options can be ordered. Ministers tend to present their views, from analysis to prescription, in set speeches one by one, as in university debating societies. (The reference I gave earlier, from "The Castle Diaries", suggests that this is hallowed tradition, never questioned by officials or by ministers of any party.) The most complex problems will be described exclusively in prose, where a simple diagram would help to clear the mind. Even major objectives are never developed into hierarchies ^{or networks} of sub-objectives. This makes it difficult to begin, because no one has worked out where the beginning is.

Perhaps most important of all, the much used word "strategy" is not understood as the step-by-step removal of constraints (administrative, political, economic) so as to make an insoluble problem soluble. There is a confusion between winning today's battles, which is one thing, and making tomorrow's battles winnable, which is quite another. Thus the first question asked (for example, on public spending) is all too often, "How are we going to solve this problem?", when it should be, "Why is this problem at present insoluble?". For practical purposes, strategy in Whitehall can be defined as "the thinking we should have done three years ago, but don't have time to do today". This is why most post-war governments have, like hamsters in a treadmill, gone round and round in a strategic box too small to contain any solutions.

New ideas are seldom born in committee discussions, because brainstorming is never practiced. The fear of losing points to rival departments is too strong; the formality of the meetings too inhibiting. "Soundness" means saying things to which people can nod their heads. The deliberate selling of new ideas, with a presentation, familiar in business as one way to loosen existing mind-sets, is almost unheard of. It would be regarded as vulgar and embarrassing. Nothing therefore comes out of these discussions except a subset of what went into them. If Einstein had tried to suggest, at such a meeting, that light had a finite velocity, he would have been quickly silenced by the sound men.

If you put all these things together and add the immense time pressures on ministers, it is not difficult to see that ministerial and official committees all too often degenerate into the goal-free trading of departmental views, stockpiled from previous years.

Although young civil servants are sent on management-flavoured courses at Sunningdale, the Service does not seem to have made any front-end investment in policy making method for real life, top level use in Whitehall. There is no "policy on policy-making".

Some people may think that a management revolution has already started in Whitehall, following the work of Lord Rayner. But that is a different subject. The very effective Rayner scrutinies concerned efficiency, ie operations management, about which Whitehall feels rather patronising, and is therefore quite happy to admit weakness. I am talking about the need for a management revolution in policy work, where the top officials regard themselves as already expert.

THE OLD AND THE NEW POLITICS.

Just as there seems to be no front-end investment in methodology, so there is also no fresh thinking about the nature of politics itself. The conventional wisdom - the old politics - assumes that the limits to what is politically possible are fixed. The old-fashioned politician accepts these limits and works within them, even if that means regarding certain objectives - even of the "must" variety - as unattainable. This was why, before 1979, so many Conservatives "knew" that nothing could be done about the unions.

// The accepted political constraints reflect four rules of conventional politics. First, the voter will never tolerate any deterioration in his material circumstances in peacetime. Second, no minister should ever publicly admit that there is any significant problem to which his government has, as yet, no answer.

Third, a minister should always do everything possible to prevent what is known as a "public row". Fourth, the electorate, while being the salt of the earth etcetera, is too stupid to understand anything which cannot be explained in terms of almost kindergarten simplicity.

Each of these rules is, I believe, wrong; and doubly so at a time of discontinuity. Together, they add up to yesterday's political product line. The limits of political possibility are dynamic, not static. There has always been a sort of "uncertainty principle", whereby events, policies and political messages are constantly displacing the very targets (ie peoples' perceptions) to which they are directed. A "row" is often the only way to persuade people of the need for change. Indeed, "confrontation", condemned by all enlightened commentators, is often essential for political health and has been central to Mrs Thatcher's achievements. The electorate does grow more sophisticated.

