TRANSFORMING BRITISH GOVERNMENT

Volume 2
Changing Roles and Relationships

Edited by
R. A. W. Rhodes

TRANSFORMING GOVERNMENT SERIES
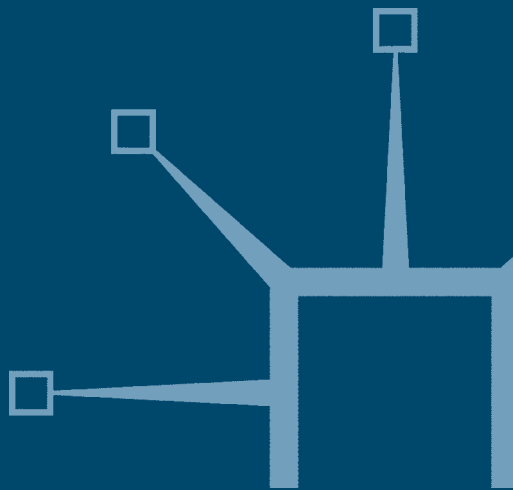**GENERAL EDITOR: R.A.W. RHODES**

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Volume 2: Changing Roles and Relationships

Transforming Government

General Editor: **R. A. W. Rhodes**, Professor of Politics, University of Newcastle

This important and authoritative new series arises out of the seminal ESRC Whitehall Programme and seeks to fill the enormous gaps in our knowledge of the key actors and institutions of British government. It examines the many large changes during the postwar period and puts these into comparative context by analysing the experience of the advanced industrial democracies of Europe and the nations of the Commonwealth. The series reports the results of the Whitehall Programme, a four-year project into change in British government in the postwar period, mounted by the Economic and Social Research Council.

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Transforming British Government

Volume 2: Changing Roles and Relationships

Edited by

R. A. W. Rhodes
Professor of Politics
University of Newcastle

To
Vincent Wright, 1937–1999

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Foreword: the Whitehall Programme

Are the people in Whitehall usually right? How far has the Civil Service been improved by recent changes? Should the whole machinery of central government be added to the checklist of institutions in need of root-and-branch reform? These are some of the questions posed by the Economic and Social Research Council's 'Whitehall Programme', of which these two edited volumes form part.

Like many other products of the Programme, these books are the result of an exercise in team work that reflects a typically quiet and unheralded shift in Britain's political culture. As the reader will discover, a key ingredient has been the support and co-operation of the Civil Service.

The Whitehall Programme was born of a new commitment to what is now called 'transparency'. The idea of outside experts taking an inside look at government processes was not in itself novel: on rare occasions, enterprising investigators were invited in, without too many strings attached. Official histories had occasionally been commissioned, and senior civil servants sometimes spoke about the need for wider scholarly access. But it was not until the 1990s that the notion of a wide-ranging, externally-funded series of studies took concrete form. The catalyst for such a project was a call in 1992 by Sir Robin Butler, then Head of the Civil Service, for a closer association between senior officials and the increasing number of researchers who studied and wrote about what they did.

The ESRC picked up this gauntlet and decided to fund a programme of linked studies of different aspects of the core executive – with the aim of extending knowledge, stimulating debate, and developing a dialogue between academics and practitioners. Later, the Cabinet Office chipped in with additional money for particular topics. The resulting 'Whitehall Programme' has turned into the most ambitious investigation of British central government ever undertaken by independent scholars. A total of 23 projects were awarded grants during 1995.

Much of the research was, of course, conducted in traditional ways: using official and other documentation in the public domain. What made the Whitehall Programme different from previous work was the active welcome it received from every level of the Civil Service, from the top down, and the willingness of officials to make themselves available to researchers. It was an incalculable advantage to the Programme that both Sir Robin and his successor, Sir Richard Wilson, gave it their full encouragement, taking trouble to open doors wherever possible. There was also a collective element: although each project stood and stands on its own, researchers were invited to share their experiences and findings in a variety of workshops, seminars and conferences arranged by Professor Rod Rhodes, the Programme's inspirational Director. Such 'work-in-

progress' events helped to give the shape of a single enterprise, greater than its parts.

Will the Whitehall Programme affect practice? It was not meant as a call to action: or, at least, any single kind of action. Yet there are implicit messages. My prediction is that there will be a cumulative influence. Some of the resulting books and essays will arouse intense interest, others will at first be little noticed. Whatever the initial reaction, I believe that the pioneering Programme, with its remarkable range of authors and topics, will come to be seen as a major landmark in the study and understanding of modern government.

Ben Pimlott
Chairman of the ESRC Whitehall Programme

Editor's Preface and Acknowledgements

There are enormous gaps in our knowledge of the key actors and institutions in British government. We cannot do simple things like describing the work of ministers of state, permanent secretaries and their departments. Also, there have been large changes in British government during the postwar period, such as: the growth of the welfare state; the professionalisation of government; the consequences of recession; the effects of New Right ideology; the impact of the European Union; the effects of new technology; the hollowing out of the state; and the new public management with its separation of policy and administration. We do not know how these changes affected British government. And we cannot understand the effects of these changes by focusing only on Britain. We must also analyse the experience of the advanced industrial democracies of Europe and the Commonwealth.

To repair these gaps in our knowledge and to explain how and why British government changed in the postwar period, the Economic and Social Research Council mounted the Whitehall Programme on 'The Changing Nature of Central Government in Britain'. This Macmillan series, entitled 'Transforming Government', reports the results of that five-year research programme.

The series has five objectives. To:

1. develop theory – to develop new theoretical perspectives to explain why British government changed and why it differs from other countries;
2. understand change – to describe and explain what has changed in British government since 1945;
3. compare – to compare these changes with those in other EU member states and other states with a 'Westminster' system of government;
4. build bridges – to create a common understanding between academics and practitioners;
5. disseminate – to make academic research accessible to a varied audience covering 6th-formers and senior policy makers.

These two volumes, *Transforming British Government*, have one simple objective: to provide a summary of the key findings of all the projects. Volume 1 surveys the main institutional changes while Volume 2 examines the changing roles and relationships of the core executive. Each chapter explains what the researchers did and, where appropriate, identifies the lessons for British government. It is quite impossible to synthesise the 12 projects covered by Volume 2. Nonetheless the 'Introduction' (Chapter 1) tells the history of the Programme while the 'Conclusion' (Chapter 14) provides a personal interpretation.

I am the wrong person to attempt an assessment of the Whitehall Programme, but no matter. Many others will provide a critical analysis and the ESRC itself will ensure that each project as well as the overall Programme is properly evaluated. However, I hope these two volumes will encourage the reader to seek out the books, articles and chapters of individual projects and explore their findings in more detail. Each chapter is only a 'taster' for the 'book of the project', many of which will repay in full your detailed attention.

Acknowledgements

After five years, there are so many people to thank, that it is hard to be both brief and comprehensive. Pride of place must go to my colleagues on the Whitehall Programme. I would like to thank them for their enthusiasm and support in the face of too many requests from me for information about conference papers, seminars and the like. The ESRC funded all of us and its contribution is fully acknowledged in each chapter. Individual members of the ESRC were also great supporters. It is no doubt invidious to single out any individual or section but I must thank Martin Kendor who aided and abetted me in setting up the Programme, Tim Whittaker and his colleagues in 'External Relations' who were unfailingly helpful in staging media events, and Ron Aman who, as Chief Executive of the ESRC, had many other things to occupy his mind but never missed an opportunity to extol the Programme's virtues. In the immortal words of Duke Ellington, 'I love you madly'.

The Programme would not have survived let alone thrived without the help of the civil service. Sir Robin Butler decided there should be better links between the civil service and academia, and it came to pass. His firm, unwavering commitment to the Programme was beyond value. Sir Richard Wilson picked up the baton with what, I suspect, could be described as 'enthusiasm', but I do not seek to give offence. Andrew Whetnall and David Wilkinson provided day-to-day support and advice and tolerated some 50 researchers crawling over Whitehall with great good cheer and no little patience. David Wilkinson developed voracious reading habits which puzzled even him, let alone his civil service colleagues. I am sure he will make a full recovery. I must record my genuine delight at the co-operation of the civil service and senior politicians. Rarely was an interview refused and the conversations were frequently frank and revealing. We are all immensely grateful.

Peter Hennessy was a regular source of advice at the outset and helped this new boy avoid opening his mouth to change feet. Ben Pimlott was always there with a friendly word of advice and ideas about how to best disseminate the findings.

Over the years there were so many conferences and seminars it is impossible to thank everyone who made a helpful contribution by name. I hope all concerned will rest content with this general thank you.

One great opportunity for the Director was to build international research contacts when disseminating the research findings. I was lucky to work with Lotte

Jensen, Torben Beck Jørgensen and Tim Knudsen of the Institute of Political Science, University of Copenhagen; and with Glyn Davis, John Wanna and Pat Weller of the Centre for Australian Public Sector Management, Griffith University, Brisbane. Both Brisbane and Copenhagen are now second homes and the joint work will continue long after the end of the Whitehall Programme.

Angela Mulvenna coped with my busy travel schedule and frequent absences with good humour. Janice McMillan provided the usual help. Mark Bevir provided intellectual challenge.

Vincent Wright was the principal investigator for the Whitehall Programme project on core executives and policy co-ordination in six West European countries (see Volume 2, Chapter 2). He died in Oxford on 8 July 1999. He would abhor any fulsome tribute. So, I simply record that these two volumes are dedicated to him as a mark of affection for a friend and respect for a colleague. We all miss him greatly.

ROD RHODES

Notes on the Contributors

Katharine Barker is a research fellow at PREST, the University of Manchester. Her research interests include research policy, particularly evaluation of research programmes and research in government, international collaboration in research, technological development between firms and policy for national and international scientific facilities.

Rebecca Boden has a professorship and is currently based at the University of the West of England Business school within the School of Financial Reporting. Her research interests include public sector accounting, the use of accountancy techniques in non-commercial environments, and the impact of new public sector management approaches on government-funded research.

Deborah Cox is a research associate at PREST, the University of Manchester. Her background is in social sciences and information management. Her research portfolio includes explorations of the changing nature of the management of scientific research, the relationship of the science base to the economy and society and participation in a socio-economic and industrial assessment of the EU framework 4 Telematics Applications Programme.

Nicholas Deakin is Honorary Professor of Social Policy at the University of Birmingham, where he was Professor from 1980 to 1998 and previously worked in the Home Office and Greater London Council. His publications include *The Politics of Welfare*.

Philip Gummett is Professor of Government and Technology Policy, and pro-vice-chancellor, at the University of Manchester. He has written widely, and advised numerous UK and European official bodies, on British and European science and technology policy, and defence industrial affairs.

Jack Hayward is Emeritus Professor of Politics, Oxford University, Research Professor, Hull University, former Director of Oxford European Studies Institute and Fellow of St Antony's College 1993–98. He was chairman of the UK Political Studies Association 1975–77, President 1979–81 and Vice-President for life. He edited the Association's journal *Political Studies* from 1987 to 1993.

Dennis Kavanagh is Professor of Politics at the University of Liverpool. He has also taught at the Universities of Manchester, Nottingham, Stanford University, California, and the European University Institute in Florence. His most recent book (with David Butler) is *The British General Election of 1997*.

David Marsh is Professor of Politics at the University of Birmingham. He has written widely on British politics and is the editor of the *British Journal of Politics and International Relations*. He has recently published *Postwar British Politics in Perspective*, and *Comparing Policy Networks*.

John Mawson is Professor of Public Policy and Management, Aston Business School, University of Aston. Previously he was Professor of Town and Regional Planning, University of Dundee. He is a former Chief Executive of the West Midlands Enterprise Board. He advises local and national government on regionalism and researches devolution and regional policy initiatives.

Janet Newman is Senior Lecturer at the School of Public Policy, The University of Birmingham. Her publications include *The Managerial State* (with John Clarke), *Shaping Organisational Cultures in Local Government* and *Gender, Culture and Organisational Change*. She has recently completed a research project on innovation in local government for the DETR and is currently working on one of the projects in the democracy and participation programme.

Philip Norton is Professor of Government and Director of the Centre for Legislative Studies, at the University of Hull. He is the author or editor of 26 books. He is President of the Politics Association, Vice-President of the Political Studies Association, and editor of *The Journal of Legislative Studies*. He was created a life peer in 1998.

Richard Parry is Senior Lecturer in Social Policy at the University of Edinburgh, where he has worked since 1981. His publications include the United Kingdom sections of *Growth to Limits* (1986) and articles and chapters on the politics of social policy in Scotland, Britain and Europe.

R. A. W. Rhodes is Professor of Politics (Research) at the University of Newcastle upon Tyne; Director of the Economic and Social Research Council's Whitehall Research programme, 1994–99; and Adjungeret Professor, Institut for Statkundskab, Kobehavns Universitet. He is the author or editor of 20 books including the most recent *Understanding Governance* and *Control and Power in Central–Local Government Relations*. He has been editor of *Public Administration* since 1986. He is chair of the Political Studies Association of the United Kingdom.

David Richards is Lecturer in Politics at the University of Liverpool. He has written widely on the civil service and the reform of Whitehall. His recent publications include *The Civil Service under the Conservatives* and *The Changing Role of Central Government Departments* (with David Marsh and Martin Smith).

Sue Richards is Professor of Public Management at the School of Public Policy. She has wide experience as an academic analyst in public policy and her publications include *Improving Public Management* (with Les Metcalfe). Recent research includes work on 'Cross Cutting Issues in Public Policy' for the DETR. She is a member of the Audit Commission for England and Wales and of the Modernising Government Implementation Project Board.

Richard Rose, FBA, is Professor of Politics at the University of Strathclyde. He has been studying Westminster politics since Winston Churchill was prime minister and Clement Attlee leader of the opposition. Over the year he has published more than a dozen books and hundreds of articles on British politics and created the comparative study of presidents and prime ministers. His writings have been translated into 16 languages and he has presented at seminars on six continents.

John Seargeant is Director of Policy and Research at the Development Trusts Association, the national network of community-based regeneration organisations. At the Policy Studies Institute he was a Senior Fellow researching the role and effectiveness of not-for-profit and community organisations in both the delivery of public services and in governance. His current research interests are in community ownership and control as a route to the regeneration of deprived neighbourhoods.

Anthony Seldon was founding director of the Institute of Contemporary British History and is currently headmaster of Brighton College, Sussex's largest independent school. He founded a number of journals, including *Contemporary Record*, *Modern History Review* and *20th Century British History*, and has written and edited a large number of books including *The Ideas that Shaped Post-War Britain* and *Major: a Biography*.

Ken Spencer is Professor of Local Policy and Head of School of Public Policy, the University of Birmingham. He was Director of INLOGOV (1990–95) and Dean of Commerce and Social Science (1995–98). He advises the European Union on Regional Policy and researches local and regional policy and governance.

Martin J. Smith is Professor of Politics at the University of Sheffield. His research interests include the reform of Whitehall and the Labour Party. Recent publications include *The Core Executive in Britain*; and *New Labour in Government* (co-edited).

Paula Smith was Research Fellow at the School of Public Policy from 1993–97, working with Kieran Walsh on the ESRC project on 'Contrasts and Competition' and subsequently the ESRC project on 'Market Testing in Central Government'. In 1997 she left to take up a post working on health promotion for Sandwell Health Authority.

Jane Steele is the Director of Research for the Public Management Foundation, an independent institute which is concerned with the effectiveness and public value of public services. She worked on the Whitehall Programme while she was leading a programme of research on information and citizenship at the Public Management Foundation.

Kevin Theakston is Professor of British Government at the University of Leeds and the author of *Junior Ministers in British Government*, *The Labour Party and Whitehall* and *The Civil Service since 1945*. His book *Leadership in Whitehall* and his edited volume *Bureaucrats and Leadership* are also published in the Transforming Government series.

Noel Whiteside is reader in Public Policy at the University of Warwick and was formally at the School for Policy Studies at Bristol University. She has published extensively on employment change and social governance in historical and comparative perspective, including, most recently, *Governance, Industry and Labour Markets in Britain and France* (co-editor with Robert Salais).

Vincent Wright was educated at the London School of Economics and the Institut d'Etudes Politiques in Paris and taught at the London School of Economics before taking up a post as Official Fellow at Nuffield College, Oxford. He was the joint editor of *West European Politics* since its creation in 1977. He has written books on French government and politics, most recently notably on the French prefects and on the Conseil d'Etat, and has edited or co-edited several volumes on government and administration in Western Europe. He died on 8 July 1999.

1

Introduction: The ESRC Whitehall Programme: a Guide to Institutional Change

R. A. W. Rhodes

Introduction

This chapter has four parts. First, I provide a brief history of the Economic and Social Research Council's (ESRC) Whitehall Programme.[1] Second, I explain some key concepts and theories. Third, I outline the organisation of the volume. Finally, I provide an Appendix of the major publications between 1994 and 2000 of the projects reporting in this volume. It covers books, articles, chapters and discussion papers. It does not cover the many conference papers, newspaper articles and other more ephemeral publications.[2]

A brief history of the Whitehall Programme

The Programme's formal origins lie in a workshop entitled 'The Changing Nature of the British Executive' funded by the ESRC which I ran at the University of York on 13–14 April 1992. The workshop brought together academics and civil servants and sought to blend theory and practice. In David Marsh's possibly immortal words 'we have here two people who have made substantial contributions to understanding British government, Peter (Hennessy) in spite of his complete lack of theory and Patrick (Dunleavy) despite his excess of it'. The joke captured the good humour and frank exchanges of the workshop. The informal origins of the Programme were conversations in York in November in the snow between Rod Rhodes and Martin Kendor of the ESRC. Having aided and abetted Rod Rhodes in setting up the 'Local Governance' Programme, he was once more finding ways of spending the Society and Politics Development Group's money (Rhodes 1999b). But not for long. The penitential cross of finance officer beckoned. The poacher became gamekeeper, or more prosaically, guardian of the budget. So he departed as consultations got underway. The report on the workshop with its proposals for future research were discussed at several conferences and seminars.

Paralleling this academic activity, the (then) Conservative government of John Major was encouraging openness. The Cabinet Office sent an observer to the York Workshop. Sir Robin Butler, Head of the Home Civil Service, gave the Frank Stacey Memorial Lecture at the University of York and signalled his willingness

to encourage research on central government (Butler 1992). After exploratory meetings with the Cabinet Office on 7 September and 11 December 1992, the Cabinet Office and the ESRC arranged a further workshop at the Civil Service College. These discussions led to a formal accord between the Cabinet Office and the ESRC with the former participating in a joint steering and commissioning panel to develop a research programme. The Board of the ESRC agreed to fund the Programme in September 1993 and the Commissioning Panel met on 6 December under its chair, Professor Ben Pimlott (then at Birkbeck College, University of London), to finish the specification and agree the commissioning process. The Programme called for outline proposals in December 1993 and January 1994. At its February meeting, Professor Rod Rhodes was appointed Programme Director for four years. He took up his appointment on 1 April 1994.

The Panel met on 7 March 1995 to consider 112 outline proposals. It short-listed 30. These full proposals were sent to between 4 and 6 referees and at its meeting of 12 September the Panel agreed to fund 16 projects costing £1.5 million. The Office of Public Service and Science (OPSS) in the Cabinet Office offered to fund jointly two projects on open government and the history of government departments, each costing £100,000. The Panel did not allocate all its funds in the first round because it was clear there would be gaps in the Programme's coverage, notably studies of prime minister, cabinet, ministers and the core executive. So, there were enough funds for a second round of commissioning. A further 25 applications were received. The Committee funded the two OPSS projects and five commissions to write books on the core executive based on research already completed.

The Programme comprised 23 projects costing £2.1 million. The first project began in March 1995. The last project finished in March 1999. The Director's appointment was extended to June 1999. At its peak, the Programme employed 49 people. It covered the disciplines of politics, law, history and management. The Programme focuses on 'the changing nature of governance in the UK' (*Corporate Plan 1996–2001*: 11; *ESRC Thematic Priorities (Update) 1997*) and, therefore, contributes in its entirety to the ESRC's governance, regulation and accountability priority theme.

The role of the Programme Director[3]

The Programme Director's role is a classical illustration of the dilemma posed by responsibility without power. The role is best compared to 'herding cats', and I like cats! My formal responsibilities were broad and I quote them more or less verbatim below.

1. To assist the Whitehall Commissioning Panel in the selection of research projects to be recommended for funding.
2. To provide academic leadership for the programme, monitor progress on individual projects within the programme and to provide guidance and assistance where appropriate to researchers on the programme.
3. To organise programme workshops and seminars in order to ensure effective communication between the various projects within the programme. To

ensure opportunities for synergy between multi-disciplinary approaches to the research areas are realised and possibilities for the sharing of data and information explored. The co-ordinator will also be expected to pursue international links on behalf of the programme as appropriate.

4. To report on the progress of the programme to the Programme Steering Committee[4] and the Research Programmes Board, as required, including the provision of written material for meetings of the Committee and the Board. The co-ordinator will be required to submit an annual report on his own work and that of the programme as a whole.

5. The programme will, in addition to the expected generation of academic articles and books, produce results of direct relevance to non-academic audiences. The co-ordinator will be responsible for networking with these groups and with the research community in order to promote the Programme and disseminate research outputs that derive from it.

6. To pursue the possibility of external funding and to encourage the close involvement of potential users of the research.

7. To act, as required, in a representative capacity on behalf of the research programme.

8. To provide advice to the Programme Steering Committee on the development of the programme.

I stressed four facets of the job. First, I played a supporting role for the projects. The Programme recruited senior colleagues. Any attempt to 'direct' their research would have been futile as well as counter-productive. I concentrated on helping them and on 'trouble shooting' with the civil service when necessary.

Second, I sought to provide 'academic leadership' through my work on understanding the new governance and on developing an anti-foundational approach to British government (see, for example, Rhodes 1997a).

Third, I cultivated links with the civil service. I visited Whitehall regularly and ensured the civil service took part in all Programme events. Most notably, I organised many élite seminars at which the projects reported on their research to an invited audience of civil servants.

Fourth, as well as devising and implementing a communication strategy, I sought to improve the Programme's visibility among academics and practitioners through a programme of public lectures, national and international. I presented several papers in the USA and undertook lecture tours of Australia (11 presentations) and Scandinavia (7 presentations). I also gave papers in several other countries (France, Italy, the Netherlands, New Zealand, Spain).[5] My objective was to give the Programme a life beyond its individual projects. The 'new governance' was the flagship idea. The public lectures and the élite seminars were the media.

The Programme's objectives

The Programme had seven objectives:

1. To describe, to explain and to create a better understanding of both recent and long-term changes in the nature of British government.

2. To compare these changes with those in other EU member states and other states with a 'Westminster' system of government.
3. To develop new theoretical perspectives and to encourage the use of new research methods in the study of central government.
4. To encourage interdisciplinary work.
5. To foster contacts and create a common understanding between academics and practitioners.
6. To encourage new researchers in this area.
7. To encourage the dissemination of the findings in a form accessible to a wide audience.

The Programme's themes

The Programme had six themes:

1. Developing theory: the new governance.
   Theoretical innovation focused on several key concepts: governance, regulation, core executive.
2. Hollowing out the state.
   Four topics were considered under this heading:
   (a) privatisation and the redefinition of the scope and forms of public intervention;
   (b) the transfer of functions to new service delivery systems, such as agencies and through market testing;
   (c) the transfer of competences by British government to European Union institutions; and
   (d) reduced capacity of the centre to steer.
3. The fragmenting governmental framework.
   The programme provides anthologies of what is going on, especially up-to-date accounts of the impact of change on central departments.
4. Ministers and managers.
   Historical and modern accounts of the relationships between key institutions in the core executive.
5. The evolving constitution.
   Analyses of changing patterns of accountability and of regulation.
6. Delivering services.
   Analyses of contracting out, public consultation and decentralisation.

The Programme, as outlined above, is an example of academic 'curiosity research' which set out to provide an 'anthology of change' in British government. It was explicitly agreed with the ESRC and the Cabinet Office that the Programme's primary objective was not to provide policy-relevant advice. To continue with the language of the civil servants with whom we worked, we were 'holding up a mirror to government' and 'learning each other's language'. Our task was 'to help one another understand the changes'. In practice, the Programme combined basic research on the evolution of British government with policy-relevant research on contemporary practice in Britain and Europe. Those colleagues who

were so inclined were free to explore policy-relevant issues; for example, on improving methods of consultation. The Programme's users include not only the higher civil service but also 6th-formers studying A-level politics, university students, and citizens curious about the workings of government.

Some key notions

This section provides an introduction to the concepts and theories used in this volume. I do not seek to provide a critical analysis but to help the reader come to grips with the several chapters and their, at times, distinctive language. Authors were asked to report their research findings and reserve their more theoretical reflections for journal articles. None the less to make sense of their findings, some theory is inevitable. It has been kept to a minimum, however, and I stick to the theories and concepts used by the authors themselves. Where a particular approach is used by one author only, I leave it to that author to explain.[6] Apart from clarity, the objective is also to avoid the same terms having to be defined several times.

As will quickly become clear, the Whitehall Programme travelled in several directions at the same time. There was no one theoretical approach nor, as Programme Director, did I seek to impose one. Without trying to fit my colleagues into wholly arbitrary boxes, the contributors to Volume 2 draw on three organising perspectives or frameworks for analysis which provide a map of how things relate as well as a set of research questions (Gamble 1990: 405; Greenleaf 1983: 3–8). I provide a brief summary, therefore, of: the Westminster model; the new public management (NPM); and governance, with boxed illustrations of each taken from the relevant projects in the Whitehall Programme.

The Westminster model

I begin with the obvious – a dictionary definition of the Westminster model:

> The characteristics of the Westminster model … include: strong cabinet government based on majority rule; the importance attached to constitutional conventions; a two-party system based on single member constituencies; the assumption that minorities can find expression in one of the major parties; the concept of Her Majesty's loyal opposition; and the doctrine of parliamentary supremacy, which takes precedence over popular sovereignty except during elections. (Verney 1991: 637)

The model has been criticised and adapted and several variants exist (see Bevir and Rhodes 1999; and Volume 2 Chapter 14). But there is a clear baseline to any discussion of the Westminster model and there is strong family likeness between the several varieties. The family lived happily under the roof of the Whitehall Programme (Box 1.1) and of the several variants the 'social science' approach was the more common.

The preferred way of working of the social science approach to studying British government is to frame hypotheses which can, in principle, be refuted or

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Box 1.1   **Variations on the Westminster model***

The findings of several projects, for example, on cabinet committees and permanent secretaries, provide critical variations on the central beliefs of the Westminster narrative.

Cabinet committees are effective when there is a clear relationship between the committee and the department carrying out the policy; and a clear sense of political direction about the committee's goals [Brady and Catterall].

The system of cabinet committees does not provide evidence of prime ministerial government but of the frequent failure of prime ministers to exercise leadership. The frequent attempts to strengthen co-ordination reflect the weakness of the Prime Minister in the performing his or her key duties [Brady and Catterall].

Permanent secretaries are no longer anonymous 'Mr Fixits' for their minister or the locus of institutional scepticism but the conservators of their department and its public face (Theakston 1999).

Britain does not have prime ministerial or cabinet government but ministerial (or baronial) government [Daintith and Page] (Jones 1998) (Norton Volume 2 Chapter 6).

Britain did enjoy an exceptional degree of continuity and order but it contained two contradictions: between the limited role of the state in practice and the lack of constitutional checks on its unlimited theoretical power; and between the popular conception of state's class neutrality and its partiality when it intervened (Lowe and Rollings Volume 1 Chapter 6).

* In all boxes in Chapters 1 and 14, I paraphrase rather than quote from the projects to save space. The references in square brackets are to either an end of award report or the summary 'Briefing' produced by most projects (see 'Appendix: Programme Publications' at the end of this chapter). The author–date references in parentheses are listed in the Bibliography.

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falsified. Gamble (1990: 412) notes that it 'introduced new rigour into British political science and widened the range of research questions but had no alternative organising perspective to propose' so most operate within the Westminster model. However, there was a greater diversity of subjects. Gamble (1990: 414–18) and Tivey (1988) identify five important developments: public policy, political economy, political behaviour (especially the several theories of voting behaviour), Thatcherism, and managerialism. This diversity exists in the Whitehall Programme and is easily found in the following chapters.

The new public management

Hood (1991: 5) argues that new public management (NPM) in Britain has two divergent strands: managerialism and marketisation. Managerialism refers to introducing private sector management in the public sector. It stresses hands-on; professional management; explicit standards and measures of performance; managing by results; value for money; and, more recently, closeness to the customer. It is often referred to as the '3Es': economy, efficiency and effectiveness. Marketisation refers to introducing incentive structures (such as market competition) into public service provision. It stresses disaggregating bureaucracies; greater competition through contracting-out and quasi-markets; and consumer choice (for a more detailed discussion, see Hood 1991; Pollitt 1993). Before 1988, managerialism was the dominant strand in Britain. After 1988, marketisation became a major source of innovation.

The label NPM now covers many varieties of public sector reform. It is seen as an example of globalisation and marketed by organisations such as the World Bank and the Organisation for Economic Co-operation and Development (OECD). Arguably, it refers to all species of public sector reform (Hood 1995; Rhodes 1999c). At a minimum it covers: privatisation, marketisation, corporate management, regulation and decentralisation. It is the most popular perspective on recent changes (Box 1.2).

Box 1.2 **From Westminster model to New Public Management**

Several projects identify changes in the Westminster model under the impact of NPM.

The story of internal regulation is the story of a plural centre seeking to extend its control [Daintith and Page].

Regulating and auditing quasi-markets is expensive and costs are rarely identified clearly [Whiteside].

The Treasury has a clear set of views on social policy covering not only the levels of spending but also the content. The Treasury's approach is dominated by short-term spending decisions and it has lost the analytical capability to control the link between economic and social policy and to comment on policy content [Parry and Deakin].

The attempt to separate policy from service management has failed. Creating operational agencies increased their policy making role; policy migrated to the agency and policy making became an exercise in managing ambiguous boundaries [Elder and Page] [Day and Klein].

Agencification and managerialism created two cultures – mandarins and managers [Day and Klein].

Governance

The term 'governance' has an unfortunately large number of meanings. It can refer to a *new* process of governing; or a *changed* condition of ordered rule; or the *new* method by which society is governed (see Finer 1970: 3–4). So far, so simple; but the problems of definition become chronic when specifying this new process, condition or method. Elsewhere I have identified at least seven separate uses of governance relevant to the study of Public Administration (Rhodes 1997a: Chapter 3) including, for example, corporate governance, the new public management and international interdependence. Here, governance refers to self-organising, inter-organisational networks with the following characteristics:

1. Interdependence between organisations. Governance is broader than government, covering non-state actors. Changing the boundaries of the state meant the boundaries between public, private and voluntary sectors became shifting and opaque.
2. Continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes.
3. Game-like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants.
4. A significant degree of autonomy from the state. Networks are not accountable to the state; they are self-organising. Although the state does not occupy a privileged, sovereign position, it can indirectly and imperfectly steer networks. (Rhodes 1997a: Chapter 3)

After 1979, government policy fragmented service delivery systems and compensated for this loss of hands-on controls by centralising financial control. The shift from line bureaucracies to fragmented service delivery systems multiplied the number and type of organisations which need to co-operate in delivering services and increased the centre's dependence on these networks of organisations. There has been a shift from government to governance; from bureaucracy to networks (Box 1.3). So the notion of governance challenges the commonplace notion of Britain as a unitary state with a strong executive and replaces it with the notion of Britain as a maze of institutions and functional authority; the differentiated polity.

Within these broad organising perspectives, projects used several specific theories and concepts. Thus, in Volume 2, the specific social science theories include historic institutionalism, see, for example, Chapter 2. Other chapters use a shared terminology, namely: the core executive, policy networks, power-dependence and hollowing-out. To avoid undue repetition, I define each briefly here.

The core executive

Textbooks, commentators and practitioners take it as axiomatic that the British unitary state is characterised by a strong executive (see Birch 1964: 243–4). The Westminster model encourages sterile debates about the relative power of prime minister and Cabinet (Rhodes 1995). In fact, the centre is characterised as much by fragmentation and interdependence as by strength.

Box 1.3   Characterising governance

Martin Smith (1999) argues the Westminster system has changed from bureaucracy to networks.

Bureaucracy
A high degree of state control, the result of policies such as nationalisation.
A large bureaucratic machine.
Legitimacy to undertake large scale intervention in society.
The incorporation of key economic groups into the policy process.
A high degree of consensus between officials and politicians over their role in governing and decision making.

Networks
A shift from bureaucratic management to decentralised and delayered management.
A tendency to set overall direction of policy rather than detail of policy – a lack of detailed intervention.
Control over a smaller public sector.
The exclusion of economic groups from the policy process.
Loss of consensus between officials and politicians.
Concern with managing networks rather than directing state bureaucracies.

> executive authority is neither the sole preserve of prime ministers nor exclusive to political leaders. … Decision making is fragmented between policy networks with sporadic prime ministerial interventions. Ministers responsible for domestic departments are, to a substantial degree, sovereign in their own turf. Co-ordination is achieved (if at all) and conflicts resolved (or at least suppressed) in and by Cabinet *and* its multifarious committees, supplemented by bureaucratic mechanisms. (Rhodes 1988: 76)

This notion of the segmented executive was subsequently developed to include the 'the core executive':

> We define the core executive functionally to include all those organisations and structures which primarily serve to pull together and integrate central government policies, or act as final arbiters within the executive of conflicts between different elements of the government machine. (Dunleavy and Rhodes 1990: 4; Rhodes 1995)

The point of this notion is that co-ordination and conflict management – joined-up government if you will – are not the exclusive concern of prime minister and cabinet. Just as 'central government' can be seen as a federation of departments, so the 'core' of government, which seeks to tie together the seemingly disparate departments, itself multiplies co-ordinating actors and their attendant procedures and mechanisms. The core executive is not the specific institutions of

prime minister and cabinet but the set of networks which police the functional or department-based policy networks.

Policy networks

A policy network is a cluster or complex of organisations connected to one another by resource dependencies (Rhodes 1986: Chapter 2 after Benson 1982: 148). Policy networks matter: they are not another example of otiose social science jargon. All governments confront a vast array of interests. Aggregation of those interests is a functional necessity. Intermediation is a fact of everyday life in government. To describe and explain variations in patterns of intermediation is to explore one of the key governmental and political processes. Policy networks are one way of analysing aggregation and intermediation; they are the oligopoly of the political market-place. They are important for six reasons (see Marsh and Rhodes 1992a; Marsh and Smith 1999).

- they limit participation in the policy process;
- they define the roles of actors;
- they decide which issues will be included and excluded from the policy agenda;
- through the rules of the game, they shape the behaviour of actors;
- they privilege certain interests not only by according them to access but also by favouring their preferred policy outcomes;
- they substitute private government for public accountability.

So, debates about, for example, the dominant interests in networks and the asymmetric power of central departments are not exercises in pedantry. They are about: 'Who rules?', 'How do they rule?', and 'In whose interest do they rule?'. Policy networks are a tool for exploring how power is exercised in modern Britain and who benefits from its exercise (and for a review of the recent literature see Rhodes 1999a: Chapter 8).

Power-dependence

The notion of power-dependence contains five propositions (Rhodes 1981: 98):

(a) Any organisation is *dependent* upon other organisations for *resources*.
(b) In order to achieve their *goals,* the organisations have to exchange resources.
(c) Although decision-making within the organisation is constrained by other organisations, the *dominant coalition* retains some discretion. The *appreciative system* of the dominant coalition influences which relationships are seen as a problem and which resources will be sought.
(d) The dominant coalition employs strategies within known *rules of the game* to regulate *the process of exchange.*
(e) Variations in the degree of *discretion* are a product of the goals and the relative power potential of interacting organisations. This relative power poten-

tial is a product of the resources of each organisation, of the rules of the
game and of the process of exchange between organisations. (emphasis in
original)

So, relations in a network or in the core executive resemble a 'game' in which all
actors manoeuvre for advantage. Each deploys its resources – for example, legal,
organisational, financial, political or informational – to increase their influence
over outcomes while trying to avoid becoming dependent on the other 'players'.
It is a complex game in which the various interests, levels and units of govern-
ment are interdependent and relationships are constantly shifting.

Hollowing-out

This term refers to:

- privatisation and the redefinition of the scope and forms of public
  interventions;
- the transfer of functions to new service delivery systems, such as agencies and
  through market testing;
- the transfer of competences by British government to European Community
  and other international institutions; and
- the reduced capacity of the centre to steer (modified from Rhodes 1994 and
  1997c).

So the capacity of the British executive to steer is eroded by power-independ-
ence in the professional–bureaucratic complexes of policy networks and
this erosion gained great impetus from, for example, privatisation and
Europeanisation.

Organisation

These two volumes have one simple objective – to provide a summary of the key
findings of all the projects. Volume 1 surveys the main institutional changes,
examining: the changing context of government (for example, Europeanisation,
the spread of regulation); the historical development of key institutions (for
example, government departments, Cabinet Committees, the Prime Minister's
Office); and the arrival of agencies. Volume 2 examines the changing roles and
relationships of the prime minister, ministers and civil servants. It then explores
the new ways of delivering services which have evolved over the past 25 years. It
is, of course, impossible to explore changing roles and relationships without
examining the ways in which such changes are a response to and a cause of insti-
tutional change. The differences between the two volumes is, therefore, one of
emphasis and, to some degree, of discipline with the historians and lawyers pre-
dominantly in Volume 1 and the political scientists in Volume 2.