Governments must therefore display to the public their long term vision, not just in terms of values, but in terms of strategic change. People know that trying harder with what we've got is not going to do the trick. If this means that big problems must be publicly debated, ministers should not make the mistake of trying to "keep it simple". Let the uncertainties and complexities speak for themselves. People know the world is a complicated place. If the thinking is good enough, the words and the understanding will follow. The popular press are far more skilled than any politician at teasing out the substance, provided there is substance, and enough time. Open government, in this sense, is not a fashionable option, but a precondition for any serious attempt to solve Britain's underlying problems.

Finally, ministers must recognise that problem solving on this scale needs more than the knowledge and latent intelligence of a closed Civil Service. It needs more specialised skills coupled with what one retired Permanent Secretary aptly called "the creative naivete of the good outsider". And these outsiders must be present in large enough numbers to influence both methods and morale. My own experience in Whitehall is that teams of insiders and outsiders working together, are much more successful at seeing the wood for the trees and proposing solutions, than either would be alone.

So much for how tomorrow's politicians might think and act. But note that all these things must go together. It is pointless to shift the bounds of the politically possible, if we cannot answer the question, "In order to do what?"; difficult to win support for a strategy if we don't have one; impossible to change Whitehall if we don't understand why it is necessary. Radical aims, better organisation, proper methods, new politics and fresh blood must go together. It's all or nothing. Turning a country round is a big job.

THE POLITICAL ESTABLISHMENT.

The possibility of change lies in the hands of a small club; Britain's political establishment. I define this as the top three thousand civil servants and, for the Conservatives, an average of three to four hundred members of Parliament. The commentators, who try to interpret their thoughts and actions, are guests rather than members.

As in all ancient clubs, familiarity with rules and customs is important. What the members achieve matters less than how they behave. Good behaviour brings approval. For example, the club instinct will be to evaluate a lecture like this in terms of manners rather than argument.

Among the political members, there is often a proprietorial feeling towards the country as a whole, almost as if it were an estate of which they were the benevolent owners. Thus one can still read, in quite recent books of memoirs, phrases like, "Charles had always wanted the Foreign Office", as though it were a twenty-first birthday present.

Not surprisingly, in a club whose prestige has sunk over the past thirty years, fear is a powerful influence on the thinking of many of its members; fear of exclusion; fear of looking foolish; of breaking the rules; of setting a precedent; fear of anything which diminishes the importance of their present expertise.

An example of this institutional timidity is the officials' fear of having their advice rejected by ministers. When advice is accepted, you score a mark. If it is rejected, you lose face. So the official either seeks to get his way by guile; or he tailors his advice to suit his minister.

I believe that fear is the reason why most top officials are reluctant - whatever they say to the contrary - to allow outsiders into Whitehall, unless they are in very small numbers, with very limited powers and, if possible, of mild disposition. It is significant that scientists in government - probably the only officials who have been consciously trained to think at all - should be excluded from the top policy jobs. This is part of an important pigeon-holing convention, whereby only the generalist is eligible for everything. This rule was, I assume, devised by generalists.

A similar fear shows itself in Westminster. Mr Edmund Dell, a senior ex-member of the club, has spoken of "the jealousy and inflexibility of the Commons which, contrary to the practice of many other parliamentary assemblies, will not allow a "stranger" to address it".* It is clubland indeed.

Whitehall and Westminster still enjoy a powerful mystique. Senior industrialists feel awed and flattered when invited into the corridors of power. They comment on the officials' command of language, their clarity of exposition. They never realise that these mandarins are not thinking aloud. They are rehearsing, probably for the hundredth time, departmental wisdom which may not have been questioned since they were young men. Their visitors are listening to actors, not thinkers. Thinking is a less elegant process.

Despite our growing concern about the effectiveness of government, we still want to believe that at least the quality of Whitehall thinking is high. Even here, I am not so sure. There is great accumulated knowledge - at times, it seems, almost too much. But I believe that the internal dynamics of Westminster, Whitehall and Fleet Street have made second-rate thinking the establishment norm.

Mediocre thinking provides a useful defence for politicians against the stress of radicalism. It is most important that we learn to be on our guard against it.