   Volume 2 has three parts. Part I explores the core executive in Britain and
Western Europe. A defining characteristic of core executives is their role in co-

ordinating government policy. Vincent Wright and Jack Hayward (Chapter 2) examine the limits to co-ordination in six European core executives, concluding that it is modest in scope; takes place at lower levels of the state hierarchy; is selective, issue oriented and reactive. Richard Rose (Chapter 3) examines the ways in which the role of the British prime minister has changed, stressing the international constraints on domestic action. Dennis Kavanagh and Anthony Seldon (Chapter 4) describe the support available to the prime minister, arguing that the growing pressure for a stronger centre reflects the difficulties prime ministers experience when trying to get their own way. Richard Parry and Nicholas Deakin (Chapter 5) analyse the changing role of the Treasury in its efforts to control social policy, concluding that it needs to strengthen its policy analysis capability. All the contributions in this section draw attention to the weakness of the British core executive in marked contrast to the conventional portrait of Britain – that of a strong executive if not a presidential prime minister.

Part II examines the roles and relationships of ministers, permanent secretaries and departments. Philip Norton (Chapter 6) looks at ministers, concluding that they remain barons, who are powerful figures in their own territory rather than agents of the prime minister. Kevin Theakston (Chapter 7) examines the role of the permanent secretary, concluding that agencies have reduced their managerial role and that they play a greater strategic, symbolic role, acting as the guardians of their department and its traditions. Martin Smith and his colleagues (Chapter 8) argue that ministers, and indeed prime ministers, are dependent on departments. The departments are concentrations of political and bureaucratic resources and ministerial dependence means the culture of a department assumes a particular importance because it frames decisions and decision making. These cultures have changed but not enough to undermine the powerful position of departments. Reinforcing the picture painted by Part I, Part II illuminates the complex sets of power-dependent relations at the heart of British government.

Part III focuses on the changing managerial roles and relationships in British government which are often seen as the heart of the NPM 'revolution' of the past 25 years. Noel Whiteside (Chapter 9) identifies some of the possible limits to public–private partnerships in her study of health insurance between the wars. Janet Newman and her colleagues (Chapter 10) critically examine the lessons to be learnt from British central government's experience of market testing and contracting out. Jane Steele and John Seargeant (Chapter 11) identify the conditions under which government can successfully consult the public. Ken Spencer and John Mawson (Chapter 12) look at the co-ordinating role of Government Offices in the English regions, concluding that they were pioneers of the current fashion for joined-up government. Philip Gummett and his colleagues (Chapter 13) look at the changing management regimes of government scientific establishments. Here, it rapidly became clear that no solution fitted all, for example, privatisation or agencification, and that repeated reviews undermined the organisations for no obvious improvement in value for money for the taxpayer or the effectiveness of the customer role.

Indubitably all these chapters show that the reforms served to make public sector organisations more conscious of their costs and performance. But equally

the reforms were adapted and modified as they were put into practice. To recognise that greater attention was given to effective management is not to conclude there has been a managerial revolution. To a great extent reform was an act of faith, outcomes remain unclear and evaluation of those outcomes a rare event. British government is a maze of institutions and it is scarcely credible that reforms directed at the internal reorganisation of individual institutions could radically change the complex pattern of inter-organisational relations that characterises service delivery by British government. There is thus an inevitability to the new concern with joined-up government.

Each chapter explains what the researchers did and, where appropriate, identifies the lessons for British government. It is impossible to synthesise the 23 projects covered by the two volumes. None the less each volume has an 'Introduction' which tells the history of the Programme, introduces the several theories and concepts used in the book and provides an Appendix of Programme Publications. I try to provide 'added value' in the guise of a 'Conclusion'. In Volume 1, Chapter 14, I draw together the evidence for the governance interpretation of British government. In this volume (Chapter 14), I cast a critical eye on that interpretation, explore the limits to the Whitehall Programme's research findings, and speculate on where we go from here.

Notes

1. The ESRC is the United Kingdom's leading social science funding agency. It is an independent organisation, financed solely by government. Its activities fall into three groups: research grants, research centres and programmes, and postgraduate training. Research Programmes seek to harness and strengthen the United Kingdom's social science research capacity to address scientific and policy relevant topics of strategic and national importance. Typically, there will be 10 to 15 projects drawn from several social science disciplines and spread among UK universities. Researchers work independently on individual projects with the support of a Programme Director and his or her advisory Steering Committee.
2. Further information on the Programme and individual projects, along with contact names and addresses, can be found on the Programme's web site (http://www.ncl.ac.uk/~npol/whitehall/index/html).
3. After May 1997, the title became 'Programme Director', the terms of reference were revised and the Steering Committees became advisory. The new terms of reference identified seven roles: adding value, providing intellectual leadership, providing a lead on engaging with potential users, providing input to public policy debates, providing inputs to ESRC policy debates, providing a channel of communication between the ESRC and the research community, and providing advice to the ESRC about securing value for money from the programme.
4. The members of the Steering Committee were: Professor Ben Pimlott, Chair, Birkbeck College; Vernon Bogdanor, Brasenose College, Oxford; Professor Peter Hennessy, Queen Mary & Westfield College, University of London; Dr Ian Harden, Faculty of Law, University of Sheffield; Bill Jones, University of Manchester; Nicola Simpson, National Association of Citizens Advice Bureaux; Professor Cyril Tomkins, School of Management, University of Bath; David Wilkinson, Office of Public Service, Cabinet Office; and Andrew Whetnall, Office of Public Service, Cabinet Office.

5. The Whitehall Programme has formal links with equivalent research projects in Denmark and Australia. In Denmark the link is with the Institute of Political Science, University of Copenhagen and their Danish Research Council funded project on 'Democracy and Institutional Change'. In Australia the link is with the Centre for Australian Public Sector Management, Griffith University, Brisbane and their Australian Research Council funded project on 'The Governance of Australia'.
6. For example, cultural theory (Thompson *et al.* 1990) underpins the categories used in the chapter by Christopher Hood and his colleagues (Chapter 5) but it is not necessary to understand these theoretical roots to make sense of this summary of their research. The interested reader should consult Hood 1996 and 1998.

Appendix: Programme Publications, 1994–2000

Note: All entries marked with an asterisk are in the 'Transforming Government' series, edited by R. A. W. Rhodes.

Books

Project publications

*Andeweg, R. (2000), *Governing from the Centre: Core Executive Policy Co-ordination in the Netherlands*. London: Macmillan.

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*Deakin, N. and Parry, R. (1999), *The Treasury and Social Policy.* London: Macmillan.

Hall, S. and Mawson, J. (1999), *Challenge Funding Contracts and Area Regeneration.* Bristol: Policy Press/Joseph Rowntree Foundation.

*Goetz, K. H. (2000), *Binding Agreements: Executive Co-ordination in Germany.* London: Macmillan.

*Hayward, J. E. S. and Wright, V. (eds) (2000), *Governing from the Centre: Policy Co-ordination in France.* London: Macmillan.

*Hayward, J. E. S. and Wright, V. (eds) (2000), *Governing from the Centre: Core Executive Policy Co-ordination in France, Germany, Italy, the Netherlands, Austria and Spain.* London: Macmillan.

*Heywood, P. (2000), *Governing from the Centre: Core Executive Policy Co-ordination in Spain.* London: Macmillan.

*Hine, D. (2000), *Governing from the Centre: Core Executive Policy Co-ordination in Italy.* London: Macmillan.

Kavanagh, D. (2000), *Changes in Number Ten.* London: European Policy Forum.

Kavanagh, D. and Seldon, D. (1999), *The Power Behind the Prime Minister: the Hidden Influence of No. 10.* London: HarperCollins.

*Marsh, D., Richards, D. and Smith, M. J. (2000), *The Changing Role of Central Government Departments.* London: Macmillan.

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*Müller, W. (2000), *Governing from the Centre: Core Executive Policy Co-ordination in Austria.* London: Macmillan.

Page, E. and Wright V. (eds) (2000), *Bureaucratic Elites in West European States.* Oxford: Oxford University Press.

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*Theakston, K. (1999), *Leadership in Whitehall.* London: Macmillan.

*Theakston, K. (ed.) (1999), *Bureaucrats and Leadership.* London: Macmillan.

Wright, V. and Pagoulatos, G. (eds) (2000), *Privatisation and Public Policy.* Aldershot: Edward Elgar.

Wright, V., Kassim, H. and Peters, B. G. (eds) (2000), *EU Policy Co-ordination: the National Dimension*. Oxford: Oxford University Press.

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Rhodes, R. A. W. (ed.) (1999), *United Kingdom*. Volumes I and II. Aldershot: Ashgate.

*Rhodes, R. A. W. (ed.) (2000), *Transforming British Government*. London: Macmillan.

> *Volume 1. Changing Institutions*
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Part I
The Core Executive

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2

Governing from the Centre: Policy Co-ordination in Six European Core Executives*

Vincent Wright and Jack Hayward

All European countries have long been confronted with the expansion and balkanisation of public policy making, and, since the early 1980s, all have had to confront a series of policy challenges, with convergent pressures for change in most sectors. These administrative pressures are of an interlinked ideological, technological, financial, fiscal, external and internal economic and political nature. These pressures are mediated, in large part, by domestic actors, and amongst the most important of these actors are those located at the level of the core executive.

In undertaking this comparative study of policy co-ordination, our principal aim was to describe the traditional core executives and their networks and processes, as well as their responses to the various challenges. Four major states of the European Union, with distinctive constitutional, cultural, political and institutional arrangements and traditions, were initially studied: France, Germany, Italy and the Netherlands, a group of nations to which Austria and Spain were subsequently added. More especially, the project focused on those policy ambitions of the core executives which have been triggered by the challenges as well as on their political and institutional capacity to translate policy ambitions into co-ordinated programmes. Four main sectors were studied: European Union policy making, budget making, immigration, and privatisation. For reasons of access to relevant documents and actors, it was decided to exclude defence and foreign policy. This was in many ways a pity in that foreign affairs is an excellent example of how what used to be the monopoly of a single ministry operating bilaterally frequently now involves almost all ministries as well as the prime minister operating multilaterally. This development raises interesting problems of co-ordination both at the centre and in the 'field', embassies becoming microcosms of the sectoral administrations co-ordinated by the ambassador. Nevertheless, given this *caveat*, foreign and defence policy have been discussed where appropriate.

The six countries chosen originally, include both larger and smaller member states of the European Union, whose core executive decision-making processes,

firstly, should be of interest to UK policy makers who often harbour misleading (and simplistic) views of the situation of their European counterparts. Secondly, the six countries enable interesting comparisons to be drawn, which when combined, underline the specificity of the British case, the country on which most of the other Whitehall Programme studies concentrated. Thirdly, for most of these countries, there exists a body of good secondary material and some original (though unpublished) research, most of it not available in English. Finally, there were existing groups of first-rate scholars with whom the applicants had already collaborated, who could undertake detailed work on the case studies associated with the policy sectors selected. In the event, 27 collaborators were associated with the project.

Given that we were confronted with the lack of even basic information on core executive co-ordination, we had to concentrate initially on fact finding within a conceptual framework by way of mapping exercises which served as a preliminary to the case studies undertaken. While we started out by testing three interlinked theories – historical institutionalism, convergence and network approaches – the first of these emerged as the most useful for our purposes. The case studies, in particular, showed that the broadly 'new institutionalism' research approach which we adopted was confirmed, at least in part, by the fact that co-ordination of issues was mediated by prevailing policy frames and national or sectoral institutional arrangements. These determined the parameters of decision making, the constellation of actors, procedures and structure of arenas and the types and style of co-ordination. Historical institutionalism was also useful in explaining persistent national differences: convergent pressures do not always lead to convergent institutional responses, as EU policy co-ordination most markedly demonstrates. The 'stickiness' of national institutional arrangements also helped to explain persistent differences in co-ordination ambitions, in the salience of particular issues, in co-ordination needs, in actors and mechanisms.

However, our research also pointed to the limits of institutionalism for two main reasons. First, it understates the degree of fluidity that exist in traditional institutions. Our study reveals a great deal of instability, with malleability – particularly in institutional arrangements narrowly conceived. (Ministries have been created, amalgamated and dismembered with surprising ease.) It also points to the importance of 'contingent factors' of a political and even personal nature. Co-ordination processes are not politically neutral: who does the co-ordination and in which arena has powerful political implications. Co-ordination processes may be reshaped by the changing political salience of an issue (EU policy making and immigration, for example), by electoral change, or even by designating a different lead ministry (for example, Foreign Affairs instead of the Finance Ministry for EU policy, Justice or Social Affairs in the place of the Interior Ministry [or vice versa] for immigration policy). There are many examples of politically-motivated changes in co-ordination processes. Our German immigration case studies revealed the increasing importance of the EU, the Länder and of Parliament in the co-ordination process. The French EU case studies, in turn, show the variable role and influence of the Ministry of European Affairs according to political

circumstances. Personalities also matter: the co-ordination ambitions and style of successive prime ministers have differed widely. In France, the president–prime minister relationship is determined both by the results of the most recent elections and by the personal wishes of the incumbents. The co-ordinating role of the French presidency between 1981–95 was determined by changing political circumstances to which the personal decisions of François Mitterrand had to be adjusted. Similarly, the development of the chancellorship of Germany cannot be divorced from the personal position of Helmut Kohl or the prime ministership in Spain from Felipe González. Second, it underestimates the profound impact of exogenous shocks to traditional systems. Policy frames, ambitions, needs, actors, institutions and processes have all been remoulded, although not necessarily in convergent fashion, by the cumulative impact of these changes.

Problematic preliminaries

Six salient conceptual and methodological problems emerged. These will be briefly summarised followed by a discussion of the findings whose results they inevitably shaped.

In the first place, the concept of the core executive proved to be more elastic in empirical practice than we anticipated. We used the Dunleavy and Rhodes definition of the core executive which includes 'all those organizations and structures which primarily serve to pull together and integrate central government policies, or act as final arbiters within the executive of conflicts between different elements of the Government machine' (Rhodes 1995: 12). In our research, the responsibility for co-ordinating issues could be taken by the head of government (and/or state in the French case), the council of ministers, an inner cabinet, a shifting group of ministers acting collectively or bilaterally, the Finance Minister, a lead ministry, the respective administrative entourages *(cabinets ministériels)* of the above, governmental secretariat(s), interdepartmental committees (comprising key civil servants) of a permanent or *ad hoc* nature – or often a combination of some or occasionally all of the above. In practical terms, it would have been easier to focus on one actor (possibly the head of government or the council of ministers) in order to simplify the dependent variable. This is the usual practice (see, for example, Blondel and Thiebault 1991) but at the crippling cost of other-actors-being-neglected oversimplification which we were determined to avoid. We therefore opted to cope with the consequent additional complexities.

Second, we confronted the problem of how to define co-ordination. The purposes of governmental co-ordination are well known and require no elaboration other than in out line: facilitating organisational spread; protecting members of the core executive by providing a formal sharing of the responsibility for any particular decision (thus effectively obfuscating the real source of responsibility); disguising the inevitable divisions and tensions of government by presenting an image of unity; managing policy externalities and the problems of duplication and redundancy. However, what at first sight is a simple and straightforward activity turns out on closer investigation to raise questions of a conceptual

nature. For comparative purposes it was necessary to establish a generally agreed definition of policy co-ordination at an early stage. Our initial choice of definition was:

> policy co-ordination is the process by which the core executive attempts, if and when required, to introduce coherence or to minimize incoherence and redundancy amongst the means and goals employed in the pursuit of its policy objectives.

However, experience showed that this specification was not very helpful. In the first place, it was not always easy to draw a distinction between co-ordination and decision making in general. Secondly, co-ordination emerges as a multi-dimensional activity, involving both process and objectives, and it takes many forms. Despite attempting to define the appropriate categories of co-ordination – hierarchical/non-hierarchical; formal/informal; routine/crisis; inter/intra-organisational; administrative/political; negative/ positive; institutionalised/*ad hoc* – each of our categories posed problems. For example, the distinction between administrative and political co-ordination is blurred in some European countries, with *cabinets ministériels* composed of civil servants who are politically sympathetic to the government and a patronage network which enables the government to place administrative friends in key co-ordinating positions.

Third, having adopted a 2×2 matrix, using the categories political/non-political, routine/non-routine for selecting our case studies, we discovered – given our extensive coverage – that there was a blurring of the matrix categories, most notably with respect to the politicised/non-politicised distinction. Several case studies underlined the fact that a particular issue could oscillate between the two. Thus, the BSE crisis study revealed an issue that moved from a non-politicised quadrant to a politicised one as a largely technical issue blew up into a major political scandal. The privatisation of *Deutsche Telekom*, on the other hand, moved over time from being a politicised issue into a depoliticised one. It was also clear that each of the key distinctions – such as politicisation – could mean different things and thus trigger different co-ordination needs. Our matrix, therefore, risked, being rather static, failing to capture the dynamics of certain co-ordination processes. This difficulty may be illustrated by the case of the privatisation of the Dutch railways which entered all four quadrants of our matrix depending on the phase of the process. Fortunately, our time span of nearly two decades allowed us to introduce a dynamic corrective to the matrix used. This would have been a bad master but proved a useful servant.

Fourth, having selected four policy areas for investigation: European Union, budget making, privatisation and immigration, there remained the problem of the selection of the case studies. Although identical case studies could not always be carried out in all six countries, the number of different cases was kept to a minimum.

Fifth, obliged to restrict the fields to be investigated, we faced the problem of generalisation. Having selected four sectors or major policy areas, we were aware that a study of other sectors – notably defence and foreign policy – might yield quite different conclusions. Information from secondary sources or previous work by the authors on other sectors was therefore incorporated to provide a more comprehensive analysis.

Lastly, we were also compelled to restrict the policy stages investigated. To render the project feasible, it was reluctantly agreed to analyse co-ordination at only the initiation, agenda-setting and formalisation stages of policy making, and to ignore the implementation, monitoring and evaluation stages, except where they impinged directly on the early stages. In several of the case studies, however, this distinction proved to be rather artificial because of constant feedback loops.

Co-ordinating from the centre

Seven general findings emerged from our investigations. These were either somewhat unexpected or sometimes quite unanticipated. First, there was the persistent and even increasing need to co-ordinate – not only in the six countries we investigated. It is characteristic of advanced industrial societies. Core executives everywhere are locked into a plurality of interdependent forms of co-ordinative exchange, mixing both processes of unilateral adjustment and interactive modalities of co-ordination, of hierarchy and network. This co-ordination mainly takes place at six levels:

1. Internal co-ordination at the centre:
   a) within the core executive itself;
   b) inter-departmentally, at the centre; and
   c) within individual departments or organisations.
2. External co-ordination by the centre
   d) between the centre and state officials of implementation;
   e) between the political and bureaucratic elements of policy making; and
   f) between the state machine and outside functional and territorial interests.

While recognising that setting up multiple and complex feedback loops may increase and complicate core executive co-ordination requirements, we focused largely on internal co-ordination because of our need to concentrate on the initiation, agenda-setting and formalisation stages of state decision making. These core executive co-ordination requirements relate to systemic management, political management, governmental management and administrative management – requirements which are distinct yet interrelated. In the rather sparse literature on policy co-ordination, emphasis is placed on the need to prevent duplication, to manage externalities, to introduce organisation harmony, to reduce complexity in balkanised state apparatuses, to control public expenditure, to prevent electorally damaging images of incoherence and disunity, to

obfuscate accountability by implicating several actors. Thus there are political and policy related reasons for co-ordination. Since the 1980s, the set of 11 inter-related factors listed below have both increased and complicated co-ordination requirements and objectives.

1. The internationalisation and transnationalisation particularly of financial and industrial sectors and of decision making.
2. The Europeanisation of actors, structures, arenas and processes.
3. The weakening of a general policy frame based on the postwar social demo-cratic consensus, and the emergence of the contested neoliberalism and market consensus – a weakening which has dismembered internal and external policy networks.
4. The weakening of some of the traditional props of governance (contested authority and legitimacy of state élites, trades unions, churches, political parties, some self-regulated bodies, corporatist networks), often as the result of government policies.
5. A changing policy agenda, with new and complicated demands to coordinate (European Union, environmental concerns, law and order issues, immigra-tion, long-term unemployment, women's affairs) which have created greater interdepartmental interdependencies, political tensions, greater costs, greater national–transnational–international interdependencies.
6. More extended territorial policy chains to manage (EU and international regulatory agencies).
7. The emergence of new actors and new networks (EU, regional, urban and local, environmentalists and feminists – outsiders acquiring uneasy insider status – policy activists and advocates, think tanks, to mention the most important ones).
8. The collapse or reshaping of traditional sectoral networks (the increased role of financial institutions, central banks, courts; multinationalisation and public/private hybridisation).
9. New decision-making processes (more decentralised or diffused, more participative, more consultative and more transparent).
10. Further balkanisation of the central state apparatus (increased sectoralisa-tion, administrative deconcentration and certain aspects of new public management).
11. The privatisation of the public domain (a multi-dimensional phenomenon involving ethos, sectors, finance and personnel) which has led to complex issues of hybridisation and regulation.

In short, some pressures (budgetary, EU) clearly require increased co-ordination efforts while the same pressures and new ones (the weakening of the traditional bases of co-ordination such as cost reduction, the destabilising of the policy environment, the increased balkanisation and budgetary squeeze) are rendering an already difficult task much more difficult.

The second major finding is that there appears to be an increasing need for positive co-ordination orchestrated by a core executive that is more centralised

around the head of government and/or around the tandem of the head of government/Finance Minister. This centralisation places an additional responsibility upon the staffs of these ministers – both in terms of internal co-ordination and the relations between those who can claim a general oversight over the activities of government. To a lesser extent, Foreign and Internal (and increasingly European) Affairs ministers may compete for a share in such centralised co-ordinating capacity. This need for centralised co-ordination is being felt – and responded to – even in countries such as the Netherlands and Germany with their strong traditions of *Ressortprinzip* (exclusive departmental control by ministers). The factors feeding this need are well known: the personalisation of politics; the electoral sanctions imposed on disunity; the impact of EU policy making which, increasingly, is seen to require that a country speak with one voice; the zero- or even negative-sum games involved in budgetary rectitude; the heightening political salience of these issues (such as long-term unemployment, immigration, EU policy making, law and order) which create new budgetary demands, new requirements for regulation and increasing interdependencies and externalities. The strengthening of an interlocking politico-administrative superstructure is a response to the need for greater positive co-ordination.

Third, while there are strong and convergent pressures for more proactive and positive core executive co-ordination, our evidence suggests that core executive co-ordination is in practice modest. Co-ordination remains characterised by four features:

(i)   It is largely negative, based on persistent compartmentalisation, mutual avoidance and friction-reduction between powerful bureaux or ministries – all of which remain formidable inertial obstacles.

(ii)   Even when co-operative, anchored at the lower levels of the state machine and organised by specific established networks, co-ordination is sustained by a culture of dialogue in vertical relations and of integration at the horizontal level.

(iii) It is rarely strategic, so almost all attempts to create proactive strategic capacity for long-term planning (an example being the *Commissariat au Plan*, the Planning Division in the *Bundeskanzleramt*, the Economics Think Tank under President Spadolini) have failed, with the Dutch Central Planning Bureau and the Socio-Economic Council providing exceptions.

(iv)   It is intermittent and selective in any one sector, improvised late in the policy process, politicised, issue-oriented and reactive.

On the whole, therefore, despite their pretensions and public perception, core executives continue to function as arenas rather than proactive actors. The general conclusions of Mayntz and Scharpf's (1975) classic study of the West German ministerial bureaucracy hold good. The desire and/or the need to restrict the span of core executive control remain dictated by the following seven factors:

(i)   The lack of political will – the price of co-ordination may be too high if it threatens to destabilise delicate political balances: 'fudge' and slack are

often essential ingredients for systemic, governmental and bureaucratic harmony.

(ii)   The lack of time, because the core executive is absorbed in many activities not directly related to policy co-ordination. A surprising amount of core executive activity is taken up by managing routine affairs, as well as by symbolic, representational and partisan political activity. The core executive is in the business of providing democratic legitimacy for government as well as furnishing a channel for political activity.

(iii) The lack of information or inability to manage too much information resulting in overload.

(iv)   The lack of cohesion (since governments are large and complex organisations, core executives are often arenas of squabbling chieftains, each frequently representing a departmental viewpoint).

(v)   The lack of effective instruments (see below).

(vi)   The weight of 'urgent' politicised issues requiring attention, which usually take priority over important issues.

(vii) The presence of multiple politico-administrative constraints. For example, many West European systems are characterised by high degrees of departmental autonomy. This autonomy is enhanced when it is underpinned by constitutional norms and when the departments have been headed by a minister of standing and durability or when they have been in the hands of the same party for lengthy periods of time.

Our fourth finding suggests that all six governments have resorted to a variety of measures to reduce the co-ordination burden, both externally and internally, but with little success. At the external level, there have been (a) attempts to displace policy-making responsibilities (and costs) to the European level and to the sub-national level; (b) attempts to transfer policy responsibilities (and costs) to third sector bodies, to consultative/advisory bodies, or to policy 'Tsars' charged with a particular policy area such as drugs; (c) radical programmes of privatisation and, in some sectors, the creation of regulatory agencies; (d) the pursuit of 'decorporatisation', denoting the partial dismantling of the collusive relationships between state and major groups. However, our evidence suggests that such attempts have not reduced the co-ordination burden, but merely reshaped and complicated it. Moreover, there are other factors at work – such as the demands for greater transparency and participation, the increasing role of courts in public policy – making, which further complicate co-ordination requirements.

In terms of easing internal co-ordination requirements, all six governments have resorted to a mix of nine techniques.

(i)   Introducing 'internal self-government' and the creation of agencies in line with new public management. No country has been as radical as the United Kingdom in this respect, but tentative and partial moves have been made in this direction in some countries, notably France.

(ii)   Devolving co-ordination responsibility lower down the hierarchy to a clearly identifiable lead ministry, to a senior civil servant or to an interdepartmental council or committee.

(iii)   Appointing co-ordinating ministers for political or policy purposes.

(iv)   Improving 'pre-cooking' arrangements at the political level.

(v)   Reducing the size of the arena to be co-ordinated, through cutting the number of departments; or by the creation of superministries charged with the task of co-ordinating its component departments, in the hope of social-ising the superministers into a culture of compromise and enabling them to appreciate the problems of co-ordination.

(vi)   Improving contact and information flows amongst bureaux officials working in the same area.

(vii)   Placing politically sympathetic officials in strategic positions in an issue network.

(viii) Mobilising vertical and horizontal networks of the politically sympathetic.

(ix)   Constructing a consensus or policy frame around a set of central ideas ('Europe', 'modernisation', 'the primacy of the market', 'good value for money') and insisting that 'there is no alternative', in the hope of inducing cultural change which constrains all actors.

The strategies for reducing the internal co-ordination burden are not mutually exclusive, and all six governments have called upon a different repertoire. However, each strategy has its limits, and each may eventually result in increased and more complex co-ordination requirements, a point made in the literature on public policy and public administration and fully illustrated in our case studies. Space prevents our describing each of the strategies deployed as well as its parti-cular limitations here, so we briefly illustrate the point by looking at two strate-gies: frameworking and networking.

Policy frames

By entrenching 'norms', 'assumptive worlds', 'policy no-go-areas' and 'implicit property rights', policy frames restrict the autonomy of actors, thus reducing co-ordination costs. The project identified five such frames:

(i)   Ideological: the prevailing *Weltanschauung*, particularly in the economic domain, with the adoption, however imperfectly, fitfully and reluctantly, of the liberal market consensus and the exigencies of the Maastricht convergence criteria and the subsequent stability pact.

(ii)   Political systemic: the internalisation of EU policy needs and constraints, the acceptance of the legitimacy of the established constitutional order and values, often defined through the process of judicial review.

(iii)   Organisational: through the recognition of 'standard operating procedures', 'routines', 'rules of due process' which, combined with other policy framing, induce 'discernible and ritualized patterns of behaviour' (Allison 1970: 170). These reduce co-ordination costs by (a) dictating the presence and position of the major actors; (b) determining the timetable involved (a factor we underestimated in designing the project); (c) restricting the span of the game by limiting the range of conceivable possibilities; (d) providing rewards for compliance and sanctions for non-compliance.

(iv)   Overall policy framing by electoral mandates, coalition agreements, prior budgetary commitments and 'path dependencies'.
(v)   Sectoral policy framing: the 'givens' in a particular sector (especially defence and foreign policy), as well as the weight of prior statutory and budgeting commitments which set policy makers on 'autopilot'.

We fully recognise the significance of these multiple processes of framing and maintain that such processes introduce continuity, stability and predictability into the behaviour of actors, and produce institutional 'stickiness' which constrains behaviour in a way which reduces the requirements of co-ordination. However, our case studies also indicate the limits to the impact of such framing as an instrument for reducing co-ordination costs. In the first place, the combined pressure of ideological, political, organisational and sectoral policy frames has never prevented the traditional conflicts with the state machine (which might revolve around such things as protecting turf, maintaining corps prestige or generalist versus technician squabbles). Secondly, there is a mismatch between the generalised impact of policy framing and the most common need for core executive co-ordination, which involves reacting to conflict-ridden emergencies. Finally, as a result of a set of exogenous shocks (technology, new ideological and policy fashions, developments in the labour market, joining the EU, internal political change) and of deliberate reframing by the executives, many of the traditional frames have been unsettled, producing greater cognitive variation. Case studies in immigration, privatisation, budget making and EU policy making indicate that new perspectives are having to be learnt and processed. In this unsettled policy environment, new policy frames are only imperfectly absorbed, since they are the source of contention and division, thus heightening the need for co-ordination. Arguments about 'framing' still hold good, however, for routine, heavily bureaucratised, non-politicised co-ordination activity involving non-zero games. It is much less effective for many of the issues that core executives are called upon to co-ordinate.

Networking

If we turn to networks as instruments of core executive positive co-ordination, we are driven to the same conclusion: they are indispensable yet inadequate. As Heclo and Wildavsky (1974) pointed out a quarter of a century ago, networks are vital for the understanding of core executive co-ordination capacity; they are the lubricant of the co-ordination system. They are crucial for both external and internal co-ordination. We have concentrated on internal networks and analysed them according to composition, status, span, function, linkages, degree of stability, degree of institutionalisation, frequency and mode of interaction (whether bargained or co-operative). Our research points to great national differences: for example, there are no *grands corps* networks (which are so important in France) in Germany, Austria or the Netherlands. Our research also underlines the limits of the co-ordinating capacity of many of these networks, as follows:

(i)   Networks are often devoted to the organisational survival of the agents rather than to the wishes of the principal.

(ii)   Paradoxically, some networks are so effective in co-ordinating a lower level of the ministerial chain that they inhibit effective co-ordination at a higher level (a point to which we shall return). They may, by a process of collusion, reinforce the processes of negative co-ordination, thus provoking, on occasions, the need for enhanced positive co-ordination.

(iii) Apparently effective networks may be internally divided – as in the case of some of the French networks based on the *grandes écoles* and the *grands corps*.

(iv)   The efficacy of a network can be diluted by the presence of members with multiple loyalties, since they may belong to other overlapping networks: senior officials invariably wear several hats.

(v)   As interdependence increases, many networks become less effective because of their inadequate span.

(vi)   Horizontal self-co-ordination through networking depends on a free exchange of information and co-operation. If competitive or hostile orientations prevail, co-ordination becomes highly problematic. Trust within the network is crucial for its effective functioning as an instrument of core executive co-ordination. Yet, several of our case studies suggest that such trust is not present. One of our conclusions is that networks function best when they are least needed.

Our fifth major finding was that in spite of convergent pressures there remain very significant differences in almost all respects across the six countries.

Who does what?

The same sector or issue mobilises different constellations of actors across the six countries. Thus, co-ordinating privatisation in Austria is left to the lead ministry responsible for the enterprise to be privatised. In the Netherlands, it is the Interior Ministry. In France and Spain, the Finance Ministry, while in Italy, the Industry Ministry as well as the Finance Ministry play a key role. In France, the courts (the Constitutional Council and the *Conseil d'Etat*) and an independent privatisation commission also play important roles, which is not the case elsewhere. European Union policy co-ordination displays similar national variations. Some countries have a centralised interdepartmental co-ordinating mechanism (France and the UK), others have a Ministry for European Affairs (France but not the Netherlands), some leave co-ordination to the Ministry of Foreign Affairs, others to the Finance or Economics Ministry – or both (see below). Problems relating to *Schengen* (and policing state borders) go to the Chancellery in Germany but to the Interior Ministry in France. Immigration issues are dealt with primarily by the Interior Ministry in France, Social Affairs in Italy and Justice in the Netherlands. The choice of lead ministry is not politically neutral, since the ideological and cultural propensities as well as the clientele of ministries differ widely. The outcomes may well differ as a result.

Mechanisms used

The mechanisms of co-ordination differ both at the political and bureaucratic level. Hence, in France, brief coalition agreements are generally hammered out

before a general election. These constitute a common alliance platform for second ballot contests and a loose policy frame in the event of victory. In the Netherlands and Austria, prolonged and detailed negotiations between potential coalition partners take place after the election. The resulting coalition agreement between the parties provides the agenda for their future collaboration in government. Regular meetings also take place (the so-called 'turret meetings' in the Netherlands) to ensure correct interpretation of the coalition agreement before each council of ministers. In Germany there is a *Koalitionsausschuss* (coalition committee) which meets regularly under the chairmanship of the chancellor. As in France, these meetings bring together core executive as well as party bosses. In Italy, on the other hand, the political summit meetings may represent a power centre distinct from the core executive, and are attended by only one minister – the prime minister. In all six countries, the co-ordinating capacity of coalition agreements weakens between elections. Similar differences may be seen in the mechanisms of policy and bureaucratic co-ordination. The French, for instance, have powerful centralising mechanisms in the form of the *Secrétariat Général du Gouvernement* (SGG), the prime minister's *cabinet ministériel* and bodies such as the SGCI for European Union affairs – a situation mirrored in none of the other five countries. Furthermore, cabinet committees play an important co-ordinating role in France, which is not the case elsewhere.

Who influences what?

The superficially similar functions of individual actors lend themselves to misleading attributions of similarity of influence. Thus, the role of the head of government, of the council of ministers and of their respective private offices differs widely across the six countries (Peters and Wright 1998). Less conspicuously, the heads of the SGG and SGCI in France and of the directeurs of the cabinets of ministers play a crucial co-ordinating role that is absent elsewhere. We frequently encountered the problem of functional equivalence, since apparently similar institutions often perform different functions. A good example is furnished by the immigration case studies, which show that the role of the Dutch Ministry of Justice is similar to that carried out by Interior Ministries elsewhere.

Types of co-ordination

Our study showed marked cross-national variation in co-ordination types. In spite of convergent trends towards positive co-ordination orchestrated by the inner core executive (prime minister, prime minister/finance minister tandem) each country displays a unique mix of negative/positive co-ordination, with France and Spain at the positive end of the spectrum and Italy and the Netherlands at the more negative end.

Styles of co-ordinating

There are also significant cross- and intra-national variations in co-ordinating styles. The case studies reveal a wide variety, ranging from the coercive and authoritarian (France in some cases) to the bargained and consensual (the

general picture both in Germany and the Netherlands). These categories are not mutually exclusive, and in the co-ordination of any particular policy governments may be forced or may choose different styles to suit changing circumstances. To complicate matters, personality often plays an important role, irrespective of partisan affiliation. Thus, in the French privatisation programmes there was a striking contrast between the conciliatory and pragmatic style of Balladur (even though he insisted on taking personal control) and the authoritarian and uncompromising style of Juppé, both RPR leaders.

In attempting to explain the persistence of these differences relating to actors, mechanisms, functions, types and styles, a highly complex pattern of factors emerges. We have identified three major factors: ambitions, needs and capacity.

1. Being careful to distinguish rhetoric from reality, there are strong contrasts between the co-ordination ambitions of each country. The desire to speak and act with one voice remains a clear ambition with some governments (notably the French and the Spanish), whereas other governments (notably the Dutch and the German) tend to be more relaxed (although they are becoming less and less relaxed) by choice or necessity. Our studies of EU policy making underline this point.
2. There is great variation between the political and bureaucratic co-ordination needs of each country. For example, in budgetary matters, Italy's needs have proved to be far greater than those of Germany or France.
3. Significant differences exist in the co-ordination capacity of each country. Thus, in budgetary matters, Italy's capacity until the later 1990s was far weaker than in Germany, the Netherlands or France.

Clearly, all three factors are determined by each country's unique political and administrative opportunity structures. In describing these structures, our research underlines the significance for co-ordination of familiar features of political process: the scope and substance of central state activity; the nature of centre – periphery relations; the relationship between executive and Parliament; the nature of the party system (majoritarian or coalition, and if the latter, symmetrical or asymmetrical, stable or unstable); the degree of inter- and intra-party cohesion and discipline; the structure of state–group relations (corporatist, pluralist, dirigiste; 'hands on' or self-regulation); the role of courts in public policy making; the policy-making style (consensual, bargained or impositional).

To take the example of Italy, the fundamental constraints on effective co-ordination include complex multiparty coalitions, weak party discipline, a strong and assertive Parliament (with a long tradition of independence from the executive), the lack of a culture of strong personal leadership within the executive and a high turnover in government personnel. These features were all laid down in the 'First Republic'. Until 1992, they generated a distinctive style in which policies emerged as a result of complex inter-party and inter-institutional bargaining, and were marked by frequent changes of direction. In many policy areas they resulted in a characteristic slowness to act that led to short-term or

emergency expedients and poor levels of implementation. The contrast with France is striking, where there prevailed a long dirigiste tradition, executive-dominated politics, weak Parliaments, a developing culture under the Fifth Republic of political leadership and relatively strong party discipline.

In terms of the administrative opportunity structure, we attempted to assess the significance for co-ordination of seven factors:

(i)   the size and scope of the central state administration;
(ii)   its structure (*cabinets*, corps, networks);
(iii)   the type and degree of expertise;
(iv)   the extent of its partisan politicisation (notably through patronage);
(v)   its links, if any, with outside interests;
(vi)   its internal organisational culture (degree of compartmentalisation, and integration; co-operative or confrontational); and
(vii)   its policy style.

On almost every one of these factors we see striking differences across the six countries. In short, the co-ordination ambitions, needs and capacity of each country cannot be divorced from the wider political and administrative environments, from the heritage of cultural predispositions, from the legacies of collective action and from the traditions of party competition.

Our sixth major finding is that co-ordination is shaped by sectoral and issue specificities. We sought to identify sectoral specificities which were of relevance to core executive co-ordination across the six countries. We provide a succinct outline of some distinguishing features of three of the four policies investigated below. Those for budgetary co-ordination are discussed in greater detail.

Sectoral specificities of European Union policy making

(i)   The lack of national control over large parts of agenda setting and development of decision making, since the EU evolves according to its own integrative logic.
(ii)   High institutional and procedural density, complexity and fluidity of the EU.
(iii)   The multi-lingual problems of communication and the emphasis upon law and directives for purposes of regulation.
(iv)   The structural ambivalence of EU decision making.
(v)   The impact of the changing size of the Union, with successive actual and potentially destabilising programmed enlargements.
(vi)   An unpredictably evolving and rapidly expanding policy agenda.
(vii)   A counter-sectoral co-ordinating pressure on national ministries.
(viii)   The great reliance upon bargaining, networking and coalition building.
(ix)   The politically important role of expert committees.
(x)   The continuing foreign and finance ministry rivalry for the role of lead co-ordinating ministry and the tentative emergence of a European ministry working to the prime minister.

Immigration's sectoral specificity

(i)   The PM's Office and the Finance Ministry have no central role.
(ii) Lead role of interior ministries in interministerial co-ordination.
(iii) Non-routine/crisis prone character of this issue.
(iv) Hyper-politicised and polarised.
(v)   Normative convergence towards deterrence, restriction and exclusion.
(vi) High degree of policy spill over.
(vii) High increasing importance of international and transnational actors (e.g. Interpol and Europol).
(viii) Strong territorial dimension, both in terms of sub-national governments, the EU and other countries and increasing permeability of state borders (*Schengen*).
(ix) Increased externalising and privatising of state regulatory functions.

Privatisation's sectoral specificity

(i)   Variable control by the Ministry of Finance but similar budgetary priorities.
(ii) Institutional innovation (Treuhand, *Commission de la Privatization*).
(iii) Set of sporadic decisions internal to the public domain.
(iv) EU shapes policy environment and specific privatisation programmes.
(v)   Emulation of the British model promotes policy convergence.
(vi) Need for international co-ordination through financial 'global' co-ordinators.
(vii) Contingent on state of domestic and international capital markets.
(viii) Importance of private actors such as stock exchange advisers, banks and advertising agents.
(ix) Rhetorical partisan polarisation and actual cross-party continuity.

Budget sectoral specificity

The budgetary process within core executive government involves converging multi-level co-ordination downwards and upwards. It is necessary to reconcile the overall ceiling and the major priorities of public expenditure fixed at the dual leadership prime minister–finance minister level (the Treasury in Italy) with the limited scope for detailed reallocation that exists above the floor of unavoidable past commitments based upon the demands made by ministerial advocates. It is at the intersection of these top-down and bottom-up pressures – through a nominally junior budget minister (France) or state secretary of finance (Spain), formal interdepartmental and interministerial committees and informal discussions – that the reconciliation is largely achieved. This is subject to high-level arbitration to settle the remaining disputes.

What is distinctive about budget-making? By contrast with issues such as immigration and privatisation, budget-making is a permanent annual process, and with well established administrative, ministerial and parliamentary routine procedures, and with occasional non-routine improvisations intruding into what is mainly an incrementalist process.

It involves all spending ministries – notably their budget bureaux – usually in bilateral negotiations, with the budget minister playing a lead role. His or her

relationship with the finance minister, therefore, is important, as well as with the prime minister. The prime minister usually plays a more prominent role in France (especially when that PM is a former budget or finance minister) than the Italian prime minister or the German and Austrian chancellor. The coalition character of some governments adds further co-ordination problems, especially when they include former finance ministers (frequent in Italy and France, less frequent in Germany and seldom in Austria and the Netherlands). Demands by the spending ministries can usually be defeated (especially if the prime minister supports the budget/finance minister). Only in Germany does the finance minister possess a suspensive veto on all public expenditure proposals, a symbolic formalisation of his power that it is not necessary to invoke in practice. Finance ministers may themselves be too busy with other aspects of financial policy and leave budgetary matters almost entirely to the budget minister. The Netherlands refuse to have a budget minister on the grounds that he or she would carry insufficient authority in the Cabinet, a decision connected with the fact that many issues, listed in a 'Letter of Differences', may have to be resolved later, in the Prime Minister's Office. When officials are excluded from bargaining, this becomes the 'Confessional Procedure' and the final Cabinet settlement leads to the 'Letter of Totals'. The contrast, say with France, where the Cabinet's role is insignificant, is striking.

The preparation of a country's budget cannot be divorced from its monetary policy. This in turn involves: (a) intra-Finance Ministry co-ordination between the divisions concerned with the budget and monetary matters; and (b) extra-Finance Ministry co-ordination with Central Bank and the institutions constituting the inner financial national and international policy community and the outer national and international financial policy network. Prior to the creation of the European Central Bank (ECB), the relative weight of the Central Bank had been variable, with the German *Bundesbank* at one end of the spectrum, the Netherlands and Italian Central Banks in an intermediate position and the pre-1993 Bank of France towards the other end.

The inertial weight of pre-budget expenditure commitments is generally estimated to amount to at least 80 per cent of the total – these examples being taken from France and Spain. The pressure to make the total smaller (and thereby allow the electorally popular reduction of taxation) while making its components larger (for the electoral satisfaction of lobbies whose support needs to be attracted or whose demands cannot be resisted) presents the co-ordinators with a major conjuring problem that requires sleight of figures skills, especially when EMU convergence criteria also need to be satisfied on public debt and budget deficit. The propensity and capacity of spending ministries to resist co-ordination is thereby constrained.

The 'sound finance' norm of the balanced budget, which pre-dated the Keynesian approach to public finance, has been revived. In combination with past expenditure commitments and EMU criteria, it has been used to contain the demands from the spending ministries. Another rule of thumb is that when cuts have to be made, they should be proportional – in other words across the board

as in the Netherlands – rather than selective. A cosmetic device increasingly employed to ease the financial constraint is to remove major public expenditures from the budget altogether.

The need to ensure support from the parties making up a coalition government's parliamentary majority may involve including budgetary compromises over the life of the legislature in the 'binding' coalition agreement that precedes the installation of a post-electoral government. This ages quickly in the Netherlands but in the case of Austria the failure to sustain the 1994 coalition Agreement between the Social Democratic and People's Party led to the negotiation of a new coalition agreement coinciding with the preparation of the 1996 and 1997 budgets. Budgetary disagreements resulted in the Finance Minister's resignation and subsequent electoral confrontation.

The problem of budget annuality, when public investment expenditures, for example, in Transport, require medium to long-term expenditure planning, has been dealt with in Italy by having a multi-year rolling budget. The Dutch set 4-year deficit and fiscal budgetary targets while medium-term forward planning influences German budgetary judgements. French national planning, even in its hey day in the 1960s, never succeeded in fitting annual budgets into a 5-year framework; the political and administrative spending community reserving the right to improvise as circumstances required. Defence expenditure is a particularly spectacular example of the need to programme investment 20 or more years ahead, while being used as an 'adjustment variable of the general budget' as a French defence specialist has put it (Schmidt 1998: 151). So true is this of other current and capital public expenditure in France that while 'annuality is budgetary law, budgetary reality is today often a matter of intra-annual regulation and, dare one say, the budgetary dream would be pluriannuality' (Casas 1997: 77). Recourse to supplementary budgets each year results in substantial disparities between budget estimates and expenditures – these amounted to between a quarter and a third of the 1989 and 1990 Spanish budgets, for example. Thus, far from guaranteeing predictability, budgets may increase uncertainty and give finance ministries power to make abrupt and arbitrary changes in previously agreed decisions.

While evaluation of policies is more than a budgetary and financial process, there has been a reluctance of spending ministries to co-operate because those being evaluated consider that they are being accused of incompetence, low productivity and waste. However, what such evaluation reveals is the pursuit of blurred and even contradictory objectives as well as discontinuity of policy (particularly in a context of multi-level government) which reduce effectiveness. These are only some of the reasons why evaluation has generally not lived up to the hopes placed in it. In addition, financial assistance both to national firms and to poorer countries seeks to meet a plurality of objectives delivered by several different arms of government, and this complicates evaluation. An example is the evaluation of foreign aid endeavours to measure the promotion of influence and prestige in the development of assisted countries when results are a symbolic matter (Perret and Leca 1997: 47–9; Kessler 1997: 160) not merely the

encouragement of trade. This presents particular constraints in countries with a former colonial empire – which to a different extent affects most of the six countries investigated.

Sectoral co-ordination

The complexity and multi-level nature of intra- and inter-ministerial budget negotiations mean that in the Netherlands or Spain the detailed intervention of the prime minister and his staff may be limited to a few 'arbitrations' whereas in France they usually play a more active role, with the president himself some-times being involved. The main function of the prime minister is to set the prior-ities and seek to preserve them from the depredations of the spending ministers' demands. In this he or she is assisted by the budget and finance ministers. The prime minister's institutional and political capacity to do so tends to be strong in France and Spain and weak in Italy and the Netherlands; both Germany and Austria are characterised by having strong finance ministers.

Co-ordination in each sector of government has different requirements, actors, arenas and procedures, but because national factors also shape co-ordination in each sector, the political salience of each of the four chosen policy areas – European Union, immigration, privatisation and budget – differs widely. For example, the Netherlands takes a much more relaxed view than either Austria or France about decision-making in Brussels.

The nature of core executive co-ordination is also shaped by issue specificities, something that will be touched on much more briefly. It became increasingly clear in the course of the research that our policy areas had to be unpacked, for co-ordination requirements were often issue specific. Issue specificities were con-sidered along two major dimensions: whether or not they are politicised and whether they can be co-ordinated in a routine fashion or demand non-routine management. This explains the construction of the 2×2 matrix to identify our case studies. Each type of issue involved so many different actors, arenas, mecha-nisms and types of co-ordination that they can only be touched on here. Generally speaking, highly politicised/non-routine issues were predictably co-ordinated by the summit of the core executive; non-politicised/highly routine issues involved negative co-ordination or lower level co-ordination and displayed greater national variety.

Our final major finding relates to the concept of co-ordination effectiveness. This proved to be a problem since there was no single best way of co-ordinating policies. Our research raised issues relating to the outcomes as well as the con-ditions which are required to achieve effective positive co-ordination. The successful pursuit of the French privatisation programmes was particularly reveal-ing in this sense, since it clearly pointed to nine prerequisites for 'effective' co-ordination.

(i)   A clear programme unencumbered by complicated constitutional, legal, financial obstacles and by political or policy spill-over effects.
(ii) A united government with political authority.

(iii)   A majority party and government party coalition which supported the pro-
         gramme (even if some aspects – notably the composition of the stable core
         group of shareholders or particular decisions – were criticised).
(iv)   An identifiable and authoritative lead co-ordinator (e.g. a privatisation unit
         within the finance ministry) capable of marshalling and mobilising the
         required information and expertise.
(v)   Clear vertical and horizontal lines of co-ordinating competences.
(vi)   A capacity to develop a legitimising discourse for the programme: privatisa-
         tion is desirable and inevitable – there is no other way.
(vii)   A bargained style to tap consensus, to mediate compromise (this, in turn,
         requires a free flow of information) and to minimise bureaucratic
         in-fighting.
(viii) Political sensitivity and skills in dealing with managerial or trade union
         hostility.
(ix)   Careful negotiating, when needed, to gain the assent of the EU
         Commission.

In the case of France, it required only one of these conditions to be absent (the
cases of *France Télécom*, GAN, *Aérospatiale*, Air France, *Crédit Foncier*, CIC and
Thomson) for co-ordination processes to fail. Indeed, the Thomson affair fully
revealed one of the fatal defects of the French system: when the principal
elements of the core executive (president, prime minister and finance minister)
were at odds, the entire system falters.

The first of the major lessons concerning effectiveness to emerge from the
comparative study of core executive co-ordination is not only that there is no
one best way of achieving policy co-ordination but that tight co-ordination in
the French or British style, is not necessarily always desirable. On the contrary,
'optimal' co-ordination will depend on a host of variables such as the nature of
co-ordination ambitions and constitutional, institutional, political and adminis-
trative opportunity structures. As the case studies of Dutch immigration and
German privatisation reveal, co-ordination structures may be weak but co-ordi-
nation may be very effective, because of the tradition of conflict avoidance or
consensus building amongst key actors.

A second major lesson on effectiveness is that reliance on tight vertical co-
ordination, at the expense of horizontal co-ordination, may be dysfunctional. It
may lead to a vicious circle: demands for central co-ordination increase so the
centre is strengthened, which weakens the horizontal structures, which results in
further demands upon the centre. The French case perfectly illustrates this
feature of vertical decision making. squabbling factions lower down the hierar-
chy have a tendency to refer thorny problems to the summit which then
becomes overloaded. There are strong propensities to avoid risk and there are few
incentives to resolve problems at the lower level or to build a culture of consulta-
tion, free information exchange, integration and compromise. Where the
resources of hierarchical control and the capacity to manipulate a network are
not available – notably because of the weakness of central authority or because
there is no effective policy network to facilitate co-ordination – the policy actors

will have to manage their relationships as best they can without recourse to it.

Lesson number three is that: 'effective' co-ordination may be detrimental to good decision making both down stream and up stream. Loose co-ordination at the formalisation stage may allow flexibility at critical junctures elsewhere – at street-level implementation or in other policy arenas. Thus, a loosely co-ordinated position at the domestic level may be highly desirable when negotiating in Brussels, a point made by many interviewees when commenting on the British case.

Finally, 'effective' vertical and positive co-ordination may clash with other desirable goals: participation and consultation (to ensure better implementation), transparency, organisational harmony, personal managerial entrepreneurship and accountability.

Requiem for incautious co-ordinators

Although we had originally hoped explicitly to highlight the specificities of the UK by comparison with the six Continental countries we researched, this would have involved a major extension of what was already a highly ambitious project. So, such comparison has had to remain largely implicit. What remains is, firstly, a description of core executive policy making as it changed in the period following 1979 in the six countries investigated. Secondly, we have presented an analysis of the country- and sector-specific changes which have reshaped policy ambitions and have resulted in partially convergent institutional adjustments within the core executive and in their relations with other agents of co-ordination. We have struggled to deal with rather than resolved the six major conceptual and methodological problems outlined earlier, and which have imposed significant limitations on the general and specific findings at which we arrived. These will be set out in further detail in a series of volumes both national and comparative.

The need to overcome tendencies to political, administrative and policy fragmentation requires sustained effort in support of institutionalised procedures that are calculated to prevent contradictory personal, ministerial and policy priorities from frustrating the creation and preservation of political cohesion. As Glyn Davis (1997: 131) has put it: 'An elective executive confronted with a state which simultaneously encompasses internal conflicts, competing external imperatives, contested boundaries, unclear jurisdictions, policy lacunae and interest capture is likely to desire some form of co-ordination'. We have directed our efforts to show how the demands for co-ordination in six European states reflect the extent and complexity of the fragmentation that persistently threatens, as well as their propensity and capacity to achieve policy consistency and politico-administrative cohesion. All too often it is a case of 'I co-ordinate, you co-ordinate, he co-ordinates, we co-ordinate', but in the event each goes its own way, and things fall apart under the pressure of circumstances and forces beyond core executive control and self-control. It is a lesson which the Blair government, with its vociferously expressed tight co-ordination ambitions, might well take to heart.

3
When and Why Does a Prime Minister Change?*

Richard Rose

> *It is needful to keep the ancient show while we secretly interpolate the new reality.*
>
> *(*Walter Bagehot, *The English Constitution*)

What we think about the office of prime minister depends on when and how long we look. If we read lobby correspondents in daily papers, a week appears to be a long time in politics. If we read a biography of a prime minister, then every time the removal van arrives at No. 10 a new era opens in British politics. For MPs, the end of each Parliament is a critical point in the calendar of British politics. For historians, Downing Street can only be viewed in retrospect, when the Public Record Office makes official papers available a generation or longer after the event.

Because the constitution of the Crown dates back eight centuries, commentaries on it give more attention to the old realities than to the new, and continuity often confuses the two. Even so eminent a scholar as Lord Blake (1975: 45ff) jumbles together precedents from 1867 onwards when writing about 'the present'. A textbook declares, 'The job of the Prime Minister has remained essentially unchanged for the past century' (Shell 1995: 6). But any claim that there is no change in the prime ministership over a century depends on what is defined as 'essential'. Writings about the current incumbent of Downing Street tend to ignore continuities between past and present, treating the new show as if it had replaced the old realities. Confusion about what is past, what is present, and what is continuing makes it difficult to answer the question posed here: *why* does change occur in Downing Street?

What we see also depends on where we look: the prime minister appears more important in *The Times* of London than in the *New York Times*, and in the British Broadcasting Corporation than in ZDF (*Zweite Deutsche Fernsehen*). A view of the prime ministership that concentrates on the world of Westminster gives a different picture of change than a social historian's examination of British society. There is an even greater gap between the Westminster view and examining changes of global significance in international relations.

Examining changes in three worlds – the world of Westminster, the insular world of British society, and the wider world – and doing so over the *longue durée* of more than half a century, enables us to understand the paradox of power.

While a prime minister's influence at Westminster is increasing greatly, it is declining in the shrinking world of which Downing Street is but a part within the world of Westminster; Downing Street has been responsible for undermining old beliefs about parliamentary and Cabinet government. However, this trend does not make a prime minister an elected dictator. As government has taken on more and more responsibilities for the well-being of British society, it has had to share power. In the 1970s, the limits on a prime minister's influence on British society became palpably evident in the frustrations of prime ministers from Edward Heath to James Callaghan. Concurrently, the revival in the economies of war-torn nations and the emergence of new global powers such as Japan have reduced the influence of Britain in world affairs. The rise of the European Union has also affected Westminster as well as the world beyond Dover.

What changes? Role expectations

The top post in British government is an office that exists independent of each of its incumbents, but it is not an office with powers stipulated in a written constitution, as in America or France. The statutory powers and responsibilities of a prime minister are among the most vague and least justiciable of any part of the unwritten constitution. The formal obligation of the prime minister is the Privy Councillor's oath, which all Cabinet ministers take. Asquith (1926: II: 185) argued that the lack of formal powers meant 'The office of the Prime Minister is what its holder chooses and is able to make it', but this claim is less than a half truth.

To be a success in the job, the prime minister must do what is expected by others in Westminster and by public opinion. Even though role expectations lack the force of law, they are real political obligations that constrain leaders (cf. Verba 1961). Success depends not only on what the prime minister does but also on how others respond to Downing Street's initiatives. Before giving a lead, a prime minister must make sure that others will follow what he or she proposes. As Asquith's career illustrates, the sanction for failing to meet expectations is severe: the loss of office.

The role expectations of a prime minister exist long before an individual incumbent arrives at No. 10. Some customs and conventions – such as maintaining a show of Cabinet unity – have been followed by every twentieth-century incumbent. Expectations vary with context. A prime minister is expected to behave differently in Cabinet than in a television interview and at a meeting of world leaders. Because role expectations are socially constructed, they are adaptable when circumstances change. An extreme example of flexibility at Westminster was the decision in 1940 to suspend the expectation of an election every five years rather than hold a contest while the Battle of Britain was raging. But, reciprocally, Downing Street must adapt when the world outside Westminster changes – and that world changed greatly in the latter half of the twentieth century.

On moving into No. 10, a prime minister does not need to ask: What am I to do? Pressures to act come with the job and they come from many directions. The first rule of the prime minister is: *Do what you must.* But what is a prime minister

expected to do? A catalogue of daily or weekly activities is misleading, for commitments differ greatly in political terms of their importance. A briefing from the government's chief scientific advisor about new computer developments has little significance, whereas a meeting with the chief whip about the morale of MPs is central. The list of roles is lengthy; the more numerous the tasks, the more important is a sense of priorities. The priority roles of a prime minister combine politics *and* policy. And politics must come first; otherwise, he or she risks losing the confidence of the governing party and of the electorate.

Because tenure of Downing Street is indefinite, a prime minister must maintain the confidence of MPs in the governing party; being or appearing to be an election winner is a good way to do so. A prime minister who enters office by winning a general election appears popular. But he or she is on the crest of a wave – and descent into a mid-term trough may follow (cf. Rose 1995). At this point, a prime minister becomes vulnerable – although he or she can argue that such a slump is temporary and recovery is just around the corner. As long as this argument is believed, such a prime minister's hold on Downing Street is secure – for the life of a Parliament. In the test of a general election, an incumbent prime minister has eight times emerged the victor, and lost seven times. Among 11 postwar prime ministers, Margaret Thatcher is unique in winning all of the three elections she fought; her downfall was due to losing the confidence of the governing party.

The need to maintain the confidence of MPs, the governing party and the electorate requires the prime minister to continuously concern themselves with communication. Historically, face-to-face communication between MPs at the Palace of Westminster was of primary importance (Jones 1991a). Today, the primary audience is the electorate, and especially the thousand or two respondents of a public opinion poll, or the few dozen people brought together in focus groups to disscuss what people are really thinking – and how Downing Street can influence their future judgements.

A prime minister is expected to form a Cabinet that collectively represents the governing party, enemies as well as friends. In constructing a Cabinet, the prime minister seeks to secure his or her position by making a number of appointments on the basis of personal loyalty. Co-opting enemies or potential challengers for the job can be another influence; it explains, for example, why Tony Benn was a Cabinet member for 11 years. Representativeness in terms of gender, race, geography or class has increasingly become an element in Cabinet-making. Making sure that ministers can deal effectively with the problems of their department is also a consideration. But the 'craft union' restrictions of parliamentary politics so limit the choice of ministers that knowledge of a department's business is not a necessary qualification for appointment to head it.

Prime ministers are expected to answer for any and all policies of government. But they are not required to have a detailed knowledge of everything the government does, nor is there enough time in the week for doing so. Nor does a prime minister need to be involved in the great majority of decisions for which individual ministers answer to the House of Commons. A prime minister discharges his

or her responsibility by answering questions in the House of Commons – or by artfully avoiding giving an answer.

Balancing decisions taken by different hands of the octopus of government (or by different octopuses) is the unique policy role of a prime minister. The job of the prime minister is not to manage the economy but to manage the chancellor of the exchequer, so that Treasury actions support the prime minister's political policies. When political risks are balanced against economic arguments, political analysis is the prime minister's trump card. When two Cabinet ministers disagree on measures that affect both their departments, the prime minister must not only balance the merits of the argument but also the political weight of each disputing minister.

A prime minister is also expected to balance domestic and foreign policies since these increasingly interact in the European Union, world trade and international money markets. In today's 'open market' for political communication, a prime minister who portrays a typical Brussels compromise as a 'victory' for Britain is often guilty of distortion. Negotiations between governments usually involve every prime minister making concessions before a bargain is arrived at.

When? Tempos of change

The changes that affect the roles of a prime minister occur at different tempos. The prime minister's role as communicator can fluctuate daily as each media deadline creates a demand for 'new' news. The prime minister's concern with the economy is sensitive to the monthly, quarterly or annual fluctuations in the economy. The electoral cycle has a maximum time span of five years. The turnover of personnel in Parliament takes a decade or more to become evident. The particular time span we use tends to predetermine the conclusions we draw about the extent of changes in the prime minister's roles.

In the world of Westminster, Harold Wilson's epigram, – 'A *week* in politics is a long time' – is an apt one. An MP's week starts when he or she receives the party whip giving the business of the Commons in the next seven days. An MP's day starts by listening to breakfast radio or television news while skimming the papers to spot talking points of the day. In Downing Street it starts the night before, when it receives the first edition of the next morning's papers. During the day, events abroad can happen an hour ahead in Europe, five hours later in Washington and in the middle of the night in areas that are distant from Greenwich Mean Time. Within the week itself, days are not of equal importance: the day when the prime minister answers parliamentary questions is specially noteworthy. Nor are all weeks the same. During the week of a party conference, the prime minister acts as a party leader; in the week of an international summit meeting, the prime minister appears as a world leader.

The prime minister must juggle a great variety of roles without dropping any of them. Action-forcing events often determine which role has priority and, as Neustadt (1960: 155) notes, 'His time is the prisoner of first-things-first. And almost always, something else comes first'. In responding to different impera-

tives, the prime minister's behaviour alters with each role. Changeable behaviour is consistent with the power-dependence model of Whitehall, which emphasises variations in the prime minister's influence with the situation at hand (see for example Smith 1995: 109ff). However, the power-dependence model places emphasis upon variations within the week rather than cumulative change. Its emphasis on predictable patterns implies that prime ministers behave similarly in similar situations from one year to the next.

The *term of a prime minister* normally consists of hundreds of weeks in office. Alec Douglas-Home served less than a year, and Margaret Thatcher served more than 11 years. A prime minister's term does not normally start and stop with a general election. Six prime ministers from Attlee to John Major (and, in aspiration, Tony Blair) have served terms extending over at least two Parliaments. In contrast, Alec Douglas-Home and James Callaghan were in office for less than the life of a Parliament. Among postwar prime ministers, Edward Heath is unique in having his tenure at Downing Street coterminous with the life of one Parliament.

The emphasis on an individual prime minister's term of office is necessarily present in memoirs and biographies. Chapters are organised according to the daily or weekly calendar, and usually focus on one role or policy at a time – such as a crisis in the governing party or dealing with an economic crisis – and the interaction between the two. Both autobiographers and biographers treat their subject as a unique set of events, avoiding conceptualisation or any attempt to plot changes over a period of time longer than the subject's term of office. Edited volumes can cover an entire century by having different authors each contribute a chapter about an individual prime minister. But in edited volumes the parts tend to dominate the whole; there is little or no scope to analyse changes that only become evident over a period of decades or over the lifetime of generations.

A comparative study can involve the leaders of many countries at one point in time (Rose and Suleiman 1980; Jones 1991b) or many British prime ministers across a lengthy period of time. In the latter case, information is usually tabulated in an inductive attempt to identify similarities or differences (see Englefield *et al.* 1995: 359–418). This raises the question: is a politician whose stay in Downing Street has been interrupted by a period in Opposition one 'case' or two? If personal attributes are the chief concern, the answer, since autobiographical facts rarely alter, is one case. However, the political behaviour of an individual can vary from one period in office to the next, as demonstrated by Winston Churchill and Harold Wilson, each in their own way.

Comparison usually reveals differences, for there are few generalisations (such as the fact that none had died in office) that are true of all prime ministers in the past century. Variability invites the formulation of generic hypotheses to account for observed differences. But when there are only 20 prime ministers and 25 different terms of office in the whole of the twentieth century, the small number of cases reduces the statistical robustness of conclusions. Moreover, any attempt to compare prime ministers from the pre-1914, the interwar, and the post-1979 periods, assumes that 'all other conditions have remained equal', an assumption

that political historians would not make. When comparison holds historical context constant, it cannot serve as a study of sequential change.

Historical time is about a sequence of events. Watershed events make prime ministers who come after such events differ from those who go before – for example, the 1965 decision of the Conservative Party to elect rather than 'select' its leader. The impact of watershed events is long-lasting. But many changes in Downing Street are not dramatic events that can be pinpointed to a specific moment in time; they are due to a process of seemingly small changes aggregating and compounding during the tenures of a number of prime ministers. To ignore the cumulative effect of small-scale changes is to commit what Aristotle described as the sophist fallacy:

> The mind is led astray by the repeated small outlays, just like the sophistic puzzle. 'If each is little, then all are little'. This is true in one way, but in another it is not, for the whole total is not little, but made up of little parts.

When attention is focused on cumulative changes over a decade or more in politics, many things taken for granted in the short term loom large. For example, the turnover of MPs from one week to the next can be nil, and from one Parliament to the next less than one-quarter of MPs are likely to be new. After three Parliaments, however, more than half the House of Commons is likely to be commpositionally different, and after a quarter of a century virtually the whole House of Commons is renewed.

In observing a sequence of changes, the choice of a starting and stopping point is critical. In the first half of the twentieth century, world wars are frequently chosen. The year 1945 is a good starting point, for it marked the first time a Labour Prime Minister governed with a parliamentary majority. It also offers a relatively long period over which to observe cumulative changes, since the time since 1945 is longer than that between Gladstone entering Downing Street in 1892 and Clement Attlee arriving there in 1945. The postwar era has seen a gradual but marked change in how prime ministers have been socialised politically. The first prime ministers in the sequence, Clement Attlee and Winston Churchill, both entered active politics before 1914, and their three immediate successors entered the Commons in the 1920s. Prime ministers since have had quite different formative experiences.

It can be argued that the 'postwar' period consists of at least two periods. After all, the time between Attlee and Thatcher arriving at Downing Street and that between Thatcher's arrival and today are both longer than between the two world wars, and the 'neophiliac' rhetoric of the Blair revolution implies that the postwar era ended in 1997, and that a new (or at least rebranded) era then began. But there is no consensus about what the watershed event of the postwar era is. Students of international relations might take the Suez War in 1956 or entry into the European Community in 1973 as a watershed, while political economists distinguish between the mixed economy welfare state after 1945 and the swing to the market after 1979. However, Ben Pimlott has claimed that British politics

since 1945 has been marked by 'an era of extraordinary lack of change as far as many aspects of our political system and political life are concerned' (quoted in Rose, 1992: 329).

What can cause a change?

Five different reasons are frequently offered to explain changes in the behaviour of prime ministers: events; the personality of individual prime ministers; differences in leadership in the Labour and Conservative Parties; the economic cycle; and irreversible structural changes in the three 'worlds' of Downing Street – Westminster, British society and society beyond the White Cliffs of Dover. Examples of each type of influence readily come to mind: the unexpected Profumo affair; the contrast between Margaret Thatcher and John Major as prime ministers; the contrast between Alec Douglas-Home and Harold Wilson as party leaders; the ups and downs of the economy and its impact on Harold Wilson and James Callaghan's electoral popular support; and structural contrasts between foreign policymaking at the end of the Second World War and since the Maastricht Treaty.

There are big differences in the length of time required for causes to become manifest. Within a single prime minister's term of office, there will be unexpected and often unwanted events, and the economy is likely to run through a cycle. To observe the impact of differences in personality and in party control on Downing Street requires analysis of several Parliaments. The impact of structural changes on Downing Street requires observation over decades or longer.

Causes of change within a term of office

A prime minister spends a lot of time reacting to *events*. Many events are relatively easy to handle because they are routine – an example being audiences with the Queen. Some, such as well publicised overseas visits, can be prepared for by diplomats and to a large extent 'framed' by public relations staff from Downing Street. Even a notionally spontaneous event such as Prime Minister's Question Time is now subject to elaborate briefing procedures and questions 'planted' to give the prime minister an opportunity to claim credit. However, routine, predictable and controlled events are often not news.

Unexpected events often create a crisis. Crisis events are often bad news. For example, the Cold War defection of Foreign Office diplomats Guy Burgess and Donald Maclean to the Soviet Union revealed lapses in the British security system that had occurred during the tenure of at least four prime ministers. The outbreak of 'mad cow disease' (BSE) in March 1996, was followed by John Major responding in ways that compounded the problem through reassurances that were not believed and his attempts to retaliate against the European Union that were quickly and publicly revealed as futile. While a crisis event may provide opportunities for dramatic action, action in a crisis is risky. When the Argentine government seized the Falkland Islands, Margaret Thatcher responded with force and on this particular occasion it brought both military and diplomatic victory,

but Anthony Eden's career was destroyed by his response to the Egyptian nation-alisation of the Suez Canal.

A Cabinet crisis joins policy and politics, facing a prime minister with an awkward choice between disputing ministers. In the 1951 Labour government, the Chancellor, Hugh Gaitskell, and the protagonist of the National Health Service, Aneurin Bevan, became locked in a battle over imposing minor charges on the health service as part of a cold war budget. The prime minister sided with Gaitskell, and Bevan resigned, splitting the Labour Party for almost a decade. A dispute in Margaret Thatcher's Cabinet about the purchase of Westland heli-copters from a British rather than an American company led to the resignation of Michael Heseltine from the Cabinet, and publication of an unflattering report about the behaviour of Downing Street itself. Indirectly, the event led to Margaret Thatcher's downfall four years later, as Heseltine forced the ballot of Conservative MPs that led to her loss of the party leadership.

By contrast, economic activity is in continuous flux, as markets are open daily for selling retail goods and also for selling sterling in the global marketplace. The prime minister's role in managing the economy for electoral as well as economic ends concentrates attention on daily fluctuations in the foreign exchange value of the pound; monthly changes in the inflation and unemployment rates; and quarterly or annual changes in economic growth. When these indicators are favourable, the news is good news, but when they are unfavourable then the next upturn in the economic cycle is eagerly awaited.

The ups and downs of economic indicators create a *political business cycle*, when changes in the economy change the political fortunes of the prime minis-ter. Not only does the state of the economy influence the popular standing of the prime minister, but the prime minister's policy choices also influence the state of the economy. The theory of the political business cycle is particularly congenial to a prime minister, because Downing Street, the home of the chancellor and the prime minister, enjoys formidable economic powers by comparison with the White House. It has a virtual monopoly of taxing and spending decisions at all levels of government, and the government enjoys much more control over taxing and spending decisions of government at all levels than does the head of a government in continental Europe.

The theory of the political business cycle promises a prime minister the oppor-tunity of managing the economy to maximum political advantage. Downing Street can choose policies that make the troughs in the cycle occur a long time from an election, and the economy boom in the run up to an election. But it has been easier to demonstrate this advantage in the context of an academic seminar than to manage the economic cycle in practice (cf. Whiteley 1986; Sanders 1995). Incumbent prime ministers have often been unable to time an election at a peak in the economic cycle. Some, such as Margaret Thatcher, have succeeded in winning election victories even when the economy has done badly, while in 1997 John Major lost office even though the British economy was booming. Moreover, the increasing internationalisation of the national economy has made the idea of a 'British' economy problematic, and much more difficult for Downing Street to control.

Changing prime ministers as a cause of change

When Downing Street changes hands, there can be changes in both the personality and party of incumbents, and since 1945 such changes have occurred seven times, much more frequently than in one-party-dominant countries such as Sweden or Japan. However, insofar as personality is of primary importance, a change in party is less important than a change in the person at the top of government.

When journalists concentrate on *personalities*, they imply that idiosyncratic differences between individuals cause major differences in what a prime minister does in office. The first part of the hypothesis is undeniable: Winston Churchill was a very different personality from Clement Attlee, and Harold Wilson and Edward Heath were as different from each other personally as Margaret Thatcher sought to be from both of them.

An emphasis on personality assumes that a prime minister's behaviour will be relatively constant during a term of office, since a politician is by that stage an old dog who has learned the tricks of Westminster politics. But even though a prime minister's personality may be constant, satisfaction with what he or she does is variable. A prime minister's political standing is necessarily high on entering office, thanks to general election victory or selection by the governing party. But sooner or later it falls, as a prime minister fails to respond successfully to unexpected events or downturns in the economy.

During a prime minister's term of office opinion polls register substantial fluctuations in the public's approval of every incumbent (Rose 1995). While the personality of a prime minister may remain constant, their popularity can be highly variable: endorsement of Harold Macmillan ranged by 49 percentage points in monthly Gallup Polls, and between 1964 and 1970 there was a 42 percentage point gap between Harold Wilson's high and low marks. Ironically, the best way for a prime minister to avoid big ups and downs in popularity is never to become very popular. Edward Heath's popularity fluctuated by only 14 per cent because he was never approved by as much as half the electorate! A prime minister who becomes unpopular normally recovers from a big fall. Thus, the approval ratings of most prime ministers tend to follow a cyclical up-and-down pattern rather than showing steady deterioration – and the same is true of the record of the governing party in by-elections.

Politicians who have served two separate terms as prime minister show how politicians change their behaviour when circumstances change. In the Second World War, Winston Churchill was an active leader of an all-party coalition government. However, when he returned to office in 1951 he was 76 years old and led a partisan government. Churchill's deteriorating health reduced the attention that he could give to government business, and it also reduced the willingness of colleagues to 'bother' him about domestic issues. By the time of his resignation in 1955, Churchill was a venerated shadow of the prime minister he had been during the war. In 1964 Harold Wilson arrived at Downing Street in full vigour, proclaiming a Kennedyesque desire to make British government 'go'. By contrast, when the February 1974 election unexpectedly returned Wilson to

office, he was tired after 34 taxing years both in Whitehall and Westminster, and he did not make the same effort. By 1976, confronted once again by 'the same problems and the same solutions', he resigned from office shortly after his six-tieth birthday, the only postwar prime minister to leave office voluntarily.