A few examples:

"We tried that in 1974 and it didn't work".

"We must be careful not to make the best the enemy of the good"

"You know, governments can really do very little", a favourite with

Conservatives who are not sure what to do next, though they are quite sure they want to form the next government.

And, of course:

"But where are all these people going to come from?", the classic objection to bringing more outsiders into Whitehall. Note that this difficulty is raised before considering whether or not the matter is important.

In combination, such platitudes allow the establishment to stick to sloppy thinking about second order issues.

* Quoted from "Policy and Practice", published in 1980 by the Royal Institute of Public Administration.

The process of intellectual deterioration has, I think, gone something like this. For reasons I will examine in a moment, the general calibre of ministers is normally low. Their irrelevant experience, coupled with the impossible burdens of office, have contributed to thirty years of policy failure. The Civil Service has been left with the job of damage limitation, of making ministers look better than they really are. In the process, like someone who only plays tennis with an inferior opponent, the quality of Whitehall's own game has declined. This has produced a general intellectual slackness in the political establishment. It is mirrored in Fleet Street, which is content to evaluate Westminster and Whitehall in establishment terms, delighting in the leaks, games, intrigues, the coded messages, never asking whether the whole apparatus can really do the job. The thinking in this small world is now, I believe, shallow, conformist and lacking in rigour.

With confidence and competence so much lower than they should be, it is not surprising that Whitehall fiercely defends its tradition of secrecy. The Official Secrets Act and the Thirty Year Rule, by hiding peacetime fiascos as though they were military disasters, protect ministers and officials from embarrassment. They also ensure that there is no learning curve.

It is important to anticipate correctly the response of club members to a critique of this kind. Any career institution - a large company, a trade union, a political party, the Civil Service - demands of its members an unquestioning (and thus potentially unhealthy) loyalty. There will therefore be a natural tendency to close ranks against criticism. There will also be a genuine and decent sense of mutual loyalty between people who have to work together on difficult and exhausting problems.

Thus we hear ministers insisting that "We have the finest Civil Service in the world". But what does such a statement actually mean? By what criteria do they judge the effectiveness of the Civil Service? Do their own careers give them any useful models for comparison?

The truth is that, for most politicians, the Civil Service is the only large organisation of which they have any experience, and it looks pretty impressive to the untutored eye. It will have taught them most of what they know. Ministers therefore feel obliged to defend their officials against what they wrongly interpret as personal attacks. No doubt retired Permanent Secretaries stand ready to do the same for their erstwhile masters, should the need arise. None of this need worry us, provided we do not allow it to obscure the real issue - competence.

THE POLITICIANS.

Once we start to judge the Civil Service by criteria that mean anything, then it is time to judge the politicians likewise. I think that every discussion I have ever listened to, among civil servants or businessmen, about this country's problems, has come back, in the end, to the quality, competence and workload of ministers. For they are the only people who can reform government itself.

This is why the most important characteristic of the politician is his lack of innovative experience, by which I mean the conception of new ways of thinking; of making new things happen; of creating organisations for new purposes (rather than simply inheriting those that already exist). This is not surprising, because most of them become MPs too young to have had such experience in a position of primary responsibility. If he is also a Conservative, with the Party's traditional concern for continuity, a Member may not even recognise discontinuity, and the consequent need to innovate, when he sees them. But the innate conservatism of almost all MPs may at least help them to accept their peculiar working conditions and lifestyle.

For the British politician's job is certainly peculiar. He works very long hours, spending far more time in the debating chamber than his counterpart in other democracies. He receives no formal training. His administrative support is negligible. Even a member of the shadow cabinet works in an office not much larger than a public convenience, with a single secretary paid from party funds, and research facilities to match.

Although post-war government has been a growth industry, there is no growth in an MP's career prospects. The size of the Cabinet is fixed. The number of constituencies is almost fixed. If he is frustrated, he cannot leave and set up on his own. To a surprising extent, therefore, one man's success may depend on another's failure. It is a zero-sum world.