Institutionally, British government is *party government*, implying that party rather than personality is the key to variations in how prime ministers behave. Committed partisans expect Conservative and Labour prime ministers to be adversaries, advancing substantially different policies (but see Rose 1984). In con-crete terms, party government doctrines imply that two Conservatives such as Winston Churchill and John Major will have more in common with each other than Churchill and Attlee, and that Tony Blair would act more like Clement Attlee (or, Labour critics would aver, Ramsay MacDonald) than Margaret Thatcher.

Even though Labour MPs elected the party leader, Labour activists, such as Professor Harold Laski, argued that Labour's leader ought to be accountable to the party's annual conference of trade union and constituency party members. By contrast, the Conservative leader traditionally emerged from within Parliament and was accountable only to Conservative MPs and the electorate. But the 'iron law of oligarchy', propounded by Roberto Michels in 1911 and revived by Robert T. McKenzie (1955) in *British Political Parties,* held that political leaders, whatever their party, constitute a class with much in common, including formidable powers vis à vis rank-and-file members of their own party. McKenzie added a constitutional objection: as a potential prime minister, a party leader should be accountable to the electorate and the House of Commons rather than to extra-parliamentary organisations. Both Conservative and Labour leaders have since followed Professors Michels and McKenzie rather than Professor Laski.

Electoral competition encourages similarities between party leaders seeking endorsement by middle-of-the-road voters whose support is deemed critical for electoral victory. The economist Joseph Schumpeter (1952: 269ff), one of many foreign admirers of the classic British two-party system, argued that in competi-tion for votes party leaders produce what they think the electorate wants to buy, offering similar or look-alike policies in the political marketplace, rather than ideologically distinctive alternatives. The search for common ground can also be seen in a party's choice of leader. Edward Heath was helped to gain the Conservative leadership because he was seen as a technocrat like Harold Wilson. Tony Blair won the Labour leadership on the grounds that he would appeal to middle-class South of England voters because he did not act, look, or in many ways think, like a typical Labour voter.

Long-term irreversible structural changes

In politics, structural changes usually require decades to take effect, an example being, the growth in the importance of Europe for British politics. A half century is ample time for long-term cumulative changes to become evident in all three worlds in which the prime minister is involved. By contrast, focusing on one prime minister or differences between two successive personalities or party

leaders fails to allow enough time for cumulative changes to become manifest. With an examination of the decade 1955–1964, being an Etonian may appear to be a requirement for Downing Street, just as since 1997 smiling on television may appear to be a requirement. However, from a long-term perspective, each example is contingent, characterised one part of the postwar era but not another.

Within the world of Westminster, the turnover of generations of MPs is the clearest example of irreversible and continuity change. Each generation entering the House of Commons has been socialised into a different political era. When Winston Churchill entered the House of Commons, the Father of the House had entered it in 1857. When Attlee became an MP, the Father of the House had entered in 1880. When Tony Blair entered the Commons, the Father of the House was an old Fabian, John Parker, who had entered the Commons in 1935. Today, the Father of the House is Edward Heath, who entered the Commons in 1950, and Anthony Wedgwood Benn has been a Member of Parliament since before Tony Blair was born. The Tory amateur and the loyal Labour footsoldier have been replaced on the front and back benches of the Commons by full-time career politicians (cf. King 1981; Riddell 1993). Even when changes occur abruptly, as in procedures for the selection of MPs, politicians recruited to Parliament under the old system normally remain in place. By contrast, irreversible changes in the selection process for party leaders have taken effect immediately, and with substantial impact on the outcome.

Changes within British society have gradually transformed the electorate. The educational system has created a more informed electorate. At the 1945 election, older voters, including Ernest Bevin and Herbert Morrison, had left school at the ages of 11 or 12. By 1997, the great majority of voters had received a secondary education: almost all Cabinet ministers have been university educated. More educated electors have a greater capacity to evaluate a prime minister independently of media headlines. The class structure to which parties appealed in 1945 is no longer in existance. The occupational structure is now more diamond-shaped, and new occupational divisions have opened up between people in public employment, such as teachers, and those in the private sector. Women, consistently a majority of the electorate, are an increasingly large part of the labour force.

While a prime minister has always been expected to be able to communicate, the media of communication have changed irreversibly in the past half century. The traditional model was introverted; a prime minister established a reputation among the political élite in Westminster, communicating face-to-face with Cabinet colleagues, civil servants and MPs in private as well as publicly. This reputation was diffused outwards by the opinion-forming press and party institutions. Winston Churchill was the epitome of this style of campaigning, and the view was still dominant in Harold Wilson's Downing Street (see, for example, M. Williams 1972). The rise of televised politics has made campaigning extroverted. The prime minister now uses television and the popular press for ongoing communication with people as consumers of media entertainment rather than as citizens. Whereas adversary questioning of the prime minister by MPs occurs

only once a week in the Commons, it is now a daily feature of relations between journalists and the prime minister's official spokesperson.

Fundamental and irreversible global changes have greatly reduced British influence – and thus the role of the prime minister – in world affairs. At the end of the Second World War, Britain was a major military power, the head of the world's largest Empire, and the sole dependable ally of the United States in the face of Soviet advances across Europe. Today, the British Empire is no more; the Soviet Union is no more; Britain is not a first-rank military power and America has a wide variety of alliances in Europe and around the globe. Concurrently, the binding obligations of membership in the European Union is increasingly imposing limits on the prime minister's freedom of action. In international politics, key decisions are made in English, but are more likely to be announced with a Missouri or an Arkansas accent than with an Oxford or Scottish one.

Economic growth, free trade and technological innovations have, simultaneously, expanded the global reach of the economy and shrunk the role of Britain within it. In 1945, Britain was the only major European country with an economy that had survived the war intact; sterling was a major global currency; and Britain's trade and Imperial links were closely connected. Today, sterling is only one among a number of significant global currencies; the British national product is slightly less than that of Italy and well behind France, Japan, Germany and the United States. Asian countries compete with Britain in world markets, and Britain's trade and monetary policy are increasingly oriented toward countries in the European Union. The good news for the prime minister is that there is always a choice of policies. But the bad news is that the choice is often between the horns of dilemma, for example, seeking a strong pound to encourage cheap imports and show economic virility, or a weak pound that promotes exports while driving up the price of imports.

Patterns and implication

Tempos of change and causes of change are linked. The shorter the time span, the more important action-forcing events appear to be (Table 3.1). Whereas reversals in economic conditions usually take months to become manifest, a major political event can destabilise Downing Street overnight. When the span of time covers the changeover of prime ministers, personalities, governments and parties can potentially make a difference. From a long-term perspective, irreversible structural changes, especially in the worlds outside Westminster, can appear dominant. Instead of plumping for a single cause of change in Downing Street, such as 'it's all personality' or 'the economy rules', we should ask: under what circumstances and over what period of time does the job of the prime minister change?

Three patterns of change

A sequence of events can be described as a *random walk* when there is no predictability or pattern in the movements that an individual follows. The 'week in

Table 3.1   Patterns and causes of change in Downing Street

Time span	Random	Pattern cyclical	Irreversible structural change
Within term	Action-forcing events	Economy	
Between terms	Personality	Party	
Long term			Westminster Society International

politics' approach emphasises the importance of random events. Unexpected shocks to Downing Street can be good news, such as the fall of the Berlin Wall, or bad news, such as the fall of sterling. Shock events are not caused by Downing Street and often catch everyone there unprepared. Events force action in conditions of high uncertainty, for example, Tony Blair's commitment of forces to Kosovo, or John Major's aggressive attempt to maintain the pound in September, 1992, publicly demonstrating his futility. The uncertainties of events in Downing Street are captured by the motto James Callaghan chose for his memoirs, a phrase from Ecclesiastes: 'Time and chance happeneth to them all'.

An 'eventful' account of a prime minister's behaviour tends to make life in Downing Street appear like 'one damned thing after another'. Insofar as events are unexpected and unwanted, a prime minister appears under threat rather than lord of all he or she surveys. When Harold Macmillan, the most stoical of Prime Ministers, was asked what he feared most, his answer was, 'Events, events'. One mark of a successful prime minister is that he or she is able to 'play' events, that is, react in ways that advance their goals and enhance their reputation.

When the perspective lengthens to a full term of office, there is time for activities to form a pattern. A familiar cause of change in a prime minister's popularity is the economic *cycle* (cf. Sanders 1995). The swing of the pendulum is often used metaphorically to imply a steady alteration in the party holding Downing Street. However, the metaphor is a faulty one, for shifts in partisan control are irregular. It is also politically misleading, encouraging a belief that there is a mechanical safeguard against the concentration of power in the hands of one party for a long period of time (cf. King 1992). In the postwar era, a governing party has enjoyed a maximum of 18 years in office. Only during the Heath administration has a party won Downing Street at one general election and lost it at the next.

Personality theories make the story of Downing Street appear as 'one damned prime minister after another'. But the change of incumbents is not a fleeting event, like the events that usually make headline news when considering a week in Parliament. The event signals a change in the person in charge of Downing Street for an indefinite number of years. The impact is potentially enhanced when the change in Downing Street is caused by a change in the elected governing party.

In the trivial sense, personality makes a difference in the presentation of a prime minister in the media, for everything about a new tenant in Downing Street, from the prime minister's early life to his or her holidays, is deemed newsworthy. But 'personality' stories are likely to say more about the impact of a Very Important Person on the journalist writing the story or producing a television programme than about public policy. To see what difference a prime minister makes within government, one must look at the impersonal record of the statute books and of public expenditure. These emphasise that most policies are driven by the force of political inertia. Few laws from the past are repealed by a new prime minister, the number of new and controversial measures introduced are limited by comparison with policies inherited from the past, and the great bulk of taxing and spending is determined by the 'uncontrollable' commitments to social security, education, health and interest on the national debt. Even a prime minister as radical in rhetoric and as long in office as Margaret Thatcher left in place two-thirds of Acts of Parliament inherited from predecessors, and more than seven-eighths of spending commitments (Rose and Davies 1994: 120; Rose 1984).

The causes of long-term structural change in the prime minister's job can either be relatively abrupt or gradual. Dramatic events with a long-term impact create a punctuated equilibrium, that is, a break between two periods, each of which is relatively stable, but differing from each other because of the watershed event that separates them. Political historians often treat the Second World War as a short period creating an explosive break between two relative stable equilibriums – Britain between the wars and Britain after.

A punctuated equilibrium introduces a discontinuity in the roles of a prime minister (cf. Rose 1976: 19). Devolution for Scotland illustrates how history can be sharply divided into before and after periods. Before 1 July 1999, the primary responsibility for deciding and delivering public services in Scotland rested with a British Cabinet minister appointed and dismissed by the prime minister. Since that date, primary responsibility is in the hands of a Scottish Parliament and Executive, accountable to the Scottish electorate. The intention is that the settlement laid down in the 1998 Devolution Act will be as stable as that of the 1707 Act of Union, albeit different in kind. But the 'punctuating' event of creating a Scottish Parliament now requires Downing Street to accept new limits on its influence that did not exist in the earlier period.

For the dramatic events of a single prime minister's stay in office to create a new equilibrium, the structural changes introduced must be consolidated and persist for a long period. The changes introduced by the 1945–51 Labour government were not so great as partisan labels implied, for key measures such as the Beveridge Report on social security, the Butler Education Act and Keynes's full employment White Paper, had been introduced by the wartime coalition government led by Winston Churchill. Moreover, the consensus about the welfare state was only achieved by Conservative successors separating welfare measures from Socialist controls of the economy, these latter being gradually dismantled. Similarly, the radical changes described by the label 'Thatcherism' commenced

under the Callaghan government, when monetarist economic policies were adopted as a condition of receiving a loan from the International Monetary Fund. The consolidation of the innovations that Thatcher introduced in industrial relations, privatising nationalised industries and evaluating public services by market standards, occurred in the seven years in which John Major was in office, and the measures were only made proof against repudiation when Tony Blair made the Thatcherite view of the market an integral part of the 1997 New Labour manifesto.

When structural change is due to the gradual cumulation of events, a lengthy period of time is required for the impact of unique events to work their way through the political system. Seemingly small incremental changes can compound into major structural changes if these are mostly in the same direction and each year's alteration is incorporated into the base from which subsequent changes are calculated. Long-term economic growth occurs in this way. Monthly or annual fluctuations in rates of change, sometimes headlined as inflation or growth up or down, are minimal compared to the cumulative consequences of compounding changes.

The structural change in the pound's foreign exchange value illustrates the cumulative process of long-term change. From a short-term perspective, the value of the pound appears to go up or down very little in response to daily dealings in London and abroad. But in the long run, structural changes in the world economy have reduced the value of the pound from $4.03 when Clement Attlee entered Downing Street to less than $2.00 in 1976, and as low as $1.30 since then. The pound has cumulatively fallen against the Deutsche Mark (DM) as well. In the fixed exchange rate regime of the 1950s, the pound was worth almost DM12. Following devaluation in 1967 and the introduction of floating exchange rates, the pound quickly fell to less than DM10, and in 1976 to less than DM5. In 1990, the Conservative government sought to stabilise the pound at DM2.90, only to see the pound fall to less than DM2.50 after 'Black Wednesday'. However, the dramatic fall of 40 pfennigs in 1992 was far less than the gradual decline of DM5 between 1967 and 1974, and a third less than the fall between 1982 and 1990.

Long-term structural changes are irreversible, barring a return to the *status quo ante*. When the pressure of events forced Harold Wilson to commit British troops to Northern Ireland there was no return to Downing Street's previous stance of studied avoidance of any responsibility for Northern Ireland. Since Edward Heath suspended the Stormont Parliament in 1972, successive prime ministers have tried many different ways to return to the *status quo ante* by withdrawing British troops from Ulster – but up to 1999 none contemplated re-introducing a Parliament in Stormont governing as it had before 1969. In Scotland, if the 1999 Devolution Act fails to create a stable settlement, the alternative will not be repealing the Act and returning all Scottish affairs to the Westminster Parliament, but the formation of a Scottish National-led government pressing for independence.

In the international system, irreversible structural changes impose limitations on what a prime minister can achieve. In 1945, the peace settlement in Europe

was negotiated between three national leaders – and the prime minister was one of the trio, along with the President of the United States and Josef Stalin. Since then, Europe has been transformed through the rebuilding of Germany and the creation of the European Union. In Asia, Japan has become transformed from a poor and defeated island state to a world power twice as populous as Britain, half again as prosperous, and far more important in terms of world trade. While at the start of the twenty-first century there are many uncertainties in foreign policy, one thing is certain: the idea of Britain determining world events by holding the balance of power is as dead as the pre-1914 Foreign Office official who propounded it. So too is the idea of Britain 'punching above its weight' by returning to the Second World War special relationship with the United States.

The biggest structural change affecting Downing Street is the emergence of intermestic politics, in which the prime minister is caught in the middle of inter-national and domestic pressures. What happens in Brussels, in Washington and in more remote places, increasingly affects the British people. While a prime minister agonises about fine-tuning the economy, international money markets can force him to go cap in hand to the International Monetary Fund for multi-billion dollar loans. Interdependence is institutionalised in the European Union, in NATO and in foreign exchange markets that trade the British pound up or down around the world while most people in the City of London are asleep.

The collective leadership of Europe is in the hands of English-speakers, but they speak English as a second or third language because they are political leaders of France, Germany or another country of the European Union. In a world of interdependence, the resources of Downing Street are substantial, but these are dwarfed by the even greater collective political weight of Europe and of individual superpowers. Yet notwithstanding great changes in the world beyond Dover and Westminster, politicians continue to deny the erosion of the sove-reignty of Parliament. A clinically detached study of leaders of the world's major powers concludes, 'The fruits of contemporary interdependence are bittersweet, for it fosters foreign interference in matters once reserved for domestic decisions' (Putnam and Bayne 1987: 12).

Interdependence is not due to the 'failure' of British prime ministers; it is due to the long-term success of other countries. Nor is interdependence in itself bad. It is simply a fact of political life in the twenty-first century, when the context of politics has changed fundamentally from the days of Queen Victoria or King George VI. In the White House, a cricket-loving prime minister is no match for a president who plays hard ball. In the councils of the European Union, a British prime minister is not first without equal but one among fifteen.

4
Support for the Prime Minister: the Hidden Influence of No. 10*

Dennis Kavanagh and Anthony Seldon

No. 10 Downing Street is the most powerful office in British politics. Yet it is also the least written about of any of the great departments of state, and perhaps the least understood (cf Lee *et al*. 1998; Burch and Holliday 1996). What goes on behind the shiny black-painted door remains a mystery to followers of politics as much as to the casual observer of the British political scene. In contrast, the literature on the power of the prime minister, and whether or not he has become 'presidential', is both vast and inconclusive. Ferdinand Mount, an acute commentator who has had experience of working in No. 10 under Mrs Thatcher, is not alone in his complaint about our sketchy knowledge of '… how the office actually operates, what staff are at its disposal, how its commands are issued …' (1992: 136). Cabinet is known to meet at No. 10, and most prime ministers have lived there. But who are the smartly-suited men and women who ply their way up Downing Street before being swallowed up by the door, and how much influence do they have? Even the policeman standing outside the door has an inscrutable air about him.

This chapter tackles two core features of the job of prime minister: how the incumbent is helped in carrying out his or her job and how this has changed over the past 30 years. A British prime minister has both an official role, which relates to government, and a political role, which relates to his party and to public opinion. The staff in No. 10 who help him to carry out these tasks are either political – those who come and go with the incumbent – or official – that is, career civil servants.

Prime ministers from Gladstone to Baldwin spent several hours a day in the House of Commons. This is less the case today, as their successors have been drawn back to the 'office' in No. 10. This is where they hold Cabinet, conduct meetings with colleagues, receive visitors, including foreign leaders, do their paperwork, and have their own staff at their beck and call. Gladstone personally read and replied to the letters addressed to him: he was helped by two private

secretaries. Blair now has dozens of staff speaking for him and writing on his behalf. The British premiership has steadily become more collective and more institutionalised.

There are many reasons for the neglect of how No. 10 operates. Few biographies or autobiographies of prime ministers give more than a dutiful and perfunctory nod in the direction of their advisers or how their office operated. In his 1000 page memoir of his 1964–70 government, Harold Wilson (1971) makes no mention of his political secretary, Marcia Williams, his economic adviser, Tom Balogh, or of either of his press secretaries. Wilson's is an extreme but not atypical case. But many helpers have also shared the prime minister's view that the place for backroom boys is in the backroom; witness the passion for anonymity of senior civil servants. A consequence is the under-estimate in many studies of the influence of the Private Office and an exaggeration of the influence of political appointments. Most political actors write memoirs and books and speak to the media on the record, whereas civil servants rarely do any of the above. Yet Private Office staff spend several hours each day with the prime minister. The influence of officials has often been less to change the prime minister's mind than to reinforce them in their instincts; thus Robert Armstrong helped Heath pave the way for entry to the European Community and Charles Powell reinforced Mrs Thatcher in a more Euro-sceptical direction in the mid and late 1980s.

Ever since 1916, when Lloyd George created the Cabinet Secretariat and a 'Garden Suburb' of personal advisers, prime ministers' efforts to build up staff support have met powerful opposition from colleagues, civil servants and the official opposition. Indeed, the reaction to Lloyd George was so hostile that it seemed doubtful if either of his creations would survive his downfall in 1922; the Secretariat was greatly reduced and the 'Suburb' abolished. There was controversy again over the role of Lord Cherwell's Statistical Section, which Churchill established in 1940, and Tony Blair's steps in 1997 to strengthen his own political support in No. 10. When Labour's Foreign Secretary George Brown resigned in 1969 and the Conservative Chancellor of the Exchequer Nigel Lawson resigned in 1989, they claimed that they were being undermined by the prime minister's advisers. Many have argued that the influence on a prime minister of a 'kitchen cabinet' or an 'éminence grise', or the creation of a prime minister's Department undermines the role of the Cabinet departmental ministers and verges on the unconstitutional. How often has this theme figured prominently in the resignation statements and letters from Cabinet ministers who have resigned acrimoniously?

Attempts to develop the facilities of the office of prime minister have repeatedly been hampered by a sceptical attitude both by the public and, particularly, by the press – although the secrecy and aura surrounding No. 10 itself has not always helped it receive a sympathetic hearing. Each addition in facilities, from Lloyd George's secretariat to Ramsay MacDonald's car, to the precise salary of William Clark (Anthony Eden's Press Secretary 1955–56) and the facilities available to Marcia Williams (Harold Wilson's Political Secretary 1964–70, 1974–76), and the expansion of Blair's staff, has been criticised. It is ironic that such atten-

tion has been focused on the very small, but quantifiable, benefits that have gradually been extended to the PM and his or her aides – while there has been comparative neglect of the vast changes involved with the rise in the state's pro-portion of GDP from around 10 per cent to over 40 per cent during the period from 1890 to the 1990s. The staff remains small in comparison to that available to political leaders in many other democracies.

Defence of the *status quo ante* in No. 10 easily slides into a defence of civil service dominance and of departmentalism. Indeed, the criticisms were a reminder of just how limited are the staffing powers of a British prime minister. But it is only since 1928 that the Principal Private Secretary has been a civil service appointment. Before then the Private Office often consisted of a mix of political and official staff. Even later did the No. 10 Press Officer come to be regarded as a career civil servant – although Attlee, Eden and Wilson recruited sympathetic professional journalists to the post. The developments under Blair therefore represent something of a return to old patterns of staffing, although with a stronger political imprint. The increase in political ap-pointments has the advantage that the civil service is able to offload activities which it regards as partisan to the political appointments. What has not been created, in spite of some false starts over the years, is a prime minister's Department.

The prime minister has responsibilities as follows:

- head of the executive;
- head of government policy;
- party leader;
- chief appointing officer, including appointing and dismissing ministers, and dispenser of patronage; and
- leader of the party in Parliament.

The various roles coincide to some extent with the administrative divisions of the No. 10 offices (Table 4.1). Support exists for each of his duties. The fact that it is scattered, although concentrated in No. 10, may offend advocates of tidy-minded administration.

No. 10 is far from ideal as the head office of a large corporation. It has over one hundred individual rooms, which have been designed for various purposes in the past, sometimes as bedrooms, cloakrooms and water-closets. Incapable of expansion upwards, downwards or externally, it is also a listed building which imposes constraints on expansion. Had space permitted it is possible to speculate that the staff might have increased more considerably than it has. Nearly 200 people worked in the building in January 2000. Despite this figure growing from 64 in 1970 under Harold Wilson, 70 in 1979 and 120 on May 1 1997, No. 10 retains the atmosphere of a small village or a large extended family. In January 1999, the policy-oriented members of the Private Office, Policy Unit, Political Office, Press Office, and the Cabinet Secretary (the prime minister's office) totalled 34.

Table 4.1   Administrative support for the prime minister

Function	Supporting office
Head of the executive	Cabinet Secretariat Private Office
Head of government policy	Policy Unit Press Office (communication)
Party leader	Political Secretary Parliamentary Private Secretary
Head appointing officer	Appointments Secretary (Crown appointments) Cabinet Secretary (senior Civil Service and ministers) Principal Private Secretary (Private Secretaries and ministers)
Leader of party in Parliament	Parliamentary Private Secretary Private Secretary (parliamentary affairs)
Senior British representative overseas	Cabinet Secretary Principal Private Secretary Private Secretary for Foreign Affairs

In reviewing the function of the Prime Minister's Office, we asked the following questions:

- Has the No. 10 staff been sufficiently large and well-informed to allow the prime minister to optimise his or her potential?
- How have No. 10 officials balanced loyalty to the prime minister with respect for civil service values and traditions?
- How far have prime ministers been able to control the agenda, and to be proactive, in line with their initial ideas and ambitions?
- How have different prime ministers managed the media? Is one style more effective than others?
- Are those with most influence in Downing Street those with the 'biggest' jobs, or is influence more a question of personal relationship and chemistry?
- How has each prime minister organised his or her day? Is it him/her, or others, who organise their days?
- How much interest did each premier take in intelligence, and did any make any real impact on the operation of the intelligence services?
- How has No. 10 reacted to 'new' offices, e.g. the Policy Unit or CPRS?

Life in No. 10

Describing the work of a small group of people who operate in such a confined area is an exercise in miniaturism. Personal chemistry often matters more than formal titles, flexibility more than standing on job remits, and collegiality is more evident than hierarchy. As has been indicated, No. 10 echoes the politics more of a bustling and anarchic village than that of a settled bureaucracy. Staff, both official and political, are often acquainted with each other before they move into No. 10. Business is frequently conducted in small meetings and over the phone and during brief unscheduled chats: the Private Secretaries in their two open-plan rooms rely on each other to pick things up. Christopher Meyer, No. 10 Press Secretary (1994–96), commented in mid-office upon the virtual impossibility for historians of ever being able to recreate the sequence of events or the interplay of relationships in the fast-moving and fluid No. 10. The small numbers and tight space, on the other hand, and the overlap in duties undoubtedly facilitate co-ordination (though they may also foster rivalry). A premium is placed on interpersonal trust and discretion, pride in doing a highly professional job and remaining calm under pressure. Private Secretaries living virtually cheek by jowl during their long working hours, reading and listening to each others' business correspondence and phone conversations, have no secrets within the Private Office and few within No. 10 as a whole. Several years after the event some have entrusted some of the secrets to us. As part of our study, we conducted interviews with over 150 people who work or have worked with the prime minister, for the most part since 1970. They include three Cabinet Secretaries, nine Principal Private Secretaries, and six of the seven heads of the Policy Unit.

The distinction between political and official staff is useful for analytical purposes. But the staffs also have to work together with the shared aim of serving the prime minister. The prime minister relies on the Private Secretaries to protect his interests in the Whitehall and parliamentary maze. The Private Office secretaries have to appreciate the political side of the prime minister's job – to take on board the problems he has with his party in Parliament, the challenges he may face at any forthcoming annual party conference or the need to prepare for a general election. Indeed, in the last year of a Parliament or the months preceding a general election there is a general clearing of the decks and the prime minister devotes himself increasingly to party politics. The political staff see him more frequently and pressures on the officials decline. If a prime minister does not carry out the political part of the job well he is unlikely to survive. The Private Office has an interest in his political success because if the prime minister is in trouble and lacks authority it impacts on their own work. Bad by-election and local election results, discord in the party, divisions in the Cabinet and threats of a leadership challenge affect morale in throughout building.

Trends

Our study of the support system for prime ministers over the period 1970–2000 clearly reveals a number of trends. The pace of some of the changes has increased under Blair and in some respects 1997 was a watershed. They include:

1. A marked increase in the size of the No. 10 staff from 71 in June 1970 at the beginning of Heath's premiership to nearly 200 in January 2000 under Blair. This trend continues the gradual growth of the years preceding 1970 although there has been considerable expansion under Blair. If these levels are, in comparison to the staff of other political heads of state, not large, No. 10 is clearly ceasing to be a small office, although terms like 'family atmosphere' and 'small group politics' are still (just) appropriate.
2. A move to a stronger political element within No. 10, with the establishment of the Political Office (1964) and the Policy Unit (1974). These creations are partly a recognition of the need to cater for the prime minister's party political role and partly a recognition of the growing demands of political management of the media. Earlier on, Political Secretaries had been close friends or aides of the prime minister before he assumed office, e.g. John Wyndham (Macmillan), Marcia Williams (Wilson), Douglas Hurd (Heath) and Tom McNally (Callaghan). Mrs Thatcher and John Major often appointed people with whom they had little prior contact. Blair in contrast already knew or had worked with virtually all of the people he brought into No. 10. This echoes the way in which a new US President brings his own 'team' to the White House.
3. The growth of 'para-political' careers as special advisers to ministers or MPs, lobbyists and researchers in parties and think tanks has provided an entrée for the politically interested to work in No. 10 and move on to a parlia-

mentary career (Riddell 1992). The post of Political Secretary has been a springboard for entry to the House of Commons for Douglas Hurd, Tom McNally, Richard Ryder, John Whittingdale and Judith Chaplin. The same is true of the Policy Unit, examples being the careers of John Redwood, Oliver Letwin, Damien Green, Hartley Booth and David Willetts. Political staff under Thatcher and Major often had prior Whitehall experience as special or political advisers to ministers, and then left government service before returning to No. 10. Stephen Sherbourne, Norman Blackwell, Jonathan Hill and Howell James are the equivalents of the 'in and outers' in the USA. The political staff usually exhibit the classic civil service skills of networking, drafting papers and anticipating or reflecting the thinking of their client, the prime minister. These qualities are often added to an interest in practical policy ideas, links with the ruling political party and skills in speechwriting or communication. The temporary 'political' staff rapidly acquire Whitehall know-how: where they fail to do so, they have a limited life in post.

4. The Private Office has remained the most consistently influential office of all those at the prime minister's disposal during the period of our study. Premiers may arrive at No. 10 suspicious of officials and determined to rely more on political appointees and politicians, but they usually leave with the position reversed. One prime minister we interviewed commented on the falling-off in the quality of his support in the last year of the Parliament, and preparation for a general election meant that political staff took more of his time. We were regularly impressed by the admiration and sympathy which officials expressed for the prime ministers they served. The close and continuous contact produces a form of 'bonding', even though officials know that their careers are likely to prosper when they leave No. 10. A Private Secretary under Callaghan and Thatcher commented: 'Unless you respect the prime minister you could not put in all those 16 hour days and sacrifice your family.'

5. In practice, despite the burgeoning in number of political appointments, and attempts to rationalise No. 10's structure, there remains an overlap of interests and responsibilities between the Political Office, Policy Unit and Press Office in matters such as election planning, policy launches, prime minister's speeches and government presentation. Overlaps present opportunities for 'turf' disputes as well as for co-ordination.

6. Rivalries take place not only between political and official staff. Difficulties among the political staff reached a high point under Wilson (1974–76) with Joe Haines and Bernard Donoughue on one side, and Marcia Williams on the other. Under Major, there were tensions between Sarah Hogg (head of the Policy Unit) and Judith Chaplin (Political Secretary) which centred on the latter allegedly neglecting her duties to cultivate her constituency. Early in Thatcher's administration there were strongly negative feelings between the Policy Unit head Hoskyns and officials. Later in her premiership, rivalry reached a high point between Charles Powell and other Private

Office secretaries. Blair has emphasised co-operation within No. 10: it has yet to be shown whether he will be successful in achieving it in the long term.

7. Officials in No. 10 have gradually become more comfortable with political appointees. Compared to the difficulties experienced by Marcia Williams in 1964 and John Hoskyns in 1979, as heads of the Political Office and Policy Unit respectively, these roles are now secure. Indeed, it is now inconceivable that a prime minister would be able to operate without either or be able to revert to the small-scale operation that existed before they were set up. In some areas – such as Cabinet Office servicing of and Private Secretaries' attendance at variously named presentation and co-ordination committees, as well as at No. 10 seminars under Major and Blair, or civil servants working in the Policy Unit – there have been extensions of the civil service input, and a blurring of rigid demarcation lines. The trend has continued under Blair, with more political penetration of the official side, and special advisers appointed to the Private Office, Press Office, and the new Strategic Communications and Performance and Innovation Units. Before Blair, political appointees were largely confined to the Policy Unit and Political Office; now they are widespread, such appointees often working alongside officials.

8. The main expansion in the remit and number of official staff at the centre has been in the Cabinet Office, on the other side of the formerly 'green baize' connecting door. The Cabinet Office has expanded in an *ad hoc* way, 'by convulsion and spasms', to quote one former Cabinet Secretary we interviewed. It gained responsibilities following such events as negotiations for entry to and membership of the EEC from 1973; the abolition of the Civil Service Department in 1981 and the CPRS in 1983; and the creation of the Efficiency Unit, Citizen's Charter Unit and Heseltine's Deregulation Unit. This pattern of absorption has continued under Blair, with the creation of the Social Exclusion Unit and Performance and Innovation Unit. The Cabinet Secretariat was set up in 1916 to service Cabinet and its committees, and thus to work for the Cabinet as a whole, but in practice the primary individual whose needs and wishes it has served has been the prime minister. Under Blair the creation of so many task forces with policy remits running across departments has added to pressure for greater co-ordination. Over recent years, periodic calls have been made for the Cabinet Office to be less reactive and to play a greater role in planning ahead and helping the government to anticipate problems. By the beginning of the new century, the Cabinet Office was indeed expected to be more of a policy-oriented and a proactive co-ordinating body. It also now has a Cabinet minister as a ministerial and enforcing head and might now be considered something of a corporate headquarters overseeing government strategy. This remit may involve a subtle but definite shift in the Cabinet Secretary's relations with Permanent Secretaries.

9. The Press Office has also expanded to take on a more proactive role and cope with the rapidly growing demands since 1970 of the mass media –

which provide continuous coverage of political and governmental affairs – and the greater number of press conferences, summits and policy launches involving the prime minister. The establishment of the Strategic Communications Unit (SCU) in 1998 and additions to the Press Office staff meant that the number of communicators in No. 10 (excluding the Policy Unit) virtually doubled in just 12 months after John Major left office. Blair's staff also believe, in a more focused way than any of their predecessors, that a successful policy requires good presentation and that effective government requires a clear and consistent 'message'.

10. The Policy Unit, created in 1974 with little advance preparation, has worn different guises under different administrations. One insider has distinguished between unit heads 'who shot with rifles' – John Hoskyns, for example, concentrated on the economy and trade unions, Ferdinand Mount on social policy and Brian Griffiths on broadcasting and education – 'and those who shot with blunderbusses' – examples being Bernard Donoughue, Sarah Hogg and Norman Blackwell, all of whom ranged widely. The unit represents additional pairs of hands, eyes and ears for the prime minister, enabling him or her to keep in touch with what is happening in Whitehall departments, following up his policy interests, providing briefing for meetings with colleagues and outsiders and drafting political speeches. Since 1979, its head has increasingly taken a major role in overseeing election preparations and drafting the general election manifesto. The Policy Unit's staff now oversee virtually all departments, although they concentrate largely on the domestic side. In the Conservatives' Units (1979–97), a quarter of staff were civil servants, compared to only two members or less than 10 per cent of Labour Units (1974–79 and 1997–98).

11. The Private Office has grown by only two appointments in the 30 years up to 1997: in 1975, a second domestic Private Secretary was added and in 1994 an assistant Foreign Affairs Private Secretary was brought in to help with the mountains of foreign and Irish work. Since May 1997 Blair has added three more Private Secretaries. The Treasury still supplies the Private Secretary for economic affairs and the Foreign Office both Private Secretaries for foreign affairs. Other staff deal with parliamentary affairs, social policy and other domestic policy; a Duty Clerk is also a constant part of the establishment. The workload is heavy and the fact that modern communications and technology demand immediate responses have only added to the pressures. The fact that the secretaries are drawn from and expect to return to their original departments means that they are able to network with the rest of Whitehall to a degree which is unknown in the offices of political leaders in other countries (Campbell 1983). In the best civil service traditions of impartiality, they are on 'loan' or secondment from Whitehall to No. 10.

12. A recurring theme of reform, regardless of party, is the attempt to promote co-ordination to curb the centrifugal effects of departmentalism. Attempts to enhance central control have included setting up of an 'inner' Cabinet,

'giant' departments, 'overlords' and the CPRS. The 1970 White Paper on the *Reorganisation of Central Government* spoke of the need for the centre to take a synoptic view of government. Among the Blair team, the perceived defects of the Whitehall *status quo* were twofold. One was the difficulty of tackling issues which crossed departmental boundaries or were not the responsibility of any one department; the second was the fact that any one minister's departmental policies were not always seen to be supportive of the government's overall objectives. The prime minister, freed from the responsibility of running a Whitehall department and supported by the Cabinet Secretary, in theory is well placed to form a clear overview of how departments interact. Blair's initiatives include the 15-month comprehensive spending review (CSR), the creation of the Social Exclusion Unit in the Cabinet Office, the establishment of some 60 task forces, the grafting of a Performance and Innovation Unit onto the Cabinet Office, and the Treasury agreements with departments, following the allocations of public spending in 1998.

13. Prime ministers have had little time for, or sustained interest in, intelligence and security. Our study showed that they dabbled, and liked to show off their knowledge of the world of John Le Carré, and that they wanted to make the security services feel valued. But the intelligence and security world barely impinged on their time or thinking. Harold Wilson was the main exception, but his interest was deemed by many insiders to be somewhat paranoid.

14. Flexibility and informality remain the rule. No. 10 has remained a loose, unhierarchical office, in which political and official staff help out where the pressure is greatest. Job descriptions are a recent development and other procedures common in private sector organisations, such as staff appraisal, have only been implemented in the 1990s. Widescale use of computers only came in the 1990s and email only after 1997, a good ten years after the private sector. Information up until then primarily came into No. 10 on paper or by telephone: security concerns were the main reason given for No. 10 being slow to come on line with the rest of Whitehall, or indeed putting in place its own 'intranet'.

Influence within No. 10

During the period 1970–2000, none of the various elements that have gone to make up No. 10 have had a static influence. The influence of the Policy Unit since its creation in 1974 has been a fluctuating one. Its first head, Donoughue (1987), presented a long list of initiatives which failed to make progress under Callaghan, largely because of the lack of co-operation by departments or, by implication, lack of prime ministerial commitment or authority. The same applies to subsequent Policy Units. Influence depends partly on the perceived quality of its advice, partly on access to the prime minister, and partly on its ability to gain the respect and co-operation of key ministers and civil servants,

the latter likely to be shaped by the former. Blackwell's Unit (1995–97) suffered from Cabinet ministers having little time or apparent respect for it. Perceived influence helps to create actual influence, getting inside what one former member, David Willetts (1987), called the 'virtuous' policy loop. Once it has persuaded the prime minister to act, ultimate impact depends on his or her authority over colleagues. But it simply does not have the resources, human or financial, to make policy, or to push a policy uphill if there is considerable resistance outside No. 10. What it can do, on the prime minister's behalf, is to question and modify what comes from departments, or suggest alternative lines to follow. Our impression is that the prime minister found it most useful in the periods 1974–76, 1984–85, 1990–93, and again since 1997.

The Principal Private Secretary in the Private Office has often – but, as we show, not always – been a commanding figure throughout the postwar period. Those who have, include Leslie Rowan, John Colville, Tim Bligh, Robert Armstrong, Ken Stowe, Robin Butler and Alex Allan. As well as handling the policy areas which he deems suitable, the Principal Private Secretary is responsible for relations with the Palace, for personnel, for administrative issues not appropriate for a political appointee, and for liaison with the political parties in the run-up to a general election. Under Mrs Thatcher, the Private Office's influence as a whole grew, partly because of her own strong views on many policy issues, partly because of her disenchantment at times with the two key departments, the Foreign Office and the Treasury, and partly because of her growing personal interest in overseas affairs. The importance of the Private Office coincided in the 1980s with some decline in the Cabinet Secretary's autonomy, as Robert Armstrong (1979–87) reacted against the Cabinet Office's accumulation of powers under his predecessor John Hunt (1973–79) and assumed responsibilities as sole Head of the Civil Service from 1983.

The Foreign Affairs Private Secretary is one particular post which has increased in authority. Over the years from the tenure of Tom Bridges (1971–74) to John Coles (1981–84) the post was influential but comparatively subordinate. The change came with Charles Powell's tenure in the 1980s, to a position almost akin to the National Security Adviser in the White House. The 'hot line' to the White House during Powell's tenure was placed on the Foreign Affairs Private Secretary's desk. Subsequent tenants, Stephen Wall, Rod Lyne and John Holmes, were all the beneficiaries of Powell's tenure in the 1980s. All continued to communicate directly with the National Security Advisers and their equivalents in other countries. They were all key players in the prime ministerial initiatives in Northern Ireland under Major and Blair, and in the prime minister's relations with EU partners, not least when Britain held the Presidency.

There have been two main types of Cabinet Secretary. Burke Trend (1967–73) and Robin Butler (1988–97) were highly efficient co-ordinators of government business and had more detached relationships with the prime minister (though the former was closer to Wilson than to Heath and the latter closer to Thatcher than to Major). The other kind of Cabinet Secretary was more closely identified personally with the prime minister and with their policies. John Hunt (1973–79)

was a leading figure in discussions on incomes policy and trade unions; Armstrong (1979–87) was identified with policies on GCHQ, the Anglo-Irish Agreement and 'Spycatcher', and Richard Wilson (1998-) is closely involved with Blair's project to modernise Whitehall.

The role of the Political Secretary has combined acting as the prime minister's troubleshooter or 'fixer' with the party and being an adviser on policy and tactics. The success of the former depends in large part on the prime minister's authority, although there was more scope for the Political Secretary under Wilson and Callaghan, given the fractious state of the Labour Party. Some Political Secretaries, like Hurd (under Heath), McNally (under Callaghan), Sherbourne (under Thatcher) and Hill (under Major), have put a significant amount of input into speechwriting, but others, like Williams (Wilson), Ryder (Thatcher), James (Major) and Morgan (Blair), did little or none. The Political Office, consisting of the Political Secretary, the Parliamentary Private Secretaries, a constituency secretary and (in 1997) two Assistant Political Secretaries, is perhaps the least integrated of all the No. 10 units. As an adviser on strategy and day-to-day politics, the Political Secretary was probably most important in the periods 1970–74, 1983–87 and 1992–95.

The Press Office has responded to media pressures and ministers' growing determination to set the media agenda. The Chief Press Secretaries under Mrs Thatcher and Tony Blair seem to have been the closest personally to the prime minister and their advice on the presentation of policies and appointments could not but help shade into substance. The two non-civil service appointments since 1970, Joe Haines and Alastair Campbell, both helped with speechwriting.

The continuing centrality of civil service influence emerges clearly from our study. The Treasury and FCO, in particular, have maintained a heavy dominance over not just the Private Office but the Cabinet Secretariat also, which is also made up of those seconded from other departments. The Private Office has retained the closest physical proximity to the prime minister and the cabinet room, especially after Tony Blair's shift of office into the inner Private Secretaries' room in 1998.

The 'new' offices in No. 10 have generally been less significant. The Political Office, created in 1964, rarely recovered the influence it had under its first head, Marcia Williams, up to 1970. The Central Policy Review Staff (1971–83) excited much attention among academics, but what little influence it had under its first head, Rothschild, had disappeared by the mid-1970s. The Policy Unit, set up in 1974, battled hard early on to establish its niche. It was periodically influential mainly when the head was close to the prime minister in helping set the prime minister's agenda. Whatever importance the 'new' offices may have had, it has not been at the expense of the civil service.

Departmentalism and a prime minister's department

So-called 'power grabs' in terms of recruiting extra staff, creating new units in No. 10, or intervening on policy by a Prime Minister, are often a reaction to felt

weakness, a frustration with the inability to pull effective levers. Compared to most departmental ministers, a prime minister has a tiny budget, a small staff and few formal powers. He or she has to work through Secretaries of State in whom statutory powers are vested. Viewed from No. 10, Whitehall departments at times can look like a series of baronial fiefdoms, to which Downing Street can only react. Departmental ministers have large staffs, budgets, policy networks, information and expertise, and can draw up legislation in their areas of responsibility. At times a frustrated prime minister may 'ache to collar a department of his own', as one No. 10 adviser to Macmillan commented.

The management reforms in Whitehall in the last decade, however, may have compounded the problems of departmentalism and thereby increased the need for more co-ordination. More civil servants work in agencies, which are subject to framework agreements and a commitment to work to meeting specific targets and performance indicators. What may have been sacrificed has been the idea of departments 'working more corporately across the boundaries', as Richard Wilson, effectively speaking on behalf of the prime minister, told a gathering of senior civil servants in October 1998.

Plans for a prime minister's Department have been considered on occasion and were actually drawn up in 1970 and 1982. They are usually prompted by policy failures, criticisms of the prime minister, concern over an institution (for example, Mrs Thatcher's impatience with the CPRS in 1982), No. 10's perception of inefficiencies in the way Whitehall is working, or comparison with the greater support available to leaders in other states. Any such step would clearly have consequences for the Cabinet Office and the Cabinet system.

Proposals for a stronger Prime Minister's Office usually involve a revamping or an absorption of parts of the Cabinet Office – not least to avoid the creation of yet more, and overlapping, bodies. Blair's staffing and organisational changes in No. 10 including the comprehensive spending review and new capabilities of the Cabinet Office announced in July 1998 are the latest attempts to achieve more co-ordination. They are also perhaps the most explicit statement that the role of Whitehall is to advance the government's policy objectives as defined by No. 10.

Some qualifications need to be made here about any scheme for creating a new body in No. 10, along the lines of a prime minister's Department. It could be that this 'easy fix' solution fails to identify the real need. Organisational reform of itself will not improve things *unless* the prime minister has, at the least, a strong sense of political purpose, strategic direction and determination, and communicates them to colleagues. Such a body will not fully compensate for divisions in the party, lack of an assured parliamentary majority, hostile media and public opinion, or a defective policy. The records of the Wilson and Heath premierships, the two institutional reformers among our prime ministers, remind one of the limited policy or political impact which such reform on its own will deliver. Some calls for reform are a form of scapegoating. A prime minister's Department or a stronger No. 10 would not have averted the 1967 devaluation, the three-day week in 1973, the soaring inflation in the mid-1970s, the poll tax or the ERM failure. These came from political decisions and/or pressures from outside No. 10. An institutional 'fix' is not necessarily the answer to policy or political failing. In

early 1993 the *Economist* reviewed various claims about why John Major's No. 10 was so weak, and concluded that the central failure was Major's lack of political authority.

Second, there is little point in drawing up a system which requires a superman as prime minister. A David Lloyd George or (wartime) Winston Churchill are exceptions. And to give a prime minister more responsibilities simply ignores the time constraints that already operate. Any suggested reforms should try and build on what is already available in No. 10, help the prime minister to concentrate on his priorities, provide good advice on policy and facilitate effective delegation.

Third, a point frequently made in interviews by ministers, civil servants and political appointments at the centre, is that, in a phrase, structures and administrative arrangements matter less than people. There was an insistence that no rearrangement of institutions or duties would work unless there were good personal relations between the key players. To quote David Willetts (1987: 444)

> There is no 'right' way in organisational structure. It is very personal. prime ministers have to feel comfortable with people and arrangements.

The likely political and administrative costs to creating such a body have been canvassed at length by George Jones and others and in each case have been persuasive. Over time, such a body might develop its own agenda or, in developing a prime ministerial line, might set No. 10 apart from the Cabinet or increase strife with a department. A large staff might weaken the sense of collegial decision-making or reduce the direct contact staff have with the prime minister. If a prime minister wants to prevent such an office from developing a line perhaps independent of himself – a tendency with some departments ('the departmental view') – he will be tempted to recruit extra staff to control it, and add to problems of administration and lengthen lines of communication. Interestingly, a civil servant spoke strongly on this. 'Ministers share power with their civil servants. A prime minister does not, because he has no department. That is one way in which he differs from his colleagues.' 'It also gives him an alibi. At present he can blame the department if something goes wrong', said one official. In rivalling the departments it may set up tensions and resentments among ministers and add to problems of political management, as staff are accused of seeking to put a No. 10 gloss on policy, purportedly at the cost of the responsible minister, or even by-passing the latter. Such incidents remind us that Cabinet (and collective responsibility) may provide some political protection for the prime minister if it has endorsed a policy which goes wrong ('blame-sharing').

Blair

Tony Blair's relatively short premiership has already been distinctive. On the official side, relations have been affected by:

- Blair's emphasis on a strong political direction in No. 10 and the importation of so many tried and trusted political aides from his time in opposition. By

December 1999 there were nearly twice as many special advisers in Whitehall as under John Major (74 as against 38) and the figure in No. 10 had doubled. Political appointments are located as follows – Policy Unit (11), Private Office (1), Press Office (3), Political Office (6), Strategic Communications Unit (2).

- Efforts, at least partly successful, to change the culture in No. 10. This includes the increased resources, in the form of the strengthened Press Office and the new SCU, devoted to communications and presentation and attempts to link policy with presentation and achieve more integration between the Private Office and Policy Unit. It also includes the appointments of a Chief of Staff in the Private Office and an Executive Secretary in 1998 to improve the efficiency and effectiveness of the No. 10 operation.
- Institutional change for example, the creation of the SCU, Research and Intelligence Unit, Social Exclusion Unit and Performance and Innovation Unit, the last two based in the Cabinet Office. These changes, as Martin Burch points out, 'do not mark a break with the past but are the latest stage in the accretive development of the Centre' (1999).

Blair, like Thatcher, prefers to make decisions in small *ad hoc* groups of people whose advice he values, rather than in formal meetings for example, in the Cabinet. An innovation is his bimonthly stocktaking bilaterals with Secretaries of State and their top officials in key areas such as education, crime and health. He relies on known and trusted aides to occupy key positions in No. 10. In this, and in his determination to exercise strong control from No. 10, he is trying to replicate features which made him such a successful leader of the Labour Party in opposition.

It goes without saying that the allocation of a prime minister's time is one of the most crucial decisions he and his staff have to make. Both Heath and Callaghan took weekends off from their boxes and refused to have their diaries overloaded. Harold Wilson, in his last spell as Prime Minister, spent much time gossiping late into the night with political aides. Major complained of an overloaded diary, not least the time taken in meeting foreign dignitaries. Blair has set out with a clear idea of what he wants to concentrate on and which activities he is prepared to cut back on. Compared with his immediate predecessors, Blair has reallocated his time in various ways.

1. Reducing PMQs to a weekly session, a step considered and rejected by his two immediate predecessors. This single step has saved political and official staff time and energy in preparation and briefing and also freed the Parliamentary Affairs Private Secretary to handle other policy areas.
2. Pruning the number of official dinners, again a step welcomed by officials. 'The only essential one is the Lord Mayor's Banquet', Blair was advised at the outset by a Private Secretary.
3. Cutting meetings with party officials and trade union leaders. If the previous two changes mark a difference with Thatcher and Major, this third marks a contrast with the Wilson and Callaghan premierships. The party's structure and culture meant that the leader had to cultivate the major trade unions,

both for managing the party's NEC and conference and for operating the government's income policies. Reforms of the party under Kinnock and Blair have reduced the problems posed by the unions, conference and NEC. On the other hand, Blair makes a point of holding regular question and answer meetings with party members at Millbank or on his visits to the regions and weekly question and answer session with Labour MPs in No. 10.

4. Continuing the recent trend of prime ministers to spend less time in the House of Commons – something that is facilitated in part by the large parliamentary majority and halving the number of PMQs. Over the century, the larger and more professional office in No. 10 is increasingly where the prime minister works and takes decisions.

Blair's longer term impact on the premiership largely depends on how successful he is. To what extent will initiatives like the SCU and the Performance and Innovation Unit in the Cabinet Office succeed in breaking down departmentalism? Will the introduction of a stronger political element, in the form of a political Chief of Staff in the Private Office, and more political aides in the Policy Unit and Press Office, set a precedent? Some features, like the enhanced capacity of the Cabinet Office, developing a stronger apparatus for communications, and downgrading of the prime minister's role in Parliament and Cabinet management, appear to be part of a longer term trend.

It is likely that future prime ministers will retain a large Policy Unit in oder to monitor departments and promote strategic oversight from the centre. Such a unit provides additional opportunities for patronage and for increasing their own personal support. It is also likely that a future prime minister, particularly when coming direct from opposition, will bring in his own Chief Press Secretary and retain a body like the SCU. A strong communications presence is a necessary response given the growing importance of the media. Prime ministers have also long wanted the Cabinet Office to move beyond its remit of acting as an honest broker and ensuring that the Cabinet system works smoothly, and it is unlikely that the steps to encourage policy innovation and better implementation will be reversed. Indeed, if Blair's measures are judged to have failed, the eventual result is likely to be further demands for a stronger centre.

5
The Treasury and Social Policy*

Nicholas Deakin and Richard Parry

Pursuing the Treasury's power

Our project on the Treasury and social policy arose from our dissatisfaction with the stereotypes of the Treasury and its role in British government then current among those teaching, researching and practising in social policy. In that world, the Treasury and its influence were widely perceived to be unremittingly negative – narrowly concerned with the detail of expenditure control, unrelenting in the squeeze then being imposed on social programmes and neglectful of inter-connections between different policy areas (and hence responsible for a series of unintended and damaging consequences).

At the same time, and especially since we are ourselves both former civil servants, we were conscious of the widespread use of 'Treasury rule' as an alibi, and the function that the Treasury itself performs as a scapegoat within Whitehall. Ministers and civil servants whose projects fail to achieve the success for which they hoped are quick to attribute their failure to Treasury obstruction and are confident that this explanation will pass muster among their peers.

Our dissatisfaction led us to make a first attempt to get beyond the alibis and behind the stereotypes. This attempt was based on the belief that the explanations for the pattern of Treasury behaviour as it has impacted on social policy might be more complex. Specifically, we guessed that there might be a set of indigenous Treasury social policy priorities and that the responses to spending proposals and new policy initiatives from other departments and agencies might not simply be a matter of political arithmetic but be based on views not articulated in public but developed over time within the Treasury itself.

Further, we proposed (Deakin and Parry 1993) that such a set of Treasury priorities for social policy might come from a variety of sources: historical roots (the Treasury's past relations with spending departments and views formed in the process), political ideology (the views of individual chancellors); or Treasury

officials' own background (origins, perceptions, inclinations and experience – their 'formation'). In addition, we suggested that the Treasury's approach might be changing as a result of wider changes taking place in Whitehall – such as the creation of Next Steps agencies and new patterns of controlling public expenditure.

The chapter we wrote in 1993 served as a calling card for our interest in the issue in academic forums and to retired civil servants we knew. Then, with the advent of the Whitehall Programme, we were given the opportunity from 1995 to address the issues we had raised on rather more privileged terms. We became surrogate insiders, with all the benefits and risks attaching to that status. To some degree, we passed inside a previously closed world, in which our initial guesswork about the evolution of policy and decision-making would be submitted to scrutiny. We found that, despite the abiding myth of the Treasury as the unsleeping watchdog ruthlessly imposing its rules throughout government, the extent of its real power – and even its precise source – is often difficult to pin down. Yet the myth persists, and the sense of resentment that it engenders permeates all discussion of the Treasury, both by insiders and by those who observe it from the outside. This can impede objective analysis.

There is a further paradox at work. The Treasury may prevail, but not necessarily through the institutional Treasury as such. A former senior Treasury official has commented that a 'strong Treasury' is 'shorthand for many attitudes, arrangements and approaches that go beyond the official Treasury' (Monck 1997: 279). However, the task of charting the processes by which these attitudes, arrangements and approaches affect the outcomes of policy-making is a complex one, not to be lightly undertaken (even or perhaps especially by conspiracy theorists). All the elements that appear from the outside to guarantee that the policies the Treasury has espoused will be implemented – central location, the shining abilities of the civil servants, even the political authority of the chancellor – are not in themselves sufficient to ensure that the outcomes will meet Treasury objectives.

In the interviews we conducted around Whitehall from late 1995 to autumn 1998 – mainly with the Treasury officials dealing with the major social spending departments, and with their departmental counterparts – one impression stands out. The Treasury is a department that wants to be found likeable by outsiders and often succeeds. From the relative ease of getting into the Treasury building in Parliament Street, to the unpretentiousness of the offices, to the informality of relations at all levels from secretaries to the top (usually on first name terms), an outside observer is left with the impression of an intellectual democracy which has no need to prove itself symbolically and is happy to treat with outsiders who can match its standards and style. It wants to be liked because it feels itself condemned to be disliked. The Treasury's 1995 Code of Behaviour is a rather touching attempt to put into words some of the alleged behavioural failings of the department ('You have a responsibility to … be assertive and not aggressive … try to learn from your mistakes in handling relations with others'). Research there is stimulating and challenging, the reactions seldom routine and predictable.

The Treasury has long been under observation by economists in terms of its performance in managing the economy, but it fits uneasily into writing on political science and public policy. The dominant perspectives do not accommodate such a singular policy actor. Literature on issue networks and policy communities tends to leave the Treasury as a shadowy, manipulative force less well delineated than interest groups and their sponsors within Whitehall. Recent writing on the fragmentation of the core executive and the alleged 'hollowing-out' of its capability identifies a trend – the extension of structures of governance into a wider range of statutory and non-statutory bodies – but is less clear on whether and how it should be counteracted. The old civil service structures of control and accountability – associated with Treasury power – may have been eroded, but no-one wants to bring them back.

For us, the current intellectual dilemma has resolved itself into a paradox: given that the perceived weakness in British government has been the steering of political and economic strategy at the centre, why does there continue to be such resistance to the department that most characteristically exercises this power, the Treasury? If the problem is subject-specific departmentalism, might not the answer lie in the great non-specific domestic department? As we will trace, the British political system has been reluctant to promote a Treasury that is both all-powerful and all-embracing. With the Treasury itself seeking to avoid above all its fission into separate economics, finance and public budgeting ministries, the result has been a stand-off in which unconstructive 'noise' permeates the system. In the hope of presenting an analysis that goes beyond this stand-off (as we do at greater length in Deakin and Parry 1999), we have had to steer our way around the temptations of either perpetuating the line promoted by earlier social policy critics or being seduced by contact with the department that is so evidently at the heart of the action.

Images of the Treasury

In discussion and debate on the Treasury and its role in British government there has tended to be a mix of views about how the Treasury discharges that role. Outside commentators have often seen it as assertive and powerful, with the corollary that behaving assertively has often generated unpopularity. In this perspective, traditionally often encountered within the Treasury itself, the Treasury's unpopularity is seen as regrettable but necessary – the Treasury remains unappreciated because it deals in bad news and deflates aspirations. But other images have formed as concepts of how the Treasury should perform and behave have developed in recent decades. From the debates around the Treasury's role and from the existing academic literature, we would identify three contrasting emphases, which we set out here in broadly chronological order.

The Treasury as a traditional Ministry of Finance

This first view is set out most characteristically in Lord Bridges' book in the New Whitehall Series (1964). In 1969, Henry Roseveare, noting the lack of any

historical study since Thomas Heath's in 1927, produced a lively piece of history which becomes sketchier as the twentieth century progresses. These books are part of the tradition of document-based public administration writing on the practices of British government, which gave the Treasury a special position as the seat of financial propriety. As presented in this approach, the struggle for rectitude through Treasury dominance of the core executive is always a severe one; as Roseveare notes, the Treasury 'was acutely self-conscious of weakness' in the nineteenth century, and 'it is largely in our own time that the Treasury has acquired that preponderance of authority which has made it such a controversial ingredient in the machinery of government' (1969: 10).

The Treasury has never entirely lost the mentality of Gladstone (the author of the most famous phrase about spending control, when he wondered in 1877 whether an aristocratic ministerial appointee could 'descend to the saving of candle-ends, which is very much the measure of a good Secretary to the Treasury' (Bridges 1964: 29)). Some recent senior officials have written in this tradition – Douglas Wass (1984), who used the BBC Reith Lectures to expound a little resignedly about the business of government soon after his retirement, and Leo Pliatzky (1982), who built on his reputation as the Treasury's former head of public expenditure. It is also part of the mindset on display in most ministerial memoirs, most cogently those of Barnett (1982). Lawson (1992) also shows elements of it but operates on a much wider range, something we trace below. Richard Chapman's recent study, *The Treasury in Public Policymaking* (1997) can also be placed in this perspective. He is cautious about getting inside the policy process, preferring to concentrate on formal procedures and locating the Treasury as part of the overall decline of the distinctive professional ethos of the public sector, as the civil service fragments into what he sees as less accountable agencies and management approaches are imported from the public sector.

We can summarise the influence of this tradition by use of three adjectives. In this perspective, the Treasury is seen as: concentrated in its efforts; and rigorous – that is, going the extra mile in scrutiny – as well as detached, at the heart of the action but dealing with political and economic emergencies from a standpoint somewhat above the day-to-day realities of social and economic life. A series of memoirs by economic advisers captures the flavour of the atmosphere in which the Treasury operated during the postwar period (Cairncross and Watts 1989; Hall, in Cairncross 1989; Plowden 1989).

An important part of this tradition is the relatively low status of expenditure – or 'supply' – work in the Treasury. Andrew Turnbull in 1998 was the first Permanent Secretary to the Treasury to come from a background in its spending side, whose relatively routine tasks, as prescribed by legislation or practice, stand in the same relation to the international and macroeconomic Treasury as does the rest of Whitehall to the Treasury. It has traditionally been the home of plaintive thinking of the kind set out by Bridges:

> everyone knows that there must be some person, some organisation, charged
> with the duty of deciding how much public money can be made available to

meet the almost insatiable demands for public expenditure. Nobody looks with envy at those who have the task of deciding this question, or the even more difficult one of how much money can be devoted to each particular purpose. And although there is always plenty of vocal dissatisfaction from the enthusiasts for particular causes, at the miserable amount accorded to them, most of the grumbles and dissatisfaction cancel each other out. Anyhow, nobody has ever produced a better system. But let no one underrate how difficult the job is'. (Bridges 1964: 41–2)

Developments from the 1960s added another, more positive, adjective: the Treasury begins to be seen as smart. Heclo and Wildavsky's enormously influential book with its memorable title *The Private Government of Public Money* (1974) has touched a generation of civil servants, and is mentioned spontaneously by serving officials as a source of enlightenment and stimulation. The picture of the Treasury it presented was of political and technological sophistication. Heclo and Wildavsky put into words the image of the Treasury as intellectually clever subtly manipulative and strong on the role of politicians. By extending the old public administration delineation of the virtues of the civil service into a sociological exploration of mutuality and trust, it made volumes such as Bridges' seem antediluvian.

Before them, two studies had used interview material and privileged access to form a bridge from older political and economic perspectives. Samuel Beer's study, *Treasury Control* (1956), is a subtle account by a Harvard academic who had absorbed the nuances of British official life. Samuel Brittan's *The Treasury Under the Tories*, revised in Penguin Books, 1971, as *Steering the Economy*, is stronger in its judgement on personalities, in keeping with Brittan's status as the dean of economic journalists and briefly an irregular civil servant. His is an important chronicle of an era in which Treasury officials 'learned to react with almost Jamesian sensitivity to each other's every unspoken nuance' (Brittan 1971: 471).

Heclo and Wildavsky's text reflects the significance of the institution of the Public Expenditure Survey (PESC) system of medium-term planning of public expenditure in real terms. This was introduced into government in the mid-1960s as a result of the Plowden report which had been written under the pre-dominant influence of the Treasury. Their analysis supports the belief that the PESC system was the breakthrough in getting Whitehall to take on the Treasury way of thinking. This question has been explored by Rodney Lowe in recent articles based on access to official files; he tends to see PESC as a victory for the Treasury's philosophy of hostility to the welfare state (Lowe 1997). The question arises of whether the ultimate failure of some of the technical instruments of PESC served to undermine the Treasury's approach to public expenditure negotiation. Our research suggests that they did not and that there is a strong continuing resonance in the styles of working that Heclo and Wildavsky delineated. The primacy of economic constraint, the sense that spending departments were doomed to be the victims of the Treasury line, and the impression that ever-increasing toughness would be the motif of negotiations, extended the 'smart' Treasury into the post-PESC era.

The Treasury as Ministry of Economics and expenditure controller

The turmoil of the 1970s, in which the Treasury's capacities in crisis management were tested to the limit by the IMF-imposed expenditure cuts of 1976, was followed in the 1980s by a period during which the official Treasury's existing priorities were in close alignment with those of the Conservative government. This concordance emerges clearly from the memoirs of Nigel Lawson (1992), by far the most rewarding and comprehensive of any of the insider accounts of that period. The control of public expenditure was linked to macro-economic goals by such devices as the introduction of privatisation and the reform of public sector management.

Near the beginning of this period, the Treasury exposed itself to a radio documentary series *But, Chancellor*, in which staff at a range of different levels in the hierarchy were interviewed on an attributable basis (Young and Sloman 1984). The resulting texts give a strong flavour of an institution at work and the comparatively conventional organisational structure within which those interviewed operated. The material is often bland, but has some of the character of our own interviews. What comes over is a perceived lack of room for manoeuvre by the Treasury around political and economic constraints, and the lack of interest in the Treasury of the time in changing its own organisational structure.

Thain and Wright's massive and (in the best sense) deeply serious study (1995) explored that structure in exhaustive detail and combined description with economic analysis centring on success in containing public expenditure. It has a valuable status as the textbook of the technical innovations in control over the period after the 1976 crisis and the introduction of cash limits. However, their account was overtaken by yet more reforms. Thain and Wright did catch the new 'top-down' budgeting approach introduced in 1993, with the Public Expenditure Committee of the Cabinet (EDX, later PX) settling bids under the chairmanship of the chancellor. Our research emphasised the way that this had worked in the Treasury's favour by concentrating information in their hands: spending ministers appeared before the committee, but the only officials present were the Treasury's and they also briefed the members playing an umpire role. The committee gave the Treasury a greater assurance that aggregate expenditure would not slip out of control through cumulative pressure from spending ministers, and so allowed them to be more relaxed about letting go of detail.

The way in which the Treasury's role was discharged during this period revived a familiar critique that the Treasury was imposing a 'dead hand' on policy development. This view is prominent in the social policy literature (see Walker 1982 for a typical example) but was revived by anti-Thatcherite journalists such as Will Hutton and Andrew Marr, who linked the Treasury's role with sterile centralising tendencies in British government. This argument was put in its sharpest form by a journalist previously more sympathetic to the Thatcher project, Simon Jenkins (1995). In his assault on centralism he devotes a chapter to the Treasury's role (Ch. 12, 'The Magpie's Nest') and has some memorable images of it as 'the guardian of lasting verities', 'the Day of Judgment institutionalised' (ibid.: 223) and 'the Great Purchaser' (ibid.: 241). Jenkins sees the 1980s as the time of a relentless and largely successful search for Treasury control. Nigel Lawson could

dig himself into every corner of Whitehall, able to 'exact a terrible price' on policies of which he disapproved, like the Poll Tax, by starving them of money (ibid.: 231). Jenkins sets out the received view – an inaccurate account from our information – that on child support, 'when the policy ran into trouble [DSS] had to take the blame and the Treasury's role sank from view and avoided censure' (ibid.: 237).

But even as the critics were setting out their position, the Treasury was going through a period of rapid internal change, associated with the new Permanent Secretary appointed in 1991, Sir Terry Burns. Burns set out to change the way in which the Treasury was carrying out its scrutiny functions and the character of its relationships within Whitehall. The opportunity for doing so was provided by the Fundamental Review of Running Costs (known as the Fundamental Expenditure Review or 'FER'), which the Treasury, in common with all Whitehall departments, had to undertake in 1993. Burns used this opportunity to introduce a new style of working, drawing upon aspects of management theory and reflecting the importance he attached to enriching the quality of the relationship with the Treasury's 'customers' in the spending departments.

The Treasury as 'Strategic Manager' at the centre of government

In laying out the ground for the new developments, Terry Burns claimed a strong third role for the Treasury as 'much more than simply the finance function of UK PLC. It fulfils many of the functions that would normally fall to the head-office in a company' and notes that this has happened because governments have accorded a strong co-ordinating role to the chancellors rather than playing out tensions by dividing responsibilities (1994: 8).

The FER, as it emerged from an intensive review exercise conducted by a Treasury grade 5 official, Jeremy Heywood, under the guidance of industrialist Sir Colin Southgate, sought to shift responsibility for expenditure control downwards and eliminate about a quarter of the posts in senior layers of management (HM Treasury 1994; Parry, Hood and James 1997). Its significance lies in the way in which it builds on modern management thinking to set a role for the Treasury that is both more and less ambitious. In this view, the Treasury manages as cybernetic distinguisher of the essential from the trivial in sorting out government objectives, withdrawing from some areas, getting in deeper in others. There has been little public debate on this, but it is an undercurrent of the Treasury mentality which was being noted by Bridges in 1964 in this form:

> I have come to believe that the there is something inconsistent – psychologically inconsistent – in both looking to departments to exercise financial prudence and forethought in framing their policies and consulting the Treasury in the formative stage, and at the same time calling on departments to submit considerable detail to the Treasury when executing agreed policies. (1964: 205)

The nature of this 'psychological inconsistency' continues to warrant investigation. In our interviews, what emerged is a sense that departments have been seen

to move from Lawson's conclusion that they were simply less good at policy analysis, to a position where they may be accepted as worthy partners of the Treasury. If this can be carried through, much of the traditional tension in the Treasury's role would fade away, leaving it as the central intelligence function of British government on the relations between the economy and public policy.

The FER is an attempt to operationalise this approach of being much bolder in renouncing detailed controls in order to free up space for strategic thought. However, there is a sting, and the FER authors in their plain English style do not resist the obvious image:

> it will be important … not to throw the baby out with the bath-water; and it will be essential to ensure, before any of these controls are given up, that the Treasury's expenditure control teams retain enough tools or levers to exercise their responsibilities effectively and efficiently – which will in turn require some departments to demonstrate a greater willingness to share management and financial information with the Treasury on a voluntary basis, than they have tended to show hitherto. (HM Treasury 1994: 118)

Our interviews within the Treasury and the spending departments showed some lack of acceptance of the FER's perspective: there was, for instance, reluctance among many of our respondents to concede that the Treasury could play the role of proactive advocate on certain types of social spending in order to improve economic performance, as recommended by the review (1994: 111). But even if not immediately absorbed into the thinking and practice of all Treasury officials, it does represent a major departure in the Treasury's external relationships.

The role of personality in the spending 'village'

We have been struck by the impact of personality on the attitudes held by the Treasury and the way it relates to other departments. What we detected were a linked series of microsocial networks, based upon the Treasury team leader and departmental Principal Finance Officers. This encompassed an engine-room of lower grade officials (especially HEOs) processing detailed cases; Principals who usually had extensive responsibilities; and intermittent appearances by more senior officials up to Permanent Secretary level. Within spending departments the rules for initiating action are fairly clear, but in the Treasury they are much more pliable. Since the FER, the notion of deputising has taken root, in which the Director function is shared, in the Spending Directorate, between the Directors and their deputies, who form a team and are not meant to be hierarchically superior points of appeal. Spending departments have found it difficult to relate to this new notion of what was the Under Secretary role. A theme in our interviews in departments was of a lack of clarity about whether and how Treasury officials other than the team leader in their spending area will become involved in negotiations and submissions to ministers.

This approach, almost a matter of anthropology, dates back to Heclo and Wildavsky, whose opening chapters were entitled 'Kinship and Culture' and 'The Nuclear Family'. Indeed Beer in the 1950s made the important observation that the civil servant's sense of corporate behaviour is deeply rooted in English or British psychological traits (1956: 114–15). In our interviews we noted the generational aspects of the issue, as the Thatcher/Major generation whose entire administrative experience until 1997 was under the Conservatives relate to their older colleagues whose experience was framed by the frequent changes of government in the 1960s and 1970s. We have noted the culture of discussion and debate at all levels of the Treasury, and it is matched by the increasingly organised camaraderie among Principal Finance Officers. Complaints against Treasury spending controllers frequently take the form of adult–child vocabulary and inability to express feelings unemotionally. Curiously, Bridges seems to touch on this psychological area when he says that when relating to his fellow Permanent Secretaries 'the best analogy that I could think of was that of a brother – perhaps a brother a year or so older – the person to whom it was most natural to turn in any difficulty and to whom one could speak most easily and with complete candour' (1964: 179).

An important focus of our research has been on the spending team leaders and the way they have dealt with their newly-enhanced post-FER role. In the 1970s, Heclo and Wildavsky commented whimsically that 'we certainly know less about the customs and mores of finance officers and Treasury principals than about witch doctors and faith healers, though each shares a bit of the others' functions' (1981: lxix). Their successors, Thain and Wright, have a rather primmer general commentary on the 'expenditure controllers' who deal with departments, delineating the attributes they need. The approach they should ideally adopt is seen as being 'not through inquisitorial means to establish an objective 'truth' but adversarially through argument, critical examination and counter argument to oblige departments to justify their bids' (1995: 534). This is useful, but in our view suggests a homogeneous personality type which does not do justice to the range of personalities we encountered.

We got to know several team leaders by acquaintance or repute. They have some things in common: age (usually thirties and forties); enthusiasm; political awareness; and an independent and forthright attitude to recent changes in the Treasury. There are three cross-cutting variables of difference: (a) gender; (b) whether a long-time Treasury official or brought in from another department; and (c) whether or not they had an academic training in economics. In our observation all of these variables had an effect on the way the job was done. We can observe a range of types from the 'male/long-time Treasury/economist' to a 'female/formerly other department/non-economist' through various intermediate combinations. An equivalent range of characteristics also apply at Deputy Director level, where until 1998 two out of the four (now reduced to one) had primary Whitehall experience outside the Treasury. Two subsidiary variables we noted were whether the team leader was comfortable that they had proper access to sufficient sources of information necessary to do the job; and whether

there was a stable management structure in the team in the sense of the mix of expertise and ability to accept or even promote delegation.

The role of being the leader of a team as well as the Treasury's lead person in the functional area is one that it is easy to neglect. Getting the best out of the 10 to 15 people in the team, setting the right balance between delegation and supervision, and choosing new staff is a challenging task and is not always approached as a matter of textbook personnel management. In the opposite direction, team leaders' relations with their Deputy Director have a line management element, but are different from the old grade 3–grade 5 relationships. The Deputy Directors are no longer courts of appeal for spending departments nor (if they ever were) filters of advice to ministers. Their role is that of freer-floating policy developers, taking on specific tasks and developing their own role. Some of them took to this more readily than others, and the extent to which they got drawn into policy discussions with departments remained uneven.

The job of a spending team leader is an attractive one and recruitment poses no difficulty for senior management. Team leader appointments are the responsibility of the Director, with a process of interview of several candidates. A recent problem is that the process of delayering, with the loss of grade 3 posts, has at times led to a virtual block on change at team leader level. In the Spending Directorate the cyclical nature of the job is a further constraint, since such posts can generally be filled only at certain times of the year. The civil service tradition of a rapid making of a mark in a post followed by promotion out of it is being superseded by the blocking of progress in a contracting bureaucracy.