If he becomes a minister, he suddenly takes on enormous responsibilities, for which he may well lack both experience and training. Being a professional politician turns out to mean being an amateur minister, who must move from one colossal and unfamiliar brief to another as he climbs, step by step, towards the summit. Inevitably, some of these briefs will not even hold any intrinsic interest for him, except as career stepping stones. Because the system is closed, one promotion may trigger a reshuffle, which must take account of debts and deals accumulated with many people over their careers. Portfolios are thus changed too often. The crippling workload will frequently impair health and marriage, for the minister must do it all - Cabinet and its committees, the department, public appearances, attendance in the House - on top of his existing work as a constituency MP. Under the doctrine of collective responsibility, a Cabinet minister is also expected to read and understand papers about his colleagues' work as well as his own.

An MP is paid not much more than half his equivalent in other Western countries. If he becomes a cabinet minister, one of twenty three people with the top responsibility for managing the affairs of a nation, he may receive as much as a middle rank executive, ten or fifteen years his junior, in a large company. He has no job security. The House is therefore probably disproportionately filled with people of such ideological zeal that they lack a normal concern for their families' living standards; and people already so well off that they do not need to worry about such things; in short, not a particularly representative group.

For all this, however, there is what one might call "The Closed Shop Compensation". If he can only find a safe seat, preferably by his early thirties, an MP's chances of office, perhaps high office, are extraordinarily good. For the House of Commons is the greatest closed shop of all. He may well be forced to drop out of the race before he has reached the top. But at least he knows that no headhunter can threaten him with new top level competition once he gets there. The constituency parties are, in effect, the initial headhunters for cabinet material.

When a government is formed, about ninety ministers must be appointed from some 350 to 400 members of Parliament, (so that the Executive dominates the Chamber). On the face of it, therefore, a Member in the majority party has a twenty or twenty-five percent chance of ministerial office. But it has been estimated * that between one third and two fifths of MPs in the majority party are effectively ruled out on grounds of health, age, political extremism, dubious connections or unwillingness to serve. Those who are eligible and willing may thus have a better than 50% chance of office.

The result of all this is predictable enough. For the purposes of government, a country of 55 million people is forced to depend on a talent pool which could not sustain a single multinational company. Indeed, it is extraordinary that such a system seems, nevertheless, regularly to produce quite remarkable individuals. But there are rarely enough of them to build a remarkable government. And, these days, we need remarkable government.

* by Professor Richard Rose, "The Problem of Party Government", quoted in Management Today, March 1976, in an article still worth reading (nothing dates in Whitehall), called "Her Majesty's Misgovernment".

These are the people whom we (presumably) expect to stand back from time to time and examine our constitutional constraints, their own competence, and the institutions within which they have spent their working lives. I think we expect too much.

THE ESSENTIAL CHANGES.

I do not believe that these antique conventions, culture and machinery, which failed us between 1950 and 1980, will somehow succeed between 1980 and 2000. Since the price of failure will be high, we should think hard before shrugging our shoulders and hoping for the best.

My analysis is intended to persuade you of the need for changes in four areas. First, the Prime Minister should no longer be restricted to the small pool of career politicians in Westminster in forming a government. Second, Whitehall must be organised for strategy and innovation, as well as for day to day political survival. Third, it must be possible to bring adequate numbers of high quality outsiders into the Civil Service. Fourth, the workload on ministers must be reduced.

None of these four proposals is particularly novel. Nor are they options, from which we can select the least "controversial", on traditional Whitehall lines. They form a minimum package necessary if government is to develop the competence needed to match its responsibilities. They should form part of a larger agenda, which should similarly be examined as a whole, not as a menu from which we can pick and choose.