The relationship between experience and 'capture' in a job like this is a long-standing one. There is a sense that every team leader is brought in as a contrast to a predecessor for whom relationships with the spending department may have become less fruitful. Many team leaders will eventually exhaust the possibilities of their position. With several types of team leader on offer, as we discuss above, such an oscillation is not only possible but makes a lot of sense. The change can be accompanied by notes of regret about failures of communication in previous spending rounds, a new set of introductions to policy divisions in the spending department, new orientation visits and a general sense of clearing the air. Although, logically, the opposite progression was also possible, to be justified internally as 'taking a grip' in an area which has 'gone slack', in most of the changes we observed during our research – health, education, environment – there was an attempt by the Treasury at added-value by improving the climate of relations and communications as personnel changed.

The important role of economists in a Treasury administrative cadre hitherto defined by its lay approach is worthy of comment. Several spending team leaders and three of the Deputy Directors are economists by background. They tend to promote the 'Ministry of Economics' function, which seeks the application of market principles in a political context that usually impedes them. This has flourished during Conservative governments but is likely to have resonance under new Labour, reflecting the enhanced influence of economics as compared with other social science disciplines in the 1980s and 1990s.

This dominance is also reflected in the working assumptions and language which Treasury officials use in understanding social policy. Economic terminology is pre-eminent: incentives, dynamic effects, life-cycle transfers, individual and social rates of return. Under the Conservatives, this could be summarised in a general interest in the 'supply side' of the economy, a phrase that recurs constantly in recent Treasury publications to cover their interest in the ways that social policies affect the quality of resources supplied to the market. Labour added new rhetoric of opportunity and growth, but the primacy of established notions of economic behaviour remained.

As ever, the job of a Treasury official is shaped by the content of the information-handling task – public expenditure submissions, data about exceptional, large and difficult cases, analysis of the economic impact of programmes, and evaluations of overall programme success as measured against the Treasury's objectives. The modalities of this information flow are much as they have been. The desks still overflow with paper, and the computer monitor stands rather forlorn. Letters – especially letters to and from the Chief Secretary – have the Gladstonian weight that they ever did, and can now be delivered with speed by the fax machine. The importance of the telephone in conducting Treasury business is underestimated by researchers. Spending discussions are largely conducted on it, and there is recognised kind of semi-official interaction, more speculative than the written word but less ritualistic than meetings, which are held much less often than the physical proximity of the participants might suggest. We were struck in our interviews with the territorial departments that telephone-based interaction meant that their distance from Whitehall was no barrier to close relations with the Treasury, and that in fact their wide spread of functions gave them a better synoptic view of the expenditure survey and hence a valued position among colleagues in other departments.

By 1998, the context of expenditure planning had changed, with the annual survey round replaced by a more systematic Comprehensive Spending Review (1997–98) leading to a three-year settlement (1999–2002). Relations with departments also seemed better because of changes of personnel and stable working practices. The Treasury were keen to show us data on their annual survey on spending departments' perception of the quality of relationships, which showed an upward climb of reported satisfaction. While the Treasury denied that their aim was a simple 'box-ticking' of the nostrums proposed in the FER (such as written concordats with departments on working procedures) they nonetheless were happy to present a matrix with most of the boxes ticked.

The Treasury and the main areas of social policy

A central part of our research was the evaluation of Treasury–department relationships in social security, health, housing, education and the territories (Scotland, Wales and Northern Ireland). By matching up the opinions of team leaders and their seniors on the Treasury side, and Principal Finance Officers on the departmental side, we gained an impression of the quality and content of the

interactions. The political context in which we conducted the interviews has subsequently changed, although we did re-interview some of the key participants in 1998. But the main themes identified at the outset are mostly constant and there were important continuities throughout in terms of behaviour and attitudes.

The main theme we encountered was the centrality of social security, because of its scale (£100 billion a year) and the recent history of rather poor relations between the Treasury and the Department of Social Security. At the heart of these relations were problems about estimating the cost of social security benefits, a demand-led item not subject to cash limits. In the mid-1990s overspends were of a large enough magnitude (hundreds of millions of pounds) to knock a hole in public expenditure aggregates. The Treasury's response was to turn on the main cash-limited item – running costs – and demand that it be cut unless agreed policy savings were found. The DSS felt hurt by the way that this linkage was made and by the generally combative style of Treasury ministers and officials. It was a classic confirmation of Dunleavy's bureau-shaping hypothesis that bureaucrats put to the test care more about their core budgets than about their programme budgets.

By the end of the decade, the problems seemed to have eased. More cautious estimating and narrower gateways to benefit allowed an underspending on benefits to be declared in 1997 and 1998. But on either side of the line the problem remained that of unpredictability. Unexpected shortfalls were no less destabilising than overspends in the determination of priorities within government.

Social security has been susceptible to Treasury intervention because the policy variables seem to be easy to calibrate. A change in benefit rules relates to a saving – and these can be of the minor technical kind tailor-made for the eye of a Treasury official – such as the tapers of withdrawal of benefit, the phasing of payment, and the reliefs and additions related to household circumstances. It is very tempting for a Treasury official to say 'you need to save £50 million and I can tell you where you can find it'. Reality is much less precise, and Treasury officials who had moved to DSS (now quite a well-worn career track) became conscious of the administrative scale of changes and the unpredictable behavioural reaction to them. The Treasury were slowly educated into the factors driving the rise in disability and housing benefits. After the 1997 election the Treasury and the DSS formed something of an axis within government because of a shared ministerial agenda of targeting and means-testing, which dealt a death-blow to Frank Field's attempts at synoptic reform from his position as Minister for Welfare Reform at the DSS (Deakin and Parry 1998).

In social policy areas that deliver services rather than cash, there was much less of a Treasury wish to go beyond financial frameworks into the detail of policy. In health, the Treasury sought to apply a general downward pressure on costs through efficiency savings and the use of private finance. In education, the approach of the Treasury team seemed to be based on defining priority areas within which the Treasury's supply side brief could be promoted – vocationally-relevant training, the educational infrastructure. In housing, spending ministers

were seen to have an old-fashioned attachment to housing provision as a social service, something the Treasury sought to question.

Fundamentally, the Treasury view of a service is based on their degree of confidence in the spending department's handling of it at an intellectual as well as a practical level. These levels of confidence improved in the 1990s as agendas became shared. Relations with the Health Department recovered from a period when the Treasury had been an aggressive partisan of the internal market. The merger between education and employment was seen to have gone well in 1995 and to have corrected some of the clientelistic biases of the former departments. Understanding of how far the intricate system of housing supply might approximate to an economic market improved; here, the development of a shared economic model of the housing market was important.

In the territorial departments, there was a reasonable working relationship based on respect for the Barnett formula for allocating incremental resources. These arrangements have now been extended beyond the implementation of devolution in 1999, but with an annual adjustment based on population estimates. Because the technical processes of transposing changes in English expenditure were so well practised, the opportunities for confrontation were limited. But this was not incompatible with an underlying Treasury scepticism about the alleged unfair advantage of funding to the territories. Should ministers ever wish to question the formula after devolution, Treasury officials are likely to return to the issue with enthusiasm in line with their general resistance to formula-based privileges for certain departments.

Our general observation of the social spending teams is of the imbalance between the analytical task placed on them and the tiny resources they have to carry it out. The Treasury has become aware of the reality of social policy – not a disconnected series of spending proposals but a product of the whole social and economic system. By visits and observation and even by recruiting the advice of social policy academics they have become more reflective. By the end of the 1990s, the combination of efforts at better personal relationships and the relatively greater availability of resources under the Labour government, had ameliorated the problems reported in the FER and which we encountered in our research.

The impact of Labour

The advent of the Labour government half-way through the Whitehall programme was a good test of the extent of continuity in Whitehall processes and institutions. Labour's Treasury team under Gordon Brown modified the stated Treasury objectives – employment opportunities were out, promoting the efficiency of markets was in – but there was a recognisably consistent view of the world. The Conservative Treasury's aim 'to promote rising prosperity based on sustained economic growth' differs in emphasis rather than philosophy from Labour's 'to raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all'.

Labour's Treasury-friendly credentials were reinforced by Gordon Brown's pledge of January 1997 not to raise income tax rates and to respect Conservative spending limits, by department as well as in aggregate. This latter pledge was actually breached in a number of ways as increments in Labour's favoured areas – health and education – were injected to maximum political effect, mopping up shortfalls in other services. Its main purpose was to allow the closing-down of the annual expenditure round and prevent Labour ministers bidding for more spending on the back of manifesto commitments.

Gordon Brown has a strong personal interest in the creation of employment opportunities and in incentives to move from benefit to work. The welfare to work programme, financed from the windfall tax on utility profits, gave the Treasury the 'New Deal' brand to finance a range of policies going beyond the original target group of the young unemployed. This had organisational implications for the Spending Directorate. The 'Work Incentives and Poverty Analysis Unit' was established and declares the Treasury's interest in having its own social policy advanced through fiscal instruments. The spirit of this approach can be seen in the task force on work incentives and taxation under the (now departed) Barclays Bank chief executive, Martin Taylor, whose report was issued with the 1998 Budget. The Budget included several business-friendly initiatives, including changes in the rules on national insurance contributions (in effect negotiated with business leaders by the Taylor group), the transfer of the Contributions Agency to the Inland Revenue, and the Treasury's reported reservations about the extension of compulsory occupational pensions. Nicholas Macpherson, the chancellor's first Principal Private Secretary who moved to this area, became a Deputy Director of Spending in 1998, a post that had seemed likely to be lost.

In place of the spending round were the Comprehensive Spending Reviews (CSRS), in which the Treasury took an active part and chaired three cross-departmental ones (including one on services for young children under another Deputy Director of Spending, Norman Glass, which included public evidence-taking and produced the 'Sure Start' programme). In theory, this was to produce an authentically new set of plans derived from a sense of Labour's own priorities. In reality, the CSRs were far from being a zero-based exercise, as departments defended their positions using what manifesto commitments they could find. What became clear during the exercise was that there was fiscal scope to endorse large real increases in Labour's priority areas while still holding the total at around 40 per cent of GDP.

The report on the CSR, eventually published on 14 July 1998 (HM Treasury 1998a), is a thin document which reports what the government has done rather than setting out analytically how it made its choices. Reallocation of funds does not feature; it is a return to varying rates of real growth. Rather like PESC, it is a multi-year document, but divides the total into 'annually managed expenditure' (principally social security) and other services which are set for the three-year time frame of 1999–2002 without annual review.

CSR plans for education and health went beyond even those called for in the 'longest suicide note in history', Labour 's 1983 manifesto, well beyond the cau-

tious pledges in the 1997 manifesto, and were the first decisive statement for 30 years of the case to inject more real resources into social policy. They were presented as an annual real increase over the three year period in education of 5.1 per cent and health of 4.1 per cent, against only 1.8 per cent in other services (HM Treasury 1998a: Chart 1). Over the five-year span of the government, though, the planned real increase in public expenditure ('total managed expenditure') looked more modest at 9.8 per cent. Education is set to rise by 19.1 per cent, health by 17.6 per cent but social security by only 5.9 per cent (HM Treasury 1998a, Tables 2 and A3). Subsequent estimates suggested an even slower rate of social security growth.

These plans were set within a wider economic and fiscal strategy which favoured investment over consumption in the public sector, with various 'golden rules' including 'fairness between the generations'. As had happened before, the problem of setting spending priorities seemed to have been solved as part of a technical fix. The Chancellor's pre-Budget Statement of 3 November 1998 and Budget of 9 March 1999 were optimistic that the projected slowdown in economic growth would not compromise the CSR plans, but did concede that an overall budget surplus was likely to be a one-year phenomenon of 1998–99.

The Treasury's prospects

In attempting to assess the overall impact of the changes that have taken place since the reforms of 1995, there are a number of indicators that could be employed, some more susceptible of precise measurement than others. A selection of some of the most relevant would cover:

1. the extent of delegations to spending departments;
2. involvement by departments in Private Finance Initiative work;
3. responses to underestimates of expenditure;
4. joint preparation of strategy papers, concordats, ministerial briefings;
5. joint working parties, task forces, internal reviews;
6. quality of personal relationships.

The impact of developments in the first two indicators can be assessed with reasonable objectivity: they demonstrate that the Treasury has withdrawn from detail and promoted departmental participation in the Private Finance Initiative (PFI), which has survived and even flourished under Labour under the guise of 'public–private partnerships'.

The others are progressively less specific, although attempts were made within the Treasury to assess the attitude of Principal Finance Officers (PFOs) as the new arrangements came into operation. Concern by PFOs in 1995 that the implementation of the FER was jeopardising the quality of the public expenditure process was picked up by the Treasury. But as was noted above, annual Treasury surveys showed that responses, at first quite suspicious and even negative, had moved towards a more favourable assessment of the Treasury's relations with its customers.

Discussion of 'Treasury power' tends to confuse formal rights, relative weight in government, and assertiveness in behaviour. We are inclined to think that after the FER and the CSRs we do have something of a 'new Treasury' which recognises the risks of having a bad reputation. It is looking for an intellectual rather than an organisational victory over social spending departments. It is happier than it has ever been to award discretion to spending agencies judged to be on-board (as most strikingly in the delegation of a £100 million limit on Health Service capital spending); it is no less confident than ever to hammer away disputatiously when a department is judged to be hoarding possible savings (as with social security in recent years).

This amounts to a partial detachment of the Treasury as an organisation from the Treasury function. By the latter we mean not so much the repression of expenditure, which has always been partially contracted-out to the Finance Divisions of departments, as the imaginative consideration of the relation of specific policies to overall economic objectives. If other departments could be made to think 'correctly' in the Treasury's eyes, much of the traditional thinking about the need for a strong Treasury might become obsolete. The Treasury could remain assertive, but it would not need all the formal controls and interventions on which it has relied. The fact that estimation of expenditure has become more robust as the economy has improved since the mid-1990s has been an important factor.

The question of what role the Treasury assumes is central to the whole future of public administration. It can be powerful without always being overtly interventionist. It has a choice of possible future roles, and we can identify some possibilities.

As we discussed earlier, one historical model is that of a lean, mean Ministry of Finance, scrutinising spending but not getting absorbed in the broader policy. This would represent a reversion to pre-FER modes of behaviour and so is not a very likely outcome. Another is the role of monitor, overseeing the comprehensive spending review capabilities in departments – making sure that there is capacity to do them properly but content to let them get on with it if it is; the 'Ministry of Economics' role comes in here, promoting market-friendly behaviour at macro and micro level. Then the Treasury might have a more political role, that of a central policy staff promoting the government's objectives (opportunity, fairness, growth) and chasing up implementation. A final role is that of a secretariat for task forces (welfare-to-work, tax-benefits, social exclusion) mixing ministers and officials, insiders and outsiders (much like the 1940s Economic Section) at the centre of government.

A related issue is whether the Treasury might be leaving itself vulnerable to rivalry or break-up within Whitehall. It has taken a risk by getting out of the detail of civil service management (something it had wanted in the 1980s). Its separation of spending control into two directorates (Budget and Public Finances, and Spending) in 1995 was internally controversial and designed to avoid the demarcation of a 'Bureau of the Budget' that might be detached into a separate department. Historically, the Treasury has usually at any time been vulnerable to

a shearing-off option – to, for instance, the Cabinet Office, the Department of Economic Affairs and the Civil Service Department – and this is the latest of them. The separation was partially ended in late 1998: General Expenditure Policy went back with most of the spending teams in a 'Public Services' direct-orate under John Gieve, while Robert Culpin took on Budget and Public Finance which incorporated social security and work incentives. This reorganisation reversed some of the FER approach, but substituted another somewhat arbitrary division between two directorates in the public expenditure area.

Alongside this defensive positioning, the Treasury has long been competing more positively for the status of a Domestic Policy Staff for the government, on the basis that only it has had the dispassionate intellectual power to sort out cross-departmental issues – a theme of Nigel Lawson's memoirs. Here, its position has been somewhat compromised recently. The Labour government has identified weaknesses in policy formulation and implementation in issues which cut across departments – just as the Treasury FER did – but has chosen to locate strengthened capacity within the Cabinet Office. The prime minister's statement to the Commons of 28 July 1998 drew particular attention to weaknesses in addressing cross-cutting issues and identifying future opportunities and threats. The Office of Public Service has been merged with the Cabinet Office, and a new Performance and Innovation Unit created, which will be involved in monitoring the 'Public Service Agreements' (published in December 1998 and March 1999) which codify the shared objectives set out in the CSRs and impose some social policy commitments on the Treasury such as to 'reduce the number of households facing marginal deduction rates of over 70 per cent by 2001–2' (HM Treasury 1998b: 115). The Head of the Government Information and Com-munication Service and a new Centre for Management and Policy Studies is to be established in the Cabinet Office. The Secretary of the Cabinet will establish a team of permanent secretaries to act as a management board for the civil service, in order to give the Cabinet Office a new focus as the 'corporate headquarters of the civil service'.

The Treasury remains at the heart of the action, and in fact two of the Cabinet Office units are headed by former Treasury officials – the Social Exclusion Unit under Moira Wallace and the Performance and Innovation Unit under Suma Chakrabarti. But its hegemony is tempered by a rather more balanced institu-tional relationship between prime minister and chancellor. This has not yet been exposed to times of stress on public expenditure, where the ability of the 'corpo-rate headquarters' to go against the constraints set by the finance department will be tested. The White Paper of March 1999, *Modernising Government*, was silent on how the Treasury would relate to the Cabinet Office in the monitoring of spending programmes.

Our conclusion would be that the Treasury does not have a first-order free-standing social policy but that it does feel the need to consider the social policy implications of its central role in promoting the government's economic policies. We were struck by how, before Department for Education and Employment (DfEE) came into being, the Treasury had been playing a co-ordinating and

policy development role on the 16–18 age group; how it has promoted the internal market in the NHS and the purity of the customer–contractor relationship; and how it has made the running on a number of social security matters that appeared liable to escape control or be open to abuse. Panels of outside experts or 'wise persons' have been brought together in social policy as they have been in economic forecasting. We detected a strong Treasury interest in listening to social policy analysis. But the role has been taken on with stretched resources, with very small Treasury teams in the social policy areas.

The prospect for the remainder of the Blair government's first term is of the Cabinet Office's taking on something of a third force role between the Treasury and the spending departments, but its institutional weight is of a wholly lesser order. Various mixtures of roles are possible, and a stronger Treasury capability and presence as government policy is formulated should not necessarily be seen as undesirable. Our research suggests that the best approach may be to reinforce the policy analysis capability of the Treasury from the rest of Whitehall and beyond. It might then be better equipped to bring a full range of considerations to the many expenditure decisions to which it will always be central.

Project methodology

In the light of developments after the FER, a main focus of our research was on the Treasury's spending teams in the social policy area. In terms of access to interviews, we approached the Treasury at grade 3 level, the deputy directors, and worked downwards to grade 5s, the team leaders, and upwards to the more senior staff. In the spending departments, we approached Principal Finance Officers, traditionally the gatekeepers of their relationships with the Treasury. We were able to secure a logical progression from one respondent to another, and good coverage of our target population. Our 30 interviews were stimulating and enjoyable. Our technique was to ask a few tracer questions, such as the relative influence of personalities or positions and the officials' opinion of opposite numbers in either the Treasury or the department. Evaluation of recent initiatives, such as the EDX budgeting process or the innovations of the FER, provided natural points of comparability between interviews. Policy issues arising in the areas of business were approached through formal statements of position – especially in departmental annual reports and Select Committee evidence. We found ourselves expected to contribute to the intellectual quality of the interviews by providing comments and interpretations.

The interviews were without exception valuable, but we did note a distinction between respondents who gave a somewhat predictable official line and those who sought to engage with us and use the occasion to clarify their thoughts. We had some excellent interviews with spending team leaders in the Treasury, confirming their position as proactive thinkers in their policy areas. Among Principal Finance Officers there was often a note of soul-baring unease about Treasury behaviour, and also a critical analysis of the Treasury as the putative holding company of British government, with the departments as operating subsidiaries.

We asked if we could tape-record most of the interviews, and were able to do so for almost all of them (the exceptions tended to be at a senior level and included meetings that were more in the nature of conversations late in our research). Thain and Wright did not record their interviews, citing the burden of transcription and the inhibiting effect on respondents. Heclo and Wildavsky do not address the issue (and tell us little about their selection of respondents) but do include long quotes. Other Whitehall researchers – including some on the Whitehall programme – have tended to agree with Thain and Wright that the tape recorder is more threatening than the scribblings on a notepad, but we were left wondering. We found little evidence of reticence and would emphasise the value of being able to absorb more of what our respondents actually said than the usual method would have allowed. In our writing-up of the interviews, we have had to respect officials' concern that they might be identifiable and be seen to have views on policy. Possibly officials remain too cautious about strict constructions of ministerial responsibility. They have no need to be: Chief Secretaries we interviewed valued frank policy advice from all levels, and vigorous policy debate with a plurality of opinions is one of the greatest strengths of the policy process in the Treasury.

We also used:

1. Public Record Office papers from the late 1950s and early 1960s, which proved revealing of styles of working at the time when the Plowden system was being devised; analysis by Rodney Lowe of later archival material not yet fully available at the PRO was also of great value to us. What comes through is the note of Treasury defensiveness and weakness in the face of the political power of spending ministries. This has since diminished, but what has not is a wish to bring departments up to speed, to feel happy with their internal control arrangements and their intellectual detachment from the pleas of their clientele. Also notable is the hand-wringing about the long-term cost of the welfare state. A reading of such Treasury pessimism, on and off the record, from the 1940s to the 1990s, would elicit wonderment that we have survived at all, and at a rate of social spending that is low in international terms.

2. Ministerial memoirs and interviews with politicians. We spoke to two recent Chief Secretaries. Two important themes we identified are the importance of the No. 10/No. 11 axis, and the Chancellors' or Chief Secretaries' own pre-Treasury ministerial experience. Our respondents emphasised the centrality of ministerial initiative and response, bringing to mind Beer's comment that 'ministerial responsibility, individual and collective, is no fiction but plain, unvarnished truth about what goes on in British government and administration'. (1956: vii)

3. In the Treasury, we can quite believe that the Chancellor and the Chief Secretary set the agenda of Treasury examination of spending issues, even if the agendas can be and are modified in transmission.

Apart from that of Nigel Lawson, memoirs by chancellors have been somewhat disappointing, since they do not seem to want to present an analysis of the

official side of the Treasury and have a better recall of the high-level political action than of the policy process as a whole. The 'Radcliffe rules' prevent them saying much about their officials. Geoffrey Howe's are no more revealing than Denis Healey's and stand some way behind Roy Jenkins's. Joel Barnett, the only Chief Secretary to have written extensively about his experience (1982), is more useful in terms of content but does not really deliver on his title of '*Inside the Treasury*'. The postwar chancellors themselves have been judged with rigorous standards and found wanting by former Labour minister, Edmund Dell, in *The Chancellors* (1996); his message is that nobody learns any lessons. Roy Jenkins's book of the same title (1998) overlaps with Dell only in the case of Hugh Dalton, and is a reminder that until well into the twentieth century the Treasury was the home both of routine business and of sometimes nondescript personalities.

Part II
Ministers and Ministries

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6

Barons in a Shrinking Kingdom: Senior Ministers in British Government*

Philip Norton

Her Majesty's government comprises a body of ministers appointed by the crown on the advice of the prime minister. At the apex are the prime minister and those senior ministers appointed to head government departments (or to hold some historic office such as the Chancellorship of the Duchy of Lancaster); below them are ministers of state, parliamentary under-secretaries of state and parliamentary secretaries. The former category comprises ministers of the crown, the latter category junior ministers (Brazier 1997: 27–30). This chapter addresses the role in government of ministers of the crown. The focus is on ministers as ministers, rather than as a body drawn together in the Cabinet.[1]

The focus of the paper is thus straightforward but nonetheless unusual. There has been a dearth of scholarly literature on senior ministers. There has been a great deal of literary output from – and about – those who have been senior ministers, and a reasonable though not exhaustive scholarly literature on the Cabinet. In more recent years, the role of the Cabinet has been subsumed in a growing literature on the role of the core executive. We thus know a great deal about many of the individuals who have held office as ministers of the crown and we know a substantial amount about their activity collectively as members of the Cabinet – and about the relationship of that body to the prime minister – but we know very little about senior ministers *qua* senior ministers. Since the publication in 1974 of Bruce Headey's seminal study, *British Cabinet Ministers*, there have been only two major works. Richard Rose's *Ministers and Ministries,* published in 1987, offers a functional analysis and, as such, is more concerned with the offices than with the individuals occupying them. Rodney Brazier's *Ministers of the Crown,* published in 1997, focuses on the formal position of the office holder. Some other works have thrown new light on aspects of the role of senior ministers – such as their accountability to Parliament (Woodhouse 1994) – or sought to locate their place in the core executive (Dunleavy and Rhodes 1990; Rhodes 1995). However, there has been no major study that has been devoted solely to the role of senior ministers within government. Headey has had no

direct successor for more than two decades and even his work focused heavily on the role of the minister in relation to civil servants.

There is thus a notable gap in the literature. The purpose of this paper is not to identify the reasons for the gap (for that, see Norton 1999) but rather, as with other studies in the ESRC Whitehall Project, to fill the gap. It does so in three stages. The first stage is to test various hypotheses that have been advanced about senior ministers. The sparsity of scholarly attention devoted to senior ministers since the time of Headey has meant that many propositions have entered political discourse without those propositions being subject to rigorous scholarly analysis and testing. We need initially to determine how valid or plausible these propositions are. The present exercise allows us – or should allow us – to construct a model that helps give shape to the findings deriving from this exercise. That constitutes the second stage. Having located the place of senior ministers within British government, the third stage is to identify the means by which ministers are able to determine outcomes.

Testing hypotheses

Let me begin by offering two sets of propositions about power within British government, propositions that offer a dynamic view of government and which variously find support in popular and academic literature.

The first set of propositions are general in that they cover governments regardless of party. They may be summarised as follows: the power of the prime minister has increased decade by decade. Edward Heath, Margaret Thatcher and Tony Blair are prime examples of dominant premiers. Consequently, the 'presidential' model is now the most appropriate for explaining power in British government (Hailsham 1976; Foley 1993). The Cabinet has been marginalised as a collective decision-making body (Alderman 1989: 142–3; Benn and Hood 1993: 46–50). Ministers have been limited in their capacity to devise and implement policy by the power increasingly exercised in Downing Street: No. 10 vets policy proposals, No. 11 vets spending and exercises an ever-more rigorous control of the purse strings. Ministers are, if anything, in an agent–principal relationship with the prime minister and his senior advisors. As power has become more centralised within government, so government itself has been constrained by membership of the European Union and by the globalisation of markets (Wallace 1986: 367–89; Held 1991: 138–72; Waldegrave 1995: 173–7; Smith 1998: 54–8). As the responsibilities of ministers increase, especially in the context of the EU, their capacity to affect outcomes diminishes.

The second set of propositions derive from the literature on the period of Conservative government from 1979 to 1997 and especially the period of the Thatcher premiership. They may be summarised thus: in order to achieve a particular agenda – essentially a Thatcherite agenda – an ideologically-driven government had to achieve some degree of autonomy in policy making (Gamble 1994). In order to achieve this autonomy, an arm's length relationship was established with the civil service, with organised interests and, indeed, with

Parliament, measures being steam-rollered through with little regard to back-bench opinion.

These perceptions derive from a range of sources, though they are neatly encapsulated in a study of Thatcherism by Jessop, Bonnett, Bromley and Ling, published in 1988:

> Whilst Thatcherism has systematically demoted the role of functional representation in political and economic crisis-management, it has not presided over a re-assertion of parliamentary control mediated through the political party system. The Conservatives certainly won a landslide victory in 1983, which enhances their capacities to control the Commons; but this control is very much one that is orchestrated *from above,* by a small prime ministerial clique within (but not necessarily of) the Cabinet together with Thatcher's official and irregular advisers. In the last five years the concentration and centralisation of power in the state administration has accelerated at the expense of Parliament and parties. Britain is moving towards a presidential system …. (Jessop, Bonnett, Bromley and Ling 1988: 83; emphasis in original)

The foregoing condenses what is a popular and plausible analysis of power within British government. It may not be an analysis to which all commentators subscribe but it is one that has currency. As we have seen, it comprises a number of propositions. These propositions can be refined in terms of a number of hypotheses:

- *Hypothesis 1:* that the centralisation of power in British government has relegated ministers to the role of prime ministerial agents.
- *Hypothesis 2:* that the seepage of power to bodies outside government has further limited the capacity of ministers to have any independent impact on policy outcomes.
- *Hypothesis 3:* that ministers during the period of Conservative government were essentially ideologues committed to pursuing a Thatcherite agenda.
- *Hypothesis 4:* that in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with the civil service.
- *Hypothesis 5:* that in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with organised interests.
- *Hypothesis 6:* that in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with Parliament, regarding it as essentially peripheral and subservient to government wishes.

The purpose of this part of the chapter is to summarise research that tests each of these hypotheses. The research derives from a study of multiple data sources: indeed, from seven of the nine sources listed by Rhodes in reviewing research on the core executive (Rhodes 1995: 32). Apart from primary and secondary (and some original) written sources, they include observation and disparate conversations with ministers, parliamentarians and officials close to ministers[2] and a

structured series of interviews with former Cabinet ministers. The ministers who were interviewed had served in various Cabinet posts between 1979 and 1997, though some had experience of earlier ministerial office. They were asked a series of open-ended questions designed to elicit information about the pressures they faced, how they dealt with policy and departmental management, and what influenced their actions and thought processes. The research continues but the material available already is sufficient for the purpose of offering provisional findings for each hypothesis. What the research reveals is that there is evidence to support only one of the six hypotheses. The other five appear not to be valid hypotheses. What this means is that the popular view of power in British politics is inaccurate.

Hypothesis 1: **That the centralisation of power in British government has relegated ministers to the role of prime ministerial agents**

The prime minister is a powerful figure in British politics – indeed, the most powerful. The material that supports the thesis of prime ministerial government is well established. As the Queen's principal minister, the prime minister exercises the power to hire, move, and fire ministers, to give them directions to guide them in the performance of their functions, to chair the Cabinet and to determine the Cabinet agenda. The power also extends to key civil service appointments as well as appointments to other public offices. Political power also flows to the prime minister by virtue of being party leader, and as leader of the largest party in the House of Commons he or she enjoys usually a supportive majority. Media attention and the status of the office also constitute significant weapons in the prime minister's arsenal (see especially Donoughue 1987: 1–4). Recent decades, according to supporters of the prime ministerial government thesis, have seen the use of these powers to constrict the Cabinet's capacity to exercise independent judgement in determining issues – principally through reducing the number of meetings, through manipulation of the agenda and through the selection of ministers supportive of the prime minister's views (Alderman 1989; Doherty 1988: 49–67). Those who have challenged the prime minister have either been despatched or hectored into submission.

   There are two immediate problems with this thesis, one is in terms of the dynamics and the other is in terms of the power presently ascribed to the office. The problem in terms of the *development* of prime ministerial hegemony is that it is difficult to show any clear historical accumulation of power in the hands of the prime minister. Some of the most dominant of British premiers, as Robert Blake has shown, are to be found in the years before 1945 (Blake 1975). There has been no clear trend of formal or political powers accruing to the office. The prime minister has acquired no new body of statutory powers. The constitutional position of the office in relation to other political actors has remained largely unchanged. There have certainly been significant changes. Their effects have been felt by the prime minister (such as technological and media developments and membership of the European Union), but these are developments that have affected other political actors, and changes that have sometimes limited rather

than enhanced the capacity of the prime minister to determine outcomes (Hodder-Williams 1995: 225–31). The research resources available to the prime minister have increased over the years, with the creation of the Downing Street Policy Unit and an increase in the general level of support within No. 10. How-ever, the resources of senior ministers have also increased, primarily in the form of special advisers. While the prime minister has a body of up to a dozen individ-uals to assist in overseeing the different sectors of public policy (one adviser covering one or more sectors), each senior minister has one or two special advisers to advise in one specific sector. In terms of the relationship of the prime minister to senior ministers, there is no clear and consistent evidence to suggest that the relative position has shifted significantly in recent years.

This failure to identify any clear shift in the position of the prime minister relative to senior ministers is not of itself sufficient to invalidate the hypothesis, since a principal–agent relationship may have been an enduring feature of British politics. However, this brings us to the second, and decisive, problem. There is little evidence to sustain the thesis that there exists such a relationship. What evidence there is derives from focusing on the prime minister operating within a particular policy space.

Prime ministerial power is exercised primarily within a particular policy space: that of high policy (see Bulpitt 1983). By that I mean policy concerned with the economic well-being and security of the nation. Even here, the prime minister's powers are not absolute, since he has to operate in co-operation with key minis-ters. The prime minister, in consultation with other key ministers, may extend his reach into other policy domains but he lacks the time and resources to do so on an exhaustive and continuous basis (Donoughue 1987: 4–7). He can, in con-junction with the chancellor of the exchequer (though note the importance of the word conjunction), control the purse strings of departments. However, as Richard Rose has noted, 'the majority of Whitehall ministries are concerned with the substance of programmes on which money is spent' (Rose 1987: 23). The complaints by Tony Blair that the government is being hindered by 'departmen-talitis' (Webster and Sherman 1998) – and his own attempts to introduce more effective means of Downing Street co-ordination and control of policy making (Elliott 1998), including the appointment of a Minister for the Cabinet Office – point to the limitations of the principal–agent, or presidential, model of govern-ment (see Riddell 1998a 1998b). His complaints are far from original, merely re-iterating those heard by his predecessors or those who served his predecessors (see, for example, Donoughue 1987: 5–7). His attempts at achieving greater co-ordination follow a string of earlier attempts by his predecessors, ranging from Lloyd George and his 'Garden suburb' through to Edward Heath and the Central Policy Review Staff.

Premiers generally lack the time and resources necessary to occupy the entire policy space of ministers. They may also lack the intellectual inclination to do so: few prime ministers are policy polymaths. In the event of ministers fighting to defend their territory, they may lack the political will as well. If prime ministers have sought to invade a particular policy space occupied by senior ministers,

they have variously met resistance. Margaret Thatcher ran into such opposition early in her premiership: 'In foreign affairs, on trade union law, on energy policy, for example, she was faced with ministers who had, or soon developed, strong views of their own, for which they were prepared to fight.' (Stephenson 1980: 49). The normal tendency of prime ministers has been to select people to occupy particular ministerial posts and then to let them get on with the job. Margaret Thatcher was notable for lacking interest in ministerial appointments, especially at junior level, thus constricting her choice when it came to senior appointments (Norton 1993: 47–8). Furthermore, the extent to which prime ministers let ministers get on with their jobs extends to leaving them to decide what these jobs entail. One of the most significant findings of the current research is that it is common for a prime minister to offer a Cabinet post to a colleague and not provide any detailed comment on what the minister is expected to do in that office. When asked if the prime minister provided any briefing at the time of offering the post, most former ministers interviewed either said no or indicated that what was offered was a general steer: there appears to have been very little said in terms of substantive policy.[3] Nigel Lawson recalls that, after he had accepted the prime minister's offer to become Chancellor of the Exchequer, she gave him only one piece of advice: 'This was to get my hair cut' (Lawson 1992: 249). When John Major was summoned and offered the post of Foreign Secretary, he was told: 'You had better hang on to your seatbelt', though as he was leaving the room he was given a bit of practical advice: to get ready for his first meeting, with the President of the United Arab Emirates (Seldon 1997: 87).

The prime minister thus lacks the time, resources and the inclination to occupy, on a significant and continuous basis, policy space outside that of high policy. That space is occupied predominantly by senior ministers. Their occupancy of that space has both formal and political underpinnings. The formal underpinning is that legal powers are vested in senior ministers *qua* senior ministers. No statutory powers are vested in the prime minister or the Cabinet. By virtue of the doctrine of individual ministerial responsibility, powers are vested in the Secretary of State – and vested on an increasingly remarkable scale. As government has grown in scope and complexity, so more powers to legislate by statutory instrument have been embodied in statute. Senior ministers can rule, in effect, through the medium of delegated legislation.

By virtue of their formal powers, ministers are important gatekeepers. They are able to bring things on to the government agenda but, equally, they may keep certain items off. This non-decision making may take the form of ministerial inclination not to raise or pursue a matter (and thus it may be hidden from view) or it may take the form of an explicit refusal to act, despite pressure from Downing Street or the Treasury to do so. When she was National Heritage Secretary, Virginia Bottomley was under pressure from the chancellor to privatise Channel 4: 'Mrs Bottomley told him, quietly but firmly, that she would introduce no such measure' (Kellner 1998).

There is also a formal underpinning in terms of structures. Government is organised on the basis of departments (see Rose 1987). This is independent of the

vesting of legal powers which, technically, are vested in 'the' Secretary of State (originally there was only one) rather than particular ministers. Responsibilities are allocated to particular departments and the departments organised on the basis of those responsibilities. Departments form the essential structural components of government. Though the prime minister may occasionally modify the structure – including in recent years hiving-off tasks within departments through the medium of executive agencies – it has proved virtually impossible to move away from departments as the core structures of government. Furthermore, the departments exist as physical and geographically-dispersed entities, protocol determining who goes to which department when bilateral meetings are necessary. Each is headed by a minister, the doctrine of individual ministerial responsibility ensuring line control, through the permanent secretary, within the department. Reinforcing this underpinning of ministerial strength is the principal exception, the one senior minister without a department: the prime minister. Attempts to create a prime minister's department have been variously resisted. Bonar Law, for example, only secured the retention of the Cabinet Secretariat because it was kept small, and ministers since have generally remained hostile to any perceived attempt to create a prime minister's department or anything that appears to be a building block to achieving one.