That larger agenda takes us beyond the scope of my talk tonight, but it might include such items as the financing of political parties; the doctrine of collective responsibility (which has been powerfully criticised by Mr Edmund Dell, on the basis of personal experience); and, of course, the vexed question of electoral reform. Some of the items on such an agenda will be naively seen as panaceas in some quarters, while provoking knee-jerk rejection in others. The point I want to stress is that the more you think about them, the more closely interrelated they turn out to be. We have to look at our system of government as a whole. It is the effectiveness of the total "configuration" that matters, not the bits and pieces.

MAKING CHANGE POSSIBLE.

So there is the puzzle. Over the past thirty years, we have suffered the consequences of a massive failure of intelligence and nerve on the part of an inbred political establishment. That establishment seems unlikely to change of its own accord. It is difficult for ministers, who have little or no management experience outside Whitehall, to recognise that such fundamental rethinking may need to have priority, in strategic terms, over their attempts to solve the age old problems in the age old way. Do we simply accept that the British people - brave, clever, adventurous when given the chance - should quietly go down because such changes, affecting only two or three thousand people, may not even be discussed? Can it really make sense that we should have a free choice of government, but no means, ever, of changing the rules or questioning the conventions?

even those who are ready to think the unthinkable, in policy terms, draw back from the idea of reforming the policy-making process itself. Yet we know that such reforms would be made by next Tuesday, if we thought our survival depended on it. It is the gradualism of peacetime decline that makes our responses so feeble.

The reason why reform at the centre remains unthinkable is that we unconsciously assume that politicians and civil servants are the best judges of these things. After all, do they not, for practical purposes, "own" the processes of government? And do not the present arrangements appear to suit the "owners"? But this is precisely my point. The owners of the system are part of the problem, not its solution. They are not the arbiters of what is thinkable or unthinkable on this question.

Somebody has to offer fresh thinking. Who should it be? My experience of the past few years has convinced me that the way businessmen think and act is more relevant than that of most of the politicians, civil servants, academics and commentators who have concerned themselves with the nation's problems thus far. It is time business took an interest, and I am suggesting that government itself is the place to start. I have no romantic illusions about the wisdom of businessmen. Nor am I suggesting that we replace politics with management science. I simply look around for people who are not frightened of change.

The employers should spend less time lobbying for special treatment in a sinking economy. Measured against the problem, that is an irrelevance. Instead, they should ask, as disfranchised shareholders, that government equips itself with whatever political arrangements and technical competence it needs to stop the economy sinking; and they should offer help in developing that competence.

I have talked tonight about the task facing this government in its second term; the meaning of radicalism; the need for methodology and for fresh thinking about politics itself; the nature of our political establishment; the work and quality of the politicians; the changes needed. I have argued that we must see this political and governmental system whole, if we are to understand why it is inadequate.

I have suggested that change will not emerge from within our political establishment; that the Prime Minister is not at present persuaded of the need; and that it is therefore time for business leaders to do more than write cheques and ask favours. Some of you will no doubt hope that my analysis is simply wrong, or that our present arrangements, while not perfect, will just serve to get us through. I ask them, do they see an economic miracle on the horizon for Britain? Do they think that anything much less will do? Do they understand how the government is going to make it possible?

My political friends - assuming I still have any - will say that I am being defeatist. But if that were the case, why would I try to open such a debate? A defeatist would simply have accepted, like so many in Westminster and Whitehall, that nothing could be done; that, for Britain, in the words of a former head of the Civil Service, the task of government was "the orderly management of decline", without even asking where that decline might lead.

If we simply stand back and say, "It's nothing to do with us; we're only the leaders of British business", then we too become part of the problem. We shall have opted out because it is all too difficult or because we are frightened of departing from precedent. We shall have qualified for membership of the establishment club. At this particular point in Britain's post-war decline, with a government which in its first term achieved more than many dared to hope, but which now faces a far harder task, we should ask ourselves whether club membership is an adequate objective.

I started this talk with a quotation. Let me end with one, this time from Bacon:

"He that will not apply new remedies must expect new evils; for time is the greatest innovator."

END