There is thus little to sustain the thesis of a principal–agent relationship between prime minister and senior ministers. Ministers may be constrained by decisions reached by the prime minister and the chancelllor of the exchequer, or decisions taken by the latter and supported by the former, but they continue to determine the substance of middle-level government policy. Under the Labour government elected in May 1997, much media attention has been devoted to the 'presidential' style of Tony Blair and his attempts to achieve control of selection mechanisms within the Labour Party. However, a great deal of media space has also been devoted to the policy initiatives emanating from senior ministers such as the Home Secretary (Jack Straw), Education Secretary (David Blunkett) and Health Secretary (Frank Dobson), yet little notice has been taken of these initiatives in terms of what they tell us about relationships within government. What they point to is the need to generate a new model to help explain those relationships.

Hypothesis 2: **That the seepage of power to bodies outside government has further limited the capacity of ministers to have any independent impact on policy outcomes**

This is the one hypothesis that appears to be borne out by the evidence. Ministers remain central actors within certain policy spheres, but those spheres are more limited than before. They are constrained by developments that are both formal and informal.

The principal formal constraints derive from membership of the European Union and greater activity on the part of the European courts. The latter development is in part but not wholly a consequence of the former. Where the policy competences of ministers are held within the scope of the European

treaties, then the capacity of ministers to affect outcomes is necessarily limited. The initiative lies with the Commission and approval is given (or withheld) by the Council of Ministers. The extension of qualified majority voting in the Council under the Single European Act (1987) has weakened considerably the position of individual governments, with a single minister being unable to prevent a measure being adopted. The extension of the powers of the European Parliament, especially under the co-decision procedure, has added a further independent actor into the law-making process. Membership has placed a particular burden on ministers while reducing their capacity to determine issues unilaterally. Those ministers with a particular European involvement (for example, the Minister of Agriculture) find themselves spending a lot of time travelling in order to engage in discussions where the outcome may or may not be their preferred outcome. As one minister put it, 'you spend … twenty hours sitting around and perhaps four making the decision. It seemed to me to be immensely inefficient'. A great deal of time is occupied by activity rather than by achievement.

There are also other pressures at work, independent of the European Union, that impinge upon ministers' capacity to affect outcomes. One is an increasingly crowded political environment (see Hypothesis 5, below). The crowd includes not only interest groups but also the courts. The courts have become more significant polical actors as a result of greater activity of judges over the past three decades and of membership of the European Community/Union – which has added a new judicial dimension to the British Constitution (see Norton 1982: Ch. 7) – and they will become even more significant political actors as a consequence of the passage of the 1998 Human Rights Act (see Craig 1999: 74–81). Ministers are constrained now by what, in effect, amounts to a body of 'higher law' documents.

A more active judiciary has coincided with an increase in applications for judicial review. Between 1988 and 1996, the number of applications roughly trebled. 'Applicants have been so active, and so many of them have been successful, that much thought has been given in government about how judicial challenges to ministerial decisions can be foreseen and avoided' (Brazier 1997: 238). The result has been the publication of *The Judge Over Your Shoulder,* explaining how to avoid a situation that may result in judicial review. Anticipating judicial reaction has become an important and constricting part of a minister's task. Ministers are wary of taking any decisions that may conflict with the legal advice given them. As Her Majesty's Procurator General and Treasury Solicitor, Anthony Hammond, put it in evidence to a House of Lords Select Committee: 'The role of Government lawyers has always been important, but what it [the increase in applications] has led to is a recognition amongst departments that lawyers need to be brought in early to the decision making process' (Hammond 1998: Q. 1168). Also adding to the crowded environment is the creation of executive agencies – ostensibly to create more clearly defined units of accountability but also generating greater pluralism within government – such bodies having their own budgets, their own chief executives and their own specific responsibility for operational matters (Smith 1998).

There are also developments in the wider political environment that serve to constrain ministers. One is the pressure deriving from changes in the news media. A 24-hour news service, and the means of making instant contact, means that ministers are having to spend more time trying to shape the daily news agenda and responding to media demands for comment. (According to one minister, the nature of the demands have also changed, encompassing more trivial matters: for example, the physical appearance of ministers. Time now has to be given to anticipating how one looks as well as to the greater number of photo opportunities that occur.) The mobile phone and the pager ensure that ministers are instantly contactable. Responses become immediate and the concern is that there is an opportunity-cost in terms of time. One of the victims is long-term strategic thinking. The pull of the daily news media, and demands channelled through departments for decisions, means that ministers adopt fairly short-term perspectives. Though some ministers have also identified off-setting positive developments – the use of the word-processor, for example, in speeding up the preparation of ministerial speeches and other documents – the trend has been one of limiting the capacity of ministers to develop long-term strategies and to take independent decisions designed to implement those strategies. This was notable under the Conservative government the longer it remained in office (Patten 1995: 70–2). Though ministers variously arranged annual or six-monthly 'away days' for their political colleagues and officials, the essential culture was that of administration and managing the day's news.

Hypothesis 3: **That ministers during the period of Conservative government were essentially ideologues committed to pursuing a Thatcherite agenda**

There is very little evidence to support this hypothesis. Headey identified five types of minister (Headey 1974: 56–79). Employing a different methodology, one that is based on the purpose of being in office (see Norton 1987: 325–45), I have also identified five types of senior minister (Norton 1999). The types overlap in part, but only in part, with Headey's. The five types are:

Commanders.   These are ministers who pursue future goals that derive from their own experience, ambitions and reflections rather than from an existing and over-arching political philosophy. Their goals may relate to a particular post or sector rather than to the whole range of government responsibilities.

Ideologues.   These are ministers who are driven by a clear, consistent political philosophy. Their goals thus apply across the range of government activity and their goals are therefore predictable whatever ministerial post they occupy.

Managers.   Here the ministers take decisions but they are not driven by a particular future-oriented personal or political philosophy. They are essentially pragmatic in their approach, concerned to ensure the smooth administration of the department. They may be highly effective managers, anticipating as well as responding to problems. Where there are competing demands, they serve as brokers.

Agents.　Whereas commanders and managers are independent actors, agents are not: rather, they act on behalf of a principal. There are essentially three types of agent: those of the prime minister, of the departmental civil servants, and of the European Union.

Team players.　Team players are ministers who believe in collective decision making and want to be part of a team. They adopt, basically, a traditionalist view of Cabinet government, seeing proposals as subject to collective deliberation.

What emerges from the research is that the predominant ministerial types are the commander and the manager. Very few ministers can be categorised as ideologues, agents (at least not on a consistent basis) or team players. Most ministers enter office with world views derived from personal experience – sometimes external to government, sometimes derived from earlier experience of government – but with no consistent, over-arching world view. The result not infrequently is that they have particularly clear views of what they want to achieve in particular offices but not in others. Sometimes, because their goals in a particular office have coincided with the goals of ideologues, they have been mistakenly identified by commentators as Thatcherites; when they have moved to another office they have pursued a very different agenda to that of the Thatcherites. Commanders include Kenneth Baker, Kenneth Clarke, John MacGregor and John Patten. Examples of managers are William Whitelaw, Douglas Hurd, Ian Lang, and John Major. Ideologues and agents are infrequent. Those with claims to fall into the ideologue category are Sir Keith Joseph, Norman Tebbit, Nicholas Ridley and John Redwood, but at any one time these are the exceptions in Cabinet. It is difficult to identify a minister who falls squarely and consistently in the agent category (that is, someone who fulfils *persistently* the role of an agent), or for that matter a minister who is a team player.

The dearth of ideologues – which is the essential finding of relevance to the hypothesis – is consistent with an earlier analysis of the political stance of all members of the Conservative parliamentary party, completed in 1989. This found that only about one-fifth of Conservative MPs could be classified as Thatcherites, thus constricting the pool from which the prime minister could draw like-minded MPs to serve in government (Norton 1990: 41–58). And even those falling within the broad category who were promoted to Cabinet office could not always be relied upon to follow rigidly a Thatcherite agenda: neo-liberals John Biffen, Geoffrey Howe and Nigel Lawson were to pursue approaches that resulted in their eventual departure from government.

This leads to an important qualification. The types identified here are ideal types and ministers are categorised as falling predominantly into one rather than another category. Some ministers exhibit characteristics of more than one type. Ministers may – and do – serve as agents on occasion, even though, predominantly, they fall within another category. They may and do act as agents in ministerial meetings – for example, in Cabinet Committee – when the issue under discussion is not one that engages their particular interest and they may

therefore be content to rely on their departmental briefing or to go along with whatever view the prime minister has expressed on the subject. On some issues, they may simply have difficulty grasping the issue or withstanding the pressure of their officials. Also, within departments, commanders may well act as brokers if they have no fixed view on the issue under consideration. Though ministers want to make their own decisions they are nonetheless team players in that they accept the ultimate authority of Cabinet and, indeed, of Cabinet Committee; it is very rare for a minister, of whatever type, to take an appeal from a Cabinet committee to Cabinet. The minister who causes a fuss in Cabinet is rare and usually not very popular.

Recognising the difference between ministerial types, and the preponderance of commanders and managers in government from 1979 to 1997, helps give us a better understanding of the era of Conservative government. The fact that there were relatively few ideologues in that period meant that, in deciding what to do, ministers had to fall back on the party manifesto, on a policy already in train, on departmental briefings, or on their own reflections. In some cases, circumstances demanded that they adopt a response mode, dealing with a crisis already affecting the department. The data in Table 6.1, identifying the genesis of bills introduced in the period from 1992 to 1995, reinforce this finding. Bills derived from

Table 6.1   Genesis of government bills 1992–95

Principal genesis established at second reading	*1992–93 (n = 31)*	*1993–94 (n = 19)*	*1994–95 (n = 27)*
Europe	5	1	1
Outdated legislation	5	2	10
Manifesto commitment	5	1	0
Judicial interpretation	0	1	1
Response to pressure from groups /sectional interest	1	0	1
International obligations (other than EU)	3	1	1
Explicit Ministerial Involvement/ Initiative	2	2	3
Recommendations from government appointed body/ Task Force/Committee	1	2	2
Unforeseen change in circumstances necessitating legislative change	2	1	1
Previous White Paper	2	2	2
Previous Green Paper	1	2	0
Budget changes	4	3	1
Recommendations by the Law Commission	1	1	4

several sources and there is no pattern consistent with a government of ideologues intent on forcing through a consistent programme. Recognising the differences also helps us understand movements in policy from one minister to another: for example, the policy pursued by John Redwood (an ideologue) as Welsh Secretary was very different to that pursued by his successor, William Hague (a commander).

Hypothesis 4: **That in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with the civil service**

The perception of an arm's length relationship is plausible given the presumed goals of the government and appears to have been reinforced by the attitude held towards the civil service by Margaret Thatcher during her premiership. She viewed civil servants with deep suspicion, regarding the civil service as a vested interest and potential obstacle to achieving her reforms (see Jones 1989: 242–3). Her relations with officials were sometimes frosty. Her involvement, unusual for prime ministers, in the selection of senior civil servants fuelled claims that the civil service was being politicised (see, for example, *Economist 1996*).

However, there appears to be little evidence to sustain the hypothesis. A number of ministers during the period from 1979 to 1997 encountered problems with some of their civil servants (and in a few cases officials were transferred to other departments) but the conflict was usually, though not always, the product of personality rather than perceived policy preferences. There is little evidence of ministers seeking to detach themselves from their officials or of seeing their officials as working against their interests. Ministers generally described their relationships with officials in positive terms:

> Oh, very good. I've never had any problems. … And I've been very fortunate to have very good people … it wasn't because one did what they wanted, but more because they liked a minister who knows what he does want. And I thought that what I happened to want was not particularly loony and I didn't keep on changing it. …

> Very good relationship. Excellent relationships with them all …. I think they are frightfully helpful, and if you develop a particular view or particular wishes, they are terribly good at helping you develop them … very open minded I found them.

> No difficulty at all … and very important to treat in a humane manner.

> Of the highest quality. Some really able, committed people.

Though one or two ministers took less positive views, these tended to be commanders rather than ideologues. Some Thatcherite ministers were among the most effusive. As Cecil Parkinson recorded in his memoirs, civil servants were 'very stimulating to work with, very loyal and incredibly hard working' (Parkinson 1992: 154; see also 152). Norman Tebbit recorded that he found he

had 'the benefit of officials of the highest integrity and ability. Once I had laid down policy they were tireless in finding ways to deliver what I wanted' (Tebbit 1989: 231).

There was a perception that in the early days of the Conservative government officials took some time acclimatising themselves to the change but once they had done so they carried out their ministers' wishes in an efficient and loyal manner. Indeed, far from treating officials as detached beings to be treated with caution, there is some evidence of the greater involvement by officials in ministerial deliberations. One senior minister noted an eroding of the old demarcation between, on the one hand, ministers as policy makers and, on the other, officials as administrators, responsible for implementing what had been decided. There was a greater tendency over time to call in the officials concerned with implementation to seek their views on what was feasible or to allow them to have some input.

In terms of the greater involvement of civil servants in ministerial deliberations, there is little evidence of the politicisation of the civil service (Jones 1989: 244–5; Hennessy 1989: 623–35). It was common for ministers to hold regular 'prayers' (though the degree of regularity differed from minister to minister), but the practice was to hold departmental prayers (ministers, senior officials, special advisers, PPSs, Central Office representative, whips) separate from political prayers (politicians without the civil servants present). If ministers appeared to be going too far in according a partisan role to officials, a note from the Cabinet Secretary was and is sufficient to block such activity. Officials themselves were fairly rigorous in their application of the distinction between government and party activities.

Though there have been major changes in the structure and organisation of government, what is remarkable about recent years is how little has changed in terms of how ministers view officials and what officials expect of ministers. Ministers have generally found the civil service supportive and able. Headey found that civil servants preferred ministers who could take decisions and fight (and win) departmental battles (Headey 1974: 140–53). That still appears to be the case. As one former permanent secretary recalled:

> To some it might seem like heaven on earth to have a Minister who has no ideas and is endlessly open to the suggestions or recommendations of officials. But that is not the case. Officials need Ministers with ideas. The burden of responsibility becomes too great if the traffic in ideas is all one way. Officials need stimulus; need leadership; need, on occasion, conflict. No Department will do well unless that flow of ideas comes, day in and day out. (Holland 1995: 43)

Commanders (depending on the office) and ideologues generally provide ideas and managers may be good at recognising good ideas that emanate from other sources. Once ministers have made their views known, officials not only work to implement them (see Parkinson 1992: 152) but they also have the basis for knowing what to do in analogous cases (see Foster and Plowden 1996: 225).

Where ministers take care to ensure that personal relations are good, then their civil servants are usually an asset rather than a liability.

Hypothesis 5: **That in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with organised interests**

Though certain bodies found access to No. 10 barred during the Thatcher premiership – and some bodies received hostile treatment, notably but not exclusively local government and the trades unions, with significant policy consequences – the ministers who adopted an arm's length relationship with outside groups appeared to be the exception rather than the rule. Indeed, some ministers went beyond a simple response mode and positively sought out groups and invitations to attend meetings.

> I got on very well with them. … The first thing I did when I became Secretary of State … I said 'give me a list of the key people in the industry outside' and then I had a one-to-one dinner with as many of them as I could in the first month or so. …

> I always had a great network of contacts. … I always wanted to 'walk the job', get to the shop floor, listen to what people were saying. … I think I had 77 invitations a week. … I was very bad at saying no.

> I was a great believer in outside groups. I always, in every ministry I was in, tried to have an informal group of … outsiders. …

> That was one of the best things … [in one particular sector] rather nice people … rather good people, and I got to know them all very well indeed.

> I always wanted to know … [about] an important organisation: did they think we were doing the right thing, or did they prefer an alternative route? … I can't say that I maintained close personal touches with them, but I wanted to know what they were thinking, and writing.

> Part of my brief was to keep the interest groups onside, to feel included in policy development. And I did spend quite a bit of time at conferences, dinners, seminars, meetings. …

I found some but not a great deal of evidence of ministers ignoring or cold shouldering outside groups; even where groups were not sympathetic, there was frequently some attempt to keep them on board. Indeed, there is little evidence of a policy of exclusion being employed. In terms of low-level policy, there is new research evidence (Page 1999) that points to a clear policy of inclusion, any interested group being consulted about draft statutory instruments; so inclusive, in fact, that it undermines the distinction variously made between insider and outsider groups.

Maintaining contacts with outside groups is not equivalent to saying that ministers listened and acted on what they heard. Various interests saw them-

selves at the receiving ends of adverse policies. The point of relevance here is that ministers, as distinct from the prime minister, did not cut themselves off completely from the policy communities affected by their departments. Contact had the potential to influence change, if not on the principle then at least on the detail. Even some ministers seen as ideologues had reputations for listening and being flexible when it came to detail, a good example here being Scottish Secretary, Michael Forsyth. The most senior minister with a reputation for not listening was a commander – Kenneth Clarke.

Ministers' willingness to maintain links with outside bodies may be deemed beneficial in terms of increasing the information and advice available to ministers and in encouraging some co-operation in implementing policy. However, it also has costs, not least in terms of ministers' time (see Foster and Plowden 1996). Given the sheer growth in the number of organised interests in the past 30 years, the willingness of some ministers to devote considerable time to meeting with outside groups is all the more remarkable.

Hypothesis 6: **That in order to achieve autonomy in policy making, Conservative ministers adopted an arm's length relationship with Parliament, regarding it as essentially peripheral and subservient to government wishes**

Though some ministers have tended to ignore Parliament, and spend little time there, most recognise that backbenchers need to be taken into account. Some ministers make contact with backbenchers as a conscious part of their political strategy. During the period of Conservative government, the most systematic means for maintaining contact was the backbench party committee (Norton 1994: 113–25). At a minimum, ministers would usually meet the officers regularly for drinks. Some would go through this process with a marked lack of enthusiasm but others took it seriously and, in some cases, embraced it as an opportunity to mobilise supporters. Though some ministers made an effort to maintain contact with party members on the relevant select committee, the officers of the backbench party committee clearly figured more prominently in their consciousness and in their ministerial diary.

Some ministers also made a point of maintaining contact with the parliamentary party, but practice varied enormously. Some made a point of spending time in the Palace of Westminster. Some maintained a policy of being as accessible as possible to Members. A number employed particular techniques for bolstering goodwill on the backbenches: one minister, for example, adopted the practice of receiving a delegation of backbenchers on a particular issue and then writing to every member of the delegation, thus giving each one a letter they could display to their constituents. A number of ministers were especially sensitive to backbench moods. Others appeared less sensitive and spent little time in the House. Sometimes this was the result of personal inclination; in other cases, their departmental responsibilities (especially those with territorial responsibilities) kept them away a good part of the time.

The most revealing answer by ministers was not that in response to a question about their relationship with the parliamentary party but in response to one asking whether they employed any particular techniques in order to get their policies accepted by either the Cabinet or the parliamentary party. Some ministers proffered a government-centred answer (or one that encompassed other actors, but not the parliamentary party) while others – roughly a third of interviewees – included Parliament in their response. Two emphasised the need to be 'Parliament men' and to be seen around the House. Another emphasised the extent to which he explicitly cultivated MPs:

> I always tried, up to almost the last day I was in office, to cultivate backbench opinion, and always the principal task of the PPS was to arrange a relentless series of drinks and tea parties and discussion groups … and the thing about that was how keen they always were to come … [it] doesn't necessarily mean that you convert them to your view … what it does do is that when they disagree with you they treat you better. I've watched various colleagues who people took revenge on after what they imagined was arrogant behaviour. …

Such cultivation may have been unusual, though not exceptional, but the evidence of it is sufficient to challenge the view that there was a pervasive ministerial indifference to the House of Commons. The House provided an important constraining environment (see Jenkin of Roding, King and MacGregor 1998: 1–24) – ministers had to anticipate problems – and could affect the careers both of senior ministers and those wishing to be senior ministers; junior ministers who did not endear themselves to backbenchers found themselves marked down in the whips' book and in many cases made no further progress.

A model of ministerial power

Given that many of the assumptions made about senior ministers, not least the relationship between senior ministers and the prime minister, have no empirical substances, is it possible to construct a new model that helps us understand the place of senior ministers in British government? Our findings not only allow us to test the foregoing hypotheses they also allow us to advance a model of ministerial power.

Heclo and Wildavsky, in their seminal study of Whitehall, described Cabinet ministers as 'chief executives of their own departmental empires' (Heclo and Wildavsky 1974: 37). The term chief executive implies a structured managerial approach and fails to convey the political dimension of ministerial life. The reference to empires moves us a little more towards what ministerial life is all about. The model that offers the best understanding of senior ministers in British government is the *baronial model* (of Rose 1976: 154–5 on Conservative Party organisation).

Ministers are like medieval barons in that they preside over their own, sometimes vast, policy territory. Within that territory they are largely supreme. We have identified the formal and informal underpinnings of this supremacy.

Ministers head their respective departments. They have the constitutional authority and the legal power to take decisions. No one else enjoys that power. Junior ministers have no formal power and can act only on the authority of the senior minister. Once the minister of the crown has taken a 'view' – that is, made a decision – the civil servants in the department implement it. The ministers have their own policy space, their own castles – even some of the architecture of departments (such as the Home Office in Queen Anne's Gate and Ministry of Health in Whitehall) reinforces the perception – and their own courtiers. Indeed, recent years have seen a growth in the coterie of courtiers appointed by some senior ministers, some – such as the Chancellor of the Exchequer, Gordon Brown – seen almost as having an alternative court to that of the prime minister. The ministers fight – or form alliances – with other barons in order to get what they want. They resent interference in their territory by other barons and will fight to defend it.

The analogy is not altogether accurate in that the barons have no responsibility for raising taxes. (The exception is the Chancellor of the Exchequer who has become more powerful than the original holders of this ancient office.) The prime minister also has greater power than a medieval monarch to dispense with the services of the barons, though the differences are not as great as may be supposed: a prime minister has difficulty dispensing with the services of powerful barons. Despite the absence of a precise fit, the model has utility for understanding the nature and fluidity of power relationships within government. Far from the Cabinet being an homogenous body of prime ministerial agents, it is a heterogeneous gathering of powerful individuals.

Furthermore, reinforcing the baronial model is the approach taken by ministers to their jobs. Though prime ministers can use ministerial appointments as a way of changing or confirming their own policy preferences, they rarely choose a Cabinet of similar ministerial types. Edward Heath came closest to choosing a 'personally loyal' Cabinet (Norton 1978: 36–8, 230–6), but – as we have seen – recent Cabinets have comprised a mix of ministerial types. The Cabinet typically contains a mix of commanders, managers, and ideologues, with the interests of the individual ministers around the table, and their particular departmental territories, taking precedence over any concept of altruistic collective decision-making.

This provides a new perspective on the relationship between senior ministers and the prime minister. Rather than being able to give directions, as in a principal–agent relationship, a prime minister has to be prepared to bargain with the more powerful barons in his government. He may be able to control some of the weaker members of the Cabinet but others may be too powerful to be subject to prime ministerial direction. At a minimum, as we have seen, ministers have an important gate-keeping role. To follow the analogy, they can close their departmental drawbridges and deny the prime minister entry to their policy domain. If the prime minister wants a particular policy implemented, the relevant minister has the formal power to say no and a strong-minded commander or ideologue, even a determined manager, may have the political will to exercise that power.

A prime minister has little scope to act unilaterally. Furthermore, the prime minister has limited resources to ensure that ministers act in accordance with his wishes. His own court, as we have noted, is a small one. Attempts by Tony Blair to strengthen the co-ordination and oversight of Downing Street are testimony to this limited capacity. The more cunning of senior ministers can frequently circumvent attempts to limit what they say and do. A good illustration of this was offered by former Labour Cabinet Minister, William (now Lord) Rodgers, in a debate on the new *Ministerial Code* published in 1997. He recalled that clearance had to be obtained from No. 10 in order to do a major media interview:

> There was a very similar convention, if not a rule, that applied to the speeches of Ministers. I remember the trouble we sometimes took to evade it. If it was a major one, we were meant to send a speech to No. 10 for approval. Indeed, all too frequently … if I was making a speech on a Friday night, I would send it to No. 10 when I caught the train and then I would be lost until the moment I delivered it … I was prepared to risk the Prime Minister's wrath the following day, provided that I had had my say. (*House of Lords Debates*, Vol. 582, col. 1037: 28 October 1997)

The senior barons are thus able to plough their own furrow, making their own speeches, leaking – through their courtiers – their own side of a particular argument and their own perception of what has taken place in Cabinet or Cabinet committee. They can and do form alliances to achieve the approval of measures subject to Cabinet – which usually means Cabinet committee – approval (middle level policy) and may operate unilaterally in laying orders that they are empowered by statute to make (low-level policy). Sometimes the prime minister is in an almost helpless position, having to remind his ministers not to leak details of what has taken place and not to speak to the press without clearance.

Ministers develop their own ways of preserving their territorial integrity. Some adopt an isolationist stance:

> I had a technique to keep my business as far away from Cabinet as possible except when I had to go there. Particularly with Margaret [Thatcher]. I tried to diminish the prime minister's interest in [the] department and leave her in the situation where she was content with the direction, and therefore allow you to get on with it.

Others adopt a confrontational stance:

> I used to say 'never … accept a situation which you are not prepared to defend now or subsequently' and I was excessively stubborn over budget matters and fought furiously. I took the view that as a secretary of state I have terms. I can do it the way I believe is right; otherwise somebody else could be secretary of state.
>
> Now what I wanted to do was to get across to my officials, talking to Treasury officials, that when I put something out I was going to take it to the

prime minister if they didn't agree. I wasn't going to bugger about with minor things. …

The stances taken by ministers both reflect the variety of approaches taken by ministers and the fact that they cannot be characterised as agents of the prime minister. They are barons and in order to get their way sometimes have to fight barons. This has particular relevance, as we shall see, in considering the techniques used by ministers to achieve desired outcomes.

Characterising senior ministers as barons is also appropriate in that, like medieval barons, they are powerful but not all-powerful. They are constrained by other powerful actors, including the monarch (prime minister) and other barons (senior ministers), and by a recognition that they have to abide by laws and conventions. Indeed, as we have seen, they are increasingly constrained as the political environment has become more crowded, with groups coming into existence and making more demands of them – groups that they may need to co-operate within in implementing policy – and with more actors with the power to take decisions of their own. Ministers may thus find their time consumed by fighting battles with other political actors, be it bodies within the European Union (as with Agriculture Minister, Douglas Hogg, and the crisis over BSE) or within the UK (such as Home Secretary, Michael Howard, and the courts). Consequently, to provide a dynamic of the present state of senior ministers in British government, one can offer a model of barons operating within a shrinking kingdom.

Achieving outcomes: a taxonomy of ministerial skills

Senior ministers may know what they want to achieve but being able to achieve their desired outcomes requires particular skills. There is no necessary correlation between ministerial types and the capacity of ministers to achieve what they want. Each ministerial type can be divided into the skilled and the unskilled in respect of knowing how to get their way.

A successful minister – that is, one who achieves his or her desired outcomes – requires a number of skills. The seven core skills can be identified as those of *establishing priorities*, *selection, leadership, anticipation, persuasion, manipulation,* and *hiding.*

Establishing priorities. Ministers need to be able to establish priorities. When asked what advice they would give to new ministers, former ministers consistently said that it would be to determine one's priorities, as in the list below:

- Have objectives … it's all too easy to become event-led.
- Decide on … objectives and don't be diverted and avoid hysterical over-reactions in the short-term crises.
- You must be very clear as to what you want to do … if at the end of the period as a minister, I can say a series of things happened because I was there, then I have done something that has been worthwhile.

- Prioritise: have a clear goal of what you want to do and the time you are likely to have to do it.

Selection necessarily involves exclusion as well as inclusion. Some issues which a minister would like to achieve have to be jettisoned in favour of more pressing issues. Prioritising what one wants to achieve also provides some protection against being overwhelmed by the paperwork brought forward by officials.

Selection.   Ministers have to know how to select the options necessary to achieve their priorities. There is a proactive and a reactive element to selection. The proactive entails making choices. Ministers may ask officials to put up options. Some ministers then call in the officials.

> Don't do the papers. Get them [officials] to explain them to you. Anyone can produce a document to get you to understand the issue, you can always read them, but don't decide on them. Get the people in and argue with them, make them put the case, and you'll discover an awful lot has been left out of the paper – a lot has been hidden … I learned that from Michael Heseltine, who can't read too much because he has dyslexia, but it is certainly very important. And I always have those meetings.
>
>   When I got to the Department … I said 'look, I want a critical path of the implementation of this policy. I want a meeting every Wednesday at 2.30 with the senior officials, and I want to see how we are progressing against that critical path, and I want to be informed the minute that anybody has the slightest indication that we might be veering from that path' … I took the chair and I supervised the whole thing.

Indeed, during the period of Conservative government, there appeared to be a breaking down of the formal hierarchy in terms of meetings and paper flows, with ministers more willing to call in the relevant officials – at under-secretary level or below – for discussion, with the permanent secretary being kept informed but not acting as an active conduit.

  The paperwork itself also entails selection on the part of ministers. Some ministers make clear what they will and will not accept in terms of paperwork and working routines.

> don't let them [officials] give you piles of boxes, you make it quite clear that you're not going to do that … you are not going to be caught by … giving somebody five boxes a night so they haven't got time to think about anything …. I had a very simple system which was that I could do one-and-a-half boxes in the car, going out and back again, so I wouldn't have more than that.

Leadership.   Having decided on priorities and determined what option to pursue, a minister then has to offer leadership in order to achieve the desired goal. This entails taking 'a view' – making clear to officials what the policy goal is and having them come up with the means of implementing it. Some ministers are

bad at taking the lead, that is, actually making hard decisions. During the period of Conservative government, Sir Keith Joseph – especially as Industry Secretary (1979–81) – had a reputation for hand-wringing and not being able to make decisions. In the Labour government returned in May 1997, Transport Minister, Gavin Strang, also acquired a reputation for indecisiveness. Among Conservative ministers with a capacity for hard decision making were Michael Heseltine and Kenneth Clarke.

Leadership also takes the form of developing the arguments to be deployed in favour of the desired policy. There is little point in having a policy if it cannot be defended in Cabinet committee and the House of Commons. This links in with anticipation and persuasion.

Anticipation.   This can take two forms. One is essentially reactive, being able to anticipate a storm over an issue unrelated to the minister's immediate concerns. The other is proactive and more central to achieving policy goals, and that is anticipating the reaction of ministerial and parliamentary colleagues to those goals.

> You build your position; you find out where the opposition is going to be; you find out, if you possibly can, what the briefing is going to be from the prime minister … you identify the key ministers who have a problem. … If you haven't done the work beforehand, you don't stand a chance of getting things through. …
>
> In terms of lobbying Cabinet colleagues … if you've got anything serious coming along, it is extremely important to make sure … that you haven't forgotten that somebody who could shoot you down, almost by accident, is not a former secretary of state for that department.

There are various ministers who failed to anticipate negative reaction on the part of colleagues and failed to get their measures through Cabinet committee or full Cabinet.

Persuasion.   Anticipation precedes persuasion. A skilful minister seeks to neutralise or bring on side No. 10 Downing Street, persuades expected opponents of the case for the policy, and lobbies friends to back the proposal. Squaring policy with Downing Street is a task frequently undertaken by ministers. Sometimes this is direct, a minister seeing the prime minister (or sending a paper), or indirectly, through the prime minister's policy advisers. During the Thatcher and Major premierships, some ministers liaised directly with the head of the No. 10 Policy Unit or the relevant individual in the unit covering the department.

> You identify the key ministers who have a problem, and you try to have a discussion with them beforehand, and you try to meet their objections; and you maneuvre the thing in order to achieve what you want … it's just daft not to do that … When I was going to [do policy X] I built up my position, identified the people concerned, talked privately with the prime minister beforehand,

some time beforehand, when she didn't realise I had actually made up my mind. ...

Getting the prime minister onside is usually seen as a necessary but not sufficient condition for getting a measure through. In many cases, it is neither necessary nor sufficient, especially if the proposal is going to a Cabinet committee of which the prime minister is not a member. Even if a proposal goes to full Cabinet, the prime minister's endorsement or acquiesence has not always been sufficient. Mobilising as many supporters as possible may be necessary to stave off opposition from some ministers who have a tendency to intervene in other ministers' territory. During the period of Conservative government, Kenneth Clarke and John Redwood both managed to irritate colleagues by their interventions, the latter taking a voluble stance derived from an ideological perspective and the former from what one Cabinet minister characterised as a 'saloon bar' stance.

Manipulation.   The prime minister is sometimes devious and the same applies to senior ministers. Manipulation may entail 'kite flying' in the media, feeding a misleading story that can be denied and then using it as leverage to achieve a particular outcome. Some ministers may seek to mobilise the support of No. 10 to oppose a colleague's proposal. Some ministers leave it late before bringing forward a policy that is then justified as being essential and requiring a quick response. Some ministers have achieved a reputation for being good at 'bouncing' policies through Cabinet. There is a clear distinction to be drawn between ministers who knowingly engage in such practices – and regard it as a necessary part of the job – and those who are surprised by their colleague's manipulative practices and view them in a negative light.

Hiding.   Finally, a particular skill of some ministers is to know when to hide. This may be seen as similar to the skill of selection but there is a difference. Hiding is not so much concerned with policy selection as avoiding public pronouncements in the face of a critical media. If a programme or action by a department or agency is attracting adverse publicity (as, for instance, the operation of the Child Support Agency), a skilful minister may keep his or her head below the parapet and allow a junior minister to brave the political bullets, the minister staying aloof or only emerging when the issue has died down. From the minister's point of view, not too much political capital has been lost. The use made of junior ministers by senior ministers varies from minister to minister; for most senior ministers, they serve as a useful resource, at times carrying the burden in more ways than one.

A minister who has these several skills is likely to be a successful minister, success being defined in terms of achieving the desired policy goals. This does not necessarily mean that the policies themselves are desirable or have beneficial consequences. Delineating the skills of a succesful minister – such as Richard Neustadt's work on how US Presidents can achieve their goals through persuasion (Neustadt 1960, 1990) – is essentially value free, offering a Machiavellian guide to ministers keen to achieve particular outcomes.

Conclusion

The data we have drawn on have not been exhaustive – nor do they need to be to enable us to invalidate hypotheses. The popular perception of senior ministers is not borne out by the evidence. Rather, what the data suggest is a very different picture. On the basis of the evidence available it appears that, within a particular and extensive policy space, senior ministers act as barons rather than as agents of the prime minister. Within their ministerial territory they are particularly powerful figures. They control a band of junior ministers and a large body of officials, all there to carry out their bidding. Their managerial practices vary enormously as well: it is very difficult to find two ministers who operate in precisely the same way. Their world views also differ. Thus, when one minister is replaced by another, there can be a considerable change in both policy and the way the department is actually run.

The freedom accorded ministers, both in managerial and policy terms, underpins the utility of the baronial model. Its utility is further reinforced in terms of external relations: ministers face one another as territorial barons, ready to fight for their particular line. Battles are fought in Cabinet committees. The Cabinet is not so much a collective decision maker as a body that receives reports of agreements already reached. Relations with the prime minister can also take the form of bilateral bargaining rather than that of agent receiving the instructions of a principal.

However, the ministerial barons are far from being all-powerful. As has been said, for their policy proposals to be accepted, they have to form alliances and cultivate support. The time and effort devoted to alliance building differs from minister to minister, though the strategies adopted are sometimes similar. Ministers also have to work in an increasingly crowded political environment. The job becomes more demanding as the power to determine outcomes diminishes. The political kingdom is, in effect, shrinking.

Our findings thus challenge some popular notions about ministers and also serve to challenge scholarly perceptions of changes in government. However, the findings are not solely negative. They serve to bolster some existing theses and models. Hypothesis 2, above, reinforces the thesis that there has been some 'hollowing out of the state' with some seepage of power to bodies external to government. Our other findings, though, act as something of a counterweight. Though 'hollowing out' is seen to challenge the Westminster model of government (on the model itself, see Gamble 1990: 404–20), senior ministers still operate in a way that is essentially consistent with the Westminster model of government. Our findings also lend support to an existing model, the power-dependency model (Rhodes 1981; Rhodes 1997: 36–40). This assumes a dependence on other actors for the supply of resources. This is compatible with the baronial model in that the barons have to find allies to win battles and they need allies because they do not have the capacity to win battles on their own and other barons – and, indeed, other players, including their own, and the king's, courtiers – have resources to assist them in winning the battle. The baronial model provides a more political dynamic to the power-dependency model, while

allowing for those occasions when some powerful barons can get their way by force (in this case, of argument) rather than cultivating allies. It thus places a greater stress on the leadership (or potential leadership) role of ministers as well as their crucial gatekeeping role.

To conclude, senior ministers still matter and they matter enormously in many policy sectors. Government is still dominated by ministerial barons. Some ministers in the Blair government have had difficulty asserting themselves in their ministerial territories, but they tend to be the exception rather than the rule. Senior ministers are generally powerful figures, they pursue policies derived from individual world views and sometimes from views developed shortly after taking office. The result is government that is not so much a seamless web of undifferentiated ministers, pursuing policies derived from one coherent programme, but rather a complex and changing mix of individuals, and of relationships between different actors, pursuing policies that vary considerably in their genesis.

Notes

1. This paper is part of an ESRC research project on Senior Ministers in British Government being carried out as part of the ESRC's Whitehall Programme and was presented at the ESRC Whitehall Conference on 'Transforming British Government', University of Birmingham, 18 December 1998. An earlier draft was presented at a seminar in the Public Service Seminar Series, at the British Academy, London, on 10 July 1998. I am grateful to participants for extremely valuable comments.
2. These include conversations over the period of the past 20 years with ministers and parliamentarians and, over the past decade, with special advisers. Of the total number of ministers to have sat in Cabinet between 1979 and 1997, approximately one in four were selected, resulting in a total of 18 interviews. Most interviews lasted between 30 and 60 minutes in duration; several lasted longer and only one was completed within 30 minutes. This methodology is open to the objection that interviews are likely to produce responses that are self-serving and likely to generate a picture of more powerful figures than would be the case if other political actors were interviewed. However, I have drawn primarily on questions that dealt with views and relationships. Those that invited the interviewees to recount their impact on public policy – the principal question under this head was one that asked if there were any particular policies for which they would make a proprietorial claim – have not been employed as core responses for the purposes of either testing hypotheses or identifying ministerial types.
3. This is reinforced by Margaret Thatcher's memoirs. She was clearly keen to appoint Thatcherites (or presumed Thatcherites) to the Cabinet, but appears to have given no clear guidance on what they were expected to do (Thatcher 1993: e.g. pp. 26–9, 150–3). In terms of the Cabinet appointed in 1979 they were clearly expected to rely on the party manifesto.

7

Permanent Secretaries: Comparative Biography and Leadership in Whitehall*

Kevin Theakston

The list of the 300 most powerful and influential people in Britain compiled in 1998 by a panel of pundits chaired by former Labour deputy leader Lord (Roy) Hattersley left seasoned Whitehall-watchers (and probably senior mandarins themselves) bemused (*Observer*, 1 Nov. 1998). Only eight of the permanent secretary heads of the main government departments made it into the final list of power-brokers. Cabinet Secretary and Head of the Civil Service Sir Richard Wilson was ranked 131 – behind 13 Cabinet ministers and four key government advisers – Alistair Campbell, the Prime Minister's Press Secretary [23]; Jonathan Powell, the PM's Chief of Staff [59]; Ed Balls, the Chancellor's economic adviser [115]; and Geoff Mulgan of the No. 10 Policy Unit [127]) – but also lower than pop stars Noel Gallagher [49] and Elton John [125], and former-Spice Girl Geri Halliwell [111]. The Permanent Secretary of the Treasury, Andrew Turnbull [151], just sneaked in ahead of Delia Smith [152], but behind Damien Hirst [149] and Mick Jagger [139]. The head of the Home Office [268] was well behind footballer Alan Shearer [198]. And the permanent head of the Foreign Office, Sir John Kerr, was almost an after-thought at 289. Scattered throughout the list were eight other senior officials, including the Treasury's chief economist [167], the heads of MI5 [168] and MI6 [213], the chief executive of the NHS [109], and one Next Steps agency chief executive (the head of the Child Support Agency [290]). But such highly-rated Whitehall operators as Michael Scholar (permanent secretary at Trade and Industry), Rachel Lomax (then permanent secretary at the Welsh Office, now at Social Security) and Michael Bichard (Department for Education and Employment) – and in fact most of the permanent secretaries – were banished altogether.

Nearly 40 years ago Anthony Sampson wrote about senior civil servants' 'passion' for anonymity. 'Their comings and goings may revolutionise departments, but they are unproclaimed … The names of the permanent secretaries … are rarely heard outside Whitehall' (Sampson 1962: 236–7). Now, the veteran

'anatomist' was left wondering about what had happened to 'the grey people who pulled the real strings … those Sir Humphreys who discreetly out-ployed their ministers … those old guardians of power behind the stage' (*Spectator*, 7 Nov. 1998).

This sort of media exercise is always likely to confuse power with celebrity. Even though senior officials have become less anonymous and more 'visible' in the 1980s and 1990s compared to earlier decades, permanent secretaries are still on the whole shadowy figures – and most of them seem to prefer to remain in the background (a former head of the Treasury once said that he saw himself as the anonymous 'second violinist at Covent Garden'). They are names in the reference books, the subjects of respectful obituaries, their biographical data aggregated and argued over by sociologists. It can be difficult to puzzle out their contributions and influence when the files are finally opened at the Public Record Office. But historians increasingly recognise what political scientists have long known: that accounts of policy-making that limit themselves to the views and roles of politicians, and that accept at face value the constitutional convention of civil service anonymity, ignore much of what actually goes on in government (Beloff 1975: 227). Civil servants may need rescuing from the footnotes of history (as Peter Hennessy once put it), but care must be taken not to swing too far in the opposite direction. For instance, John Vincent's description of the period 1951–55 as 'the years when the civil service was dominated by a single regime, that of Sir Edward Bridges [at the Treasury] and Sir Norman Brook [at the Cabinet Office]' is true enough, though his claim that these are 'names that our grandchildren may be learning for their exams when many prime ministers have been consigned to footnotes', and his comment that 'a change of regime and values at the top of the civil service, it must seriously be argued, matters more than most changes in the party in power', are more questionable (quoted in *New Statesman*, 25 Sept. 1987).

Who are the permanent secretaries? Backgrounds and careers

There are now several authoritative studies of the changing social arithmetic – the social and educational background, and the career patterns – of the topmost ranks of the higher civil service (Theakston and Fry 1989; Barberis 1996; Harris and Garcia 1966). Although it has its limitations as a methodology, analysing basic biographical data for groups of permanent secretaries at different times over the postwar period tells us something about the character of Britain's administrative elite (Table 7.1).

The extent of continuity at this senior level in Whitehall stands out. The 'Oxbridge' dominance at the top has remained pronounced in the post-1945 period, though changes in the background of graduate high-flyer recruits since the 1960s may be starting to feed through (the 1998 group of permanent secretaries includes three from Manchester University, two from Keele, and one each from London and Glasgow). Only five women are featured here: two in the 1960 group (Evelyn Sharp and Mary Smieton), and the other three in the 1998 group

Table 7.1 Permanent secretaries and their experience

	1945	*1960*	*1970*	*1980*	*1990*	*1998*
Oxbridge	22	19	15	14	15	13
	78.6%	73.1%	88.2%	66.6%	75.0%	65.0%
Average age	55.9	55	56.2	56.4	55.5	53.9
Average prior Whitehall service	28.5 years	31.6 years	29.6 years	30.8 years	31.5 years	29.4 years
Private Office experience	18 64.3%	12 46.1%	10 58.8%	16 76.2%	19 95.0%	15 75.0%
Treasury experience	9 32.1%	10 38.7%	8 47.1%	7 33.3%	8 40.0%	9 45.0%
Cabinet Office (and related units/offices)	0	4 15.4%	6 35.3%	10 47.6%	10 50.0%	8 40.0%
Stint in No. 10 Office	1 3.6%	1 3.8%	0	4 19.0%	5 25.0%	2 10.0%
Total	28	26	17	21	20	20

Notes:
1. Adapted and updated from Theakston 1995, p. 37.
2. The table refers to permanent secretaries heading the major Whitehall departments in the year featured and does not include data on second permanent secretaries (or their earlier equivalents) or other permanent secretary-ranking posts.
3. 1970 data refers to the situation after Heath's departmental reorganisation.
4. Age and prior Whitehall service calculated for the year in question, not for the year in which first appointed permanent secretary (if earlier).

(Ann Bowtell, Valerie Strachan, and Rachel Lomax). 'The Dame' (Evelyn Sharp – the first female permanent secretary, in 1955) was a highly visible role model and exemplar, but few women have followed her to the top of the ladder (in fact, only two women made it even to second permanent secretary rank in the 1970s and 80s). However, there has been some progress since the mid-1980s in improving promotion rates and tackling the under-representation of women at senior levels. In fact the proportion of female permanent secretaries in 1998 was in line with graduate recruitment in the period 1948–68 (covering the years when the 1998 group of top women started their careers), when one in seven of administrative class entrants were women (Barberis 1996: 138).

There are few surprises in the data on career experiences. The overwhelming majority of permanent secretaries after 1945 have been graduate high-flyer entrants and civil service 'lifers', with around 30 years Whitehall experience under their belts (in other words, they will have have seen four changes of government over their careers, and worked under six different prime ministers and probably 10–15 departmental secretaries of state). A small number have made it 'from the ranks', as it were, the most recent being Sir Terry Heiser (Permanent Secretary at Environment 1985–92), who was born on a council estate in Dagenham and joined the civil service as a clerical officer aged 16 in 1949, studied for a degree in the evening at Birkbeck College, and passed the so-called 'limited opportunity' exam to enter the administrative class in 1960. The civil service became much more of an enclosed lifetime career over the course of the twentieth century. In the 1900–19 period, a third of permanent secretaries had served ten years or less in Whitehall before appointment – there have been only three such cases since 1945, including only one in the 1998 group, Michael Bichard counts as a mould-breaker, having spent his early career in local government and been chief executive of the Benefits Agency 1990–95, before being appointed to the Employment Department after the top job there had been advertised and opened to external competition. In other professions (including politics), outstanding men and women can reach very senior positions in their early forties or even their thirties – but not so in Whitehall. Not since 1945, when Sir John Maud, a war-time 'temporary', was appointed head of the Education Ministry aged 39, has a permanent secretary been appointed under the age of 40 (and only another two, both in the 1945–64 period, were under 45 on appointment). Taking seriously Sir John Hoskyns' (a former Thatcher adviser) idea about shaking-up the Whitehall culture by pensioning-off all officials over the age of 50 would mean virtually decapitating the higher civil service as it is presently structured.

Besides Bichard, a number of the 1998 group of permanent secretaries have – by civil service standards – unusual career backgrounds. Nick Montagu spent seven years as a university philosophy lecturer before joing the civil service at the age of 30 in 1974, and he had an eclectic career in the DHSS, Social Security, the Cabinet Office and Transport before taking over at Inland Revenue – his appointment there (in a competitive selection process) marked something of a break with tradition in a department where the top job usually goes to an internal

candidate or an existing permanent secretary (*Public Service Magazine*, March 1998). Rachel Lomax spent the first 15 years of her civil service career as a professional economist in the Treasury, and was the first women to serve a chancellor as Principal Private secretary (Nigel Lawson in the mid-80s), before becoming deputy chief economic adviser at the Treasury (1990–92) and chief of staff to the President of the World Bank (1995–96), being appointed permanent secretary at the Welsh Office in 1996. David Omand spent his career in Ministry of Defence and Foreign Office/NATO posts before becoming head of the GCHQ electronic intelligence centre in 1996 and moving across to be permanent secretary at the Home Office in 1998. Sir John Kerr (Foreign Office permanent secretary since 1997) has impeccable FCO credentials, as a former ambassador to the USA and 'UKREP' (Britain's chief EU diplomat), but – untypically – he also has wider Whitehall experience, having served in the Treasury in the 1980s, where he was principal private secretary to both Geoffrey Howe and Nigel Lawson. (At UKREP, Kerr earned the nickname 'Machiavelli' in the Foreign Office, and Nigel Lawson says that Kerr's 'love of plots and intrigue outdid any politician I have ever worked with' [Lawson 1992: 269]). It is worth pointing out, too, that while Andrew Turnbull is a Treasury veteran, he is the first Treasury permanent secretary since the days of Sir Frank Lee (1960–62) to have taken over the top job there (succeeding Sir Terry Burns in June 1998) after having run a big spending department (heading Environment, now DETR 1994–98).

The process by which the high-flyers are picked out by Whitehall's talent spotters for private office service and for experience of the powerful central departments of government is well-understood, and illustrated by Table 7.1, above. The Treasury's role at the heart of the career networks at civil service and ministerial levels in modern governments (Jenkins 1995: 227–9) would in fact be a good subject for a 'group biography'. In the 1980s, the No. 10 Private Office emerged as an increasingly important promotion route (two of the 1990 group of permanent secretaries – Butler and Whitmore – had actually been Mrs Thatcher's principal private secretary at different times in the 1980s), but the 'No. 10 effect' seems to have faded somewhat by 1998. The increased number of Permanent Secretaries after 1970 who had spent some time in the Cabinet Office (and/or related units and offices) reflects the dramatic growth of staff in that key department from the 1960s onwards. The criss-crossing career paths of Whitehall's high-flyers as they move to the top are important in reinforcing the generalist's identity with the greater 'civil service society', and perhaps also in imparting a 'centre' perspective. The fact that 50 per cent of the 1998 group of Permanent Secretaries were heading departments they had no previous experience of in their careers (compared to 42 per cent of the 1945 group) suggests that the 'amateur' tradition of Warren Fisher's 'musical chairs' system remains deeply-rooted.

Over time, the social composition of the civil service élite is likely to broaden, though progress may be slow and uneven. The greater emphasis put on managerial experience and capabilities since the 1980s may be affecting the nature of the Whitehall apprenticeship, but successful service in the classic 'policy-mongering jobs' remains important. 'Your best chance of reaching the very top will still be

to stick to the pure, 100% traditional mainline jobs in the Treasury', commented one insider (Jordan 1994: 157). Nor will opening-up permanent secretaryships and other senior posts to external competition necessarily lead to major changes in the character of this élite group. Robin Butler made it clear that he expected most of the top jobs to still be filled from within the civil service rather than by imported businessmen and managers (saying that the special knowledge permanent secretaries needed as advisers to ministers was difficult to acquire except through a long career within the machine) (*Times* 19 March 1990).

The biographical method

The 'permanent secretaries' project used biographical research – looking at the careers, personal qualities and achievements of a number of top civil servants – to explore the exercise of leadership in Whitehall and the changing role and culture of the civil service. Biography, and particularly comparative biography, is unduly neglected as a political science methodology, but it has enormous potential for the study of administrative leadership in Whitehall (and other public bureaucracies). Biographical research can illuminate the history of government machinery (Walker 1988: 15) and the study of the contemporary practice of public administration. 'Political science without biography is a form of taxidermy', Harold Lasswell once argued. Too often political scientists concentrate on impersonal determinants of political events and outcomes, and if they do treat individual action as important, they define away personal characteristics, assume rationality, and explain the behaviour of political actors in terms of the logic of their situations or as an institutional product. Biography claims that individuals do matter – the challenge is to pin down how much they matter and identify under what conditions or in what circumstances they do make a difference.

To be sure, serious methodological and conceptual problems are raised by this sort of research, and these go beyond the obvious difficulties in evaluating and piecing together evidence from government files, interviews and other sources (Theakston 1999: Ch. 1). Biography can appear to give individuals an exaggerated importance, and there is a powerful argument that in a bureaucratic setting 'administrators are vital as a class but not as individuals' (March, quoted in Doig and Hargrove 1987: 3). Assessing the relative importance of people and institutions connects to familiar social science debates about structure and agency. Individuals cannot be abstracted from their environment. We have to be alert to the connections between the individual 'story' and the person's institutional location and historical scope in terms of the character of the system, the prevailing administrative traditions, and the general circumstances of the period. The organisation, ethos, codes, conventions and procedures of Whitehall inevitably exert a powerful defining and constraining influence on top administrators' roles and actions. Clearly, top officials' roles are highly-institutionalised. But there is also scope for individual interpretations and preferences. Bureaucrats may well often 'conform to type' but there may be critical times when they go beyond their 'institutional self '. The lesson of my case studies (and of other

biographical work) is, I would argue, that the determinism inherent in an institutionalist perspective can be exaggerated. Public administration without people may be theoretically pure but historically arid.

The method of comparative biography is distinctive in that it goes beyond the typical biographical format of the description of the life of a particular individual as an intellectual exercise in itself. By regarding biographies as case studies, we can attempt to link theory and practice, to generalise, and to test and evaluate theories about leadership in bureaucracies and the development of the civil service. Inasmuch as all case studies, by definition, deal with the exceptional, the scope for generalisation is inevitably reduced or qualified. An individual biography is arguably an inadequate base from which to generate or explore general theories of administrative behaviour, administrative culture or administrative change (Harris 1988: 224). But this limitation can be overcome by the multiple case study method, and particularly by an historical approach, focusing on the evolution of institutions and leadership actions and roles over long periods. The extent to which case studies emphasise the importance of context (historical, institutional, cultural) is actually a strength when it comes to understanding the policy process and the operation of government.

There is a growing American literature which uses comparative biography to explore important issues in public administration, including leadership and innovation strategies (Doig and Hargrove 1987), entrepreneurial 'rogue elephants' (Lewis 1980), ethical behaviour in the public service (Cooper and Wright 1992), the relationship between leadership and organisational culture (Hargrove 1994), and the ingredients of effective performance in the Washington bureaucracy (Riccucci 1995). Smith and Young (1996) used this approach to analyse the assorted 'great and good' figures, advisers, consultants and 'fixers' brought in to Whitehall from time to time by various governments. Theakston (1999) provides biographical case studies of nine acknowledged leaders in Whitehall:

- Sir Charles Trevelyan (Head of the Treasury 1840–59 and civil service reformer);
- Sir Warren Fisher (the first Head of the Civil Service 1919–39);
- Sir Edward Bridges (civil service head 1945–56);
- Sir Norman Brook (Secretary to the Cabinet 1947–62);
- Dame Evelyn Sharp (Permanent Secretary of the Ministry of Housing and Local Government 1955–66);
- Sir Richard 'Otto' Clarke (the Treasury's public spending supremo in the early 1960s, later head of the Ministry of Technology);
- Sir William Armstrong (Joint Permanent Secretary of the Treasury 1962–68 and Head of the Civil Service 1968–74);
- Sir Robert Armstrong (Cabinet Secretary and Head of the Civil Service in the 1980s);
- Sir Derek Rayner (Mrs Thatcher's Efficiency Adviser in the early 1980s).

In selecting these particular figures for in-depth examination, several factors were important. First, a historical focus – looking at top civil servants from different

periods – would illustrate the development of the nature and meaning of 'leader-ship' over time in Whitehall as well as showing the importance of the context and conditions faced by different individuals in different circumstances – the pressures and constraints, the opportunities and room for manoeuvre, each experienced. Second, analysing civil service leaders in action at 'critical junctures' and key turning-points in Whitehall's development (whether periods of reform as in the 1850s, 1920s, 1960s and 1980s, or 'non-reform' as post 1945) would contribute to an understanding of the role of individuals in institutional change, an important issue in so-called 'new institutionalist' approaches. Third, there was the need to explore different types of leadership – it would be wrong to assume that leaders, by definition, must be innovators or 'change agents' (for example, Clarke, Rayner); cases where leaders were playing conservative roles (for example, Bridges, Brook) offered lessons too. And finally, taking up Selznick's (1957) argument about the importance of organisational 'myth', it was felt important to concentrate on figures who had had a big impact in terms of defining and/or articulating the core values of the higher civil service culture in Britain (for example, Fisher, Bridges).

The biographies illustrate the different ways in which leadership is exercised in the British civil service; analyse the opportunities for and constraints on bureaucratic leadership in the British constitutional and political setting; and provide material and a viewpoint from which to assess change over time in the character and working of the Whitehall system. Anthropologists have long recognised that 'cultures can be written through lives' (Smith 1994: 296), and it has been argued that successful biographies can 'portray not only an individual, but a whole society' (Doig and Hargrove 1987: 18). Biographical case studies may provide, therefore, a useful lens through which to view and interpret the culture of the Whitehall 'village community' and the patterns of continuity and change it exhibits. Theakston (1999) features chapter-length profiles of each of the civil service leaders selected, detailing what they accomplished and how, and expanding on the situation each faced. This chapter simply draws on the case study research in order to discuss, first, the practice of leadership by top civil servants and, next, the changing role of permanent secretaries in the Whitehall machine.

Leadership roles

'I've never been sure that leadership is not regarded partially as a crime within Whitehall', a veteran ex-permanent secretary said in interview. Leadership is a particularly problematic concept in a civil service setting, and indeed in one important sense appears to be a contradiction in terms, given the constitutional convention of ministerial responsibility and expectations of political control. Thus, giving evidence to the Fulton Committee, one 'insider' distinguished between (1) reformers 'who created something which might not have been created, or might not have been so well or so soon created, without their personalities'; (2) the type of civil servant who 'tidies things up or wants to see that

what is done is coherent or reasonably based'; and (3) the top official 'who is primarily an Establishment Officer concerned to make sure that the office is organised to do its job'. The point was that there were examples of the first type of creative reformer-official, but that the civil service should be looking for the second and third types (often overlapping in practice): for the first function 'our society should generally be looking to politicians or others who can openly seek to mould and lead public opinion' (PRO 1966). Top civil servants 'are leaders, but they are on a lead', is how Valerie Strachan (1996: 68) puts it. 'It may be a very long lead – but the lead can be tugged or drastically shortened, at any time, either because the political personalities or because the political priorities have changed.'

The opportunities and limitations of civil service leadership in Britain, as compared to those faced by American administrative leaders, 'execucrats' or public entrepreneurs, for instance, are obviously greatly affected by the differences in the two countries' constitutional and governmental arrangements. In Whitehall the emphasis has traditionally been very much on serving ministers, acting collegially and downplaying programme commitment. Agencies and other recent reforms are intended to promote a new style of management and leadership.

At the same time, leadership in Whitehall is very different from business leadership in the private sector. First of all, civil servants must operate within the framework of government policy. They are not, in a sense, able to decide 'what business we're in' in the way that the head of a company can, or what activities to take on or drop. Then, leaders in the civil service do not have a free hand because of the limitations imposed by the established system of rules and guidelines governing the management and running of departments and agencies, together with government policies towards the public sector (for example, covering pay or job cuts). The requirements of public accountability, through ministers to parliament, must also shape the behaviour of civil service leaders at the top of departments. Sir Michael Quinlan (1995: 2) has said that this means that it is not possible for a permanent secretary 'to operate as a high-profile independent-minded public figure in the way that, say, a John Harvey-Jones could'. For modern officials to attempt to emulate 'fire-in-the-belly' zealots and crusaders like Trevelyan (who were the exception rather than the rule even in the mid-nineteenth century) would challenge the essentials of parliamentary democracy.

The role of leaders in articulating and embodying an organisation's core values, tutology, and in setting a moral tone, is well understood. Senior civil servants have to be, and be seen to be, the key practitioners and upholders of what is permanently constructive and necessary in terms of the ethos, culture and standards of their profession (Quinlan 1995: 5). This relates to the argument that leadership is about the communication of ideas and that the most successful leaders are successful to the extent that they tell and embody persuasive 'stories' about what the institutions they head stand for or aspire to, or where they should be going and how they will get there (Gardner 1995). In this sense both Fisher and Bridges are crucial figures in the history of Whitehall because of the way in which their leadership was concerned with the articulation of core civil

service values and 'institutional purpose' in a broad sense. Selznick (1957) and Hargrove (1994) emphasise that the central task of leadership is to infuse an organisation with values and an institutional philosophy beyond the technical task(s) at hand. The Head of the Civil Service arguably has a special responsibility for the transmission and protection of civil service values. Some civil service heads have been very active and visible in this sense (Fisher and Bridges in a period when the service was self-confident and assured; Robert Armstrong and – in the 1990s – Robin Butler when those values were seen to be threatened). Others have not made a contribution in that respect: Norman Brook has been well-described as 'more the formidable operator than the bequeather of any great tradition of public administration' (Barberis 1996: 14).

Another link with the theme of leadership comes with the evaluation of the biographical case studies in the light of theories of leadership (and vice versa). The 'transformative' and the 'conservator' models of leadership are particularly relevant in this respect. By the standards of much of the business management literature on leadership, it must be said, most top civil servants are not 'leaders' at all but merely 'managers' (Zaleznik 1977) or 'efficient clerks in narrow orbits' (Bennis and Nanus 1985: 20). The heroic conception of the entrepreneurial or transformative leader popularised in the 1980s put the emphasis on powerful leaders as agents of change, trumpeting larger-than-life risk-takers who set about ripping-up established traditions and cultures and pushing through revolutionary organisational changes (Bennis and Nanus 1985). Leaders were, by definition, innovators (Bennis 1989: 143); their role was to dominate organisations and reorient them in pursuit of new visions and goals. 'An ideal servant of the system' was not properly a leader (Bennis 1989: 31). 'This is not a job for compromisers', it was claimed (Edwardes, quoted in Syrett and Hogg 1992: 86).

Whitehall does not seem to be a natural environment for this type of leader or leadership. Perhaps Trevelyan would count as a would-be transformative leader who, in some ways, was 'trying to force abstract reforming principles upon an unwilling civil service' (Chapman and Greenaway 1980: 219) and who was articulating in the 1850s a new vision of the role and character of the civil service which was well in advance of what his contemporaries thought was necessary or feasible. But he enjoyed only limited short-run success and the half-century after Northcote–Trevelyan saw the sort of incremental and piecemeal implementation of his ideas that fits ill with the heroic model's notion of leaders making a visible and big difference in a relatively short period of time. Warren Fisher may in some respects come close to this type, too, given his role in the reorganisation of the civil service after the First World War, when he was determined to weld the service into a single effective organisation, conscious of its unity. Fisher did more than almost anyone else to determine the way in which the civil service operated from the 1920s to the 1960s, but in some key areas – for instance, the idea of a permanent and non-political civil service – he was resolutely traditionalist rather than transformative (see O'Halpin 1989). A modern (and suggestive) example may be Sir Peter Kemp, a forceful champion of the Next Steps agencies inside the government machine, and once described as the

'SAS of Whitehall'. Without Kemp, the agency initiative may not have gone so far so fast, but this role put him in an exposed position and won him enemies. When he was dismissed in 1992, the 'permanent secretaries club' did not close ranks to protect him. Kemp himself suggested that a factor in his demise may have been the threat he posed to the Whitehall 'empire'.

Because of the way in which leaders can provide a link between organisational history and the present (Hargrove 1994: 3), we should be aware, in contrast to the transformative kind of leadership, of a more conservative model of leadership. A person does not cease to be a leader, it can be argued, just because the goal is stability or continuity rather than innovation. Terry (1995) has set out a model of 'administrative conservatorship' in which bureaucratic leaders have a 'guardianship' role and a legitimate concern for the enduring capabilities of government – its institutions, processes and staff – and the values that underpin and support them. They must be responsive to political leaders (who may want to change the organisations, functions and processes of government), but they also have a responsibility to be faithful to and to preserve the distinctive values and principles of the public service. Terry does not rule out innovative courses of action or leadership at certain points in an organisation's history but argues that the administrative conservator's objective will remain the preservation of 'institutional integrity'. More often, bureaucratic leadership, he says, involves the 'ongoing management of evolutionary and incremental changes'; at other times, a more 'protective' style of leadership is required to defend and strengthen existing institutions and values.

Terry's model offers important insights into the nature of leadership in Whitehall. Leaders such as Bridges, Brook or Robert Armstrong ('ideal servants of the system' to a high degree), who identify with the existing order of things in Whitehall, might be thought of as being at the 'protective' end of the spectrum of roles that Terry describes (1995: 61–3). The criticism of Robert Armstrong as too much the courtier – preoccupied with dealing with and 'fixing' for a difficult prime minister – has some force, but he also strove in the 1980s to uphold traditional civil service values at a time when the mandarinate was facing great political and managerial challenges. A reformer like William Armstrong, responding to new forces and demands in the environment of Whitehall (mounting pressure for change in the 1960s), may initiate changes in some areas but aim to hold the line in others. In fact, he played a classic 'conservator' role in practising the art of the possible by brokering different interests and pressures, balancing and trying to develop a consensus between several groups: Fultonites wanting radical change, politicians needing to seem to have made a difference, civil service union vested interests, and permanent secretary scepticism and opposition to parts of Fulton (Dillman 1990: 14).

Terry (1995: 64) does not deny that different kinds or styles of leadership may be needed to deal with different organisational circumstances: the type of leadership needed to maintain a 'steady-state' situation may not be appropriate for handling a crisis or a major threat to the organisation. Administrative conservatorship encompasses a range of different leadership roles in different conditions,

with the aim of preserving institutional integrity. As contingency theories emphasise, the match between a particular leadership approach (including leader behaviour, qualities and skills) and the requirements of the situation or task is then the key factor in judging the effectiveness of the leader.

The example of Rayner in the 1980s suggests that the relationship between circumstances, leadership style and results may be quite subtle. Rayner set the ball rolling for major organisational and cultural change in Whitehall while eschewing the confrontational, dramatic, highly-charged, leading-from-the-front style usually associated with the transformational model of leadership. In other words, transformational effects may be intended or desired but a transformational approach may not be necessary or successful except in certain circumstances (Middlehurst 1993: 85). 'Where cultures are deep-rooted', says Robin Middlehurst (ibid.: 83), '… it would seem to be more profitable to work with the grain to achieve change than to work against it'. In a similar vein, it is an intriguing possibility that in 1990s Whitehall we have been seeing transformational effects (in terms of the scale and direction of change) co-existing with, and perhaps even being facilitated by, a conservator style of leadership at the top of the bureaucracy, with Sir Robin Butler reaffirming traditional public service values while presiding over radical organisational surgery.

The changing role of permanent secretaries

Outside observers and 'insiders' have, over the years, described the job of permanent secretary in very different ways as the following extracts show:

> Ministers have to make good their promises [made in opposition], and they find a difficulty in doing so. … When they come to handle the official documents, to converse with the permanent under-secretary – familiar with disagreeable facts, and though in manner most respectful, yet most imperturbable in opinion – very soon doubts intervene. … The late Opposition cannot, in office, forget those sentences which … admirers in the country still quote … so the new Minister says to the permanent under-secretary, 'Could you not suggest a middle course? I am not of course bound by mere sentences used in debate … but' … And the end always is that a middle course is devised which *looks* as much as possible like what was suggested in opposition, but which *is* as much as possible what patent facts … prove ought to be done. (Walter Bagehot 1867: 160)

> The relation between the minister … and the permanent secretary … was naturally a very subtle and interesting one … [that can be compared with] that of a husband and wife in a Victorian household. … The minister is the head of the household; all public acts … are done in his name, and he alone speaks and votes for the household. Formally he takes all important decisions. … But he does, or should do, all this on advice, and usually finds it very uncomfortable to disregard the advice. Though head of the household, he is not really in

regular charge of it. His business is mainly to fight for it outside; he must not always be at home. The prosperity of the department depends … directly on what he does outside [in Parliament and the Cabinet]. … The business of the permanent secretary is to mind the house; to keep all its members in order; to prevent them from quarrelling and to make them do their work; to see that the minister, before he goes out to his daily toil in Cabinet and Parliament, is properly equipped with all necessary information; in the language of metaphor, that he has all his buttons on and his hat brushed. … Like the Victorian wife, the permanent secretary has no public life; is quite unknown outside the home; wields power by influence rather than directly. Like the Victorian husband, the minister is responsible for the acts and mistakes of the permanent secretary, and is expected to stand up for him in public and shield him from all attack. Like the Victorian wife also, the permanent secretary is all for monogamy; like men, ministers often have hankerings after polygamy, and want occasional changes of society. This is a very remarkable relation, and it is strange that it has worked so well, particularly when it is remembered that the marriage is in all cases one of arrangement, not of affection. … Often the two never see one another till the day of the wedding. A divorce is as difficult as an act of Parliament. (William Beveridge 1920: 20–2)

The Permanent Secretary … is responsible to the Minister for every aspect of the administration of his Department. As such he is the civil servant to whom the Minister looks to advise him on policy over the whole range of the Department's work, and to whom the Minister as well as Parliament looks to see that due economy as well as financial regularity is exercised in the conduct of the Department's affairs. Questions of policy are, of course, settled by the Minister and it is the duty of a Permanent Secretary to carry out the agreed policy whether it was recommended by him or not. … Responsibility for the organisation and staffing of the Department belongs, under the Minister, to the Permanent Secretary. Decisions in this sphere would normally be taken by the Permanent Secretary although he would consult the Minister in respect of senior staff appointments or major changes of organisation. … The Permanent Secretary also has specific financial responsibilities as Accounting Officer . … (Treasury memorandum: PRO 1950)

The permanent under-secretary has little opportunity for thinking about the future, much of the time he is more like a nannie, trying to keep his difficult children happy, and keeping the office running smoothly. … Men with strong, far-seeing ideas are apt to find themselves *not* becoming permanent under-secretary: in this fine-ground, well-oiled machine, smoothness is all. (Anthony Sampson 1962: 312 – on the Foreign Office)

I freely admit to the moments when the pure gold of the perceptive per-manent secretary shone through. … Sometimes … your powers fail. You are tired. It is late. The issue is of secondary importance, only half understood, and you know in your heart that you have lost control of that meeting of civil

servants waiting for the firm hand of government. You ramble, hesitate and suddenly the voice at your elbow takes over: 'I think that's most helpful Secretary of State. We'll proceed as you have outlined which, if I follow your argument correctly, I would summarise as follows …' And the permanent secretary pours out a string of elegant phrases and concise instructions as tears of gratitude well up within you. (Michael Heseltine 1987: 11)

The permanent secretary is a prime example of the sort of ambiguous position which leads to poor policy advice. No one is ever quite clear what he, or rarely she, is actually there for. They advise the minister, but are not politically accountable for the quality of that advice. They are supposed to manage the department, but the creation of agencies is fast making that role redundant. There is the same room for a 'man of affairs', like Thomas More, as there has always been, to provide continuity and objective non-political advice; but where are they to be found and what would their detailed job be? The question is how to break through the culture of lofty detachment, seen at its purest and most depressing at Wednesday morning meetings of permanent secretaries. (Sir Peter Kemp 1993: 27)

The job of permanent secretary, at least at the Home Office, is something of a mystery. The department is too big and too complex for him to be sole adviser to the Home Secretary and junior ministers – work that is done directly by the deputy secretaries. Yet there is no chief executive role in the private sector sense, since most of the major executive decisions are made by the Secretary of State himself. The permanent secretary is left somewhat high and dry, occasionally dabbling in policy, looking after the department's finances and assessing the performance of the deputy secretaries – not always easy when he sees very little of their work. The key function of a 'Sir Humphrey' is holding his own among the gossips and plotters in the Whitehall corridors of power. Intrigue and manipulation are the name of the game, and although the role may seem to be an ill-defined muddle to outsiders like me, it represents the pinnacle of a high-flying civil servant's career. (Derek Lewis 1997: 34)

The common elements of the permanent secretary job are usually described as (1) a role in formulating policy and advising ministers; (2) departmental organisation and management; and (3) financial accountability as Accounting Officer. Important subsidiary functions include: (4) an 'ambassadorial' role for the department; and (5) a shared collective responsibility (with other permanent secretaries) for the civil service as an institution. The 'college' of permanent secretaries meet informally round the table in the Treasury Board Room in Whitehall for an hour each Wednesday morning. Sir Robin Butler recalled that 'we do feel a bond and we are a group, distinct from politicians and even from our civil service colleagues'. Alluding to the 'guardianship' or 'conservator' role, he noted that 'the bond which holds together the permanent secretaries is the sense of shared responsibility for keeping the civil service fit for its purpose, namely to serve efficiently, creatively and dispassionately the government of the people's choice' (Butler 1998).

Traditionally, the three main permanent secretary functions have been seen as interrelated. As Sir Laurence Helsby (then Head of the Civil Service) explained to the Fulton Committee: 'Management must be done in the light of policy, and the Accounting Officer function was basically answerability for one aspect of management' (PRO 1967b). The Fulton Committee considered (but in the end rejected) the abolition of the office of permanent secretary and the parcelling out of its functions in a collegiate or board structure (PRO 1967a; Fry 1993: 113–18, 126–30). In practice, the nature of the job and the 'balance of accountabilities' varies, reflecting the nature and functions of different departments, the character and preferences of ministers, and the personalities, interests and skills of permanent secretaries themselves.

The Treasury officials preparing the 1950 memorandum on the role of the permanent secretary quoted above recognised that 'much depends … on personalities and on the extent to which the Department deals with highly political matters at a particular stage of its existence' (PRO 1950). 'Ministers come in hugely assorted shapes and sizes, with hugely different concepts of what their own role is – and … hugely different capacities for carrying it out', says Sir Michael Quinlan. In this sort of partnership, the permanent secretary's role can shift significantly as political bosses come and go:

> At one extreme the Minister can make much of the leadership job of the Permanent Secretary almost unnecessary; at the other, he can make it almost impossible. … If, for example, the Minister is one with a clear long-term vision of the Department's purpose, then within reason I need not go out of my way to generate and disseminate one. If on the other hand my Minister is a pragmatic day-to-day keep-the-political-show-on-the-road-man, then I would regard it as for me to ensure that strategic thinking gets done, that we have a concept of what sort of outfit we're in – and this, of course, compatibly with what the Minister is prepared to go along with. (Quinlan 1995: 3, 8)

Valerie Strachan (1996: 67) agrees that 'in managing a department, the biggest influences are the requirements, aspirations and expectations of ministers', but cautions that 'while the permanent secretary certainly should know what the current minister wants, he or she has to consider whether the minister is likely to be over-ruled by the Treasury, or by the Prime Minister. The capable permanent secretary knows the game well enough to be able to make a sensible judgement'. To some extent the permanent secretary must fit alongside the minister as members of a team performing different, but complementary functions and needing to develop and share a mutual confidence (Allen 1977: 136–7). Quinlan points to two almost opposite ways of failing in this aspect of the job: 'The first way is to become so close and constant a confidant of the Minister, so much at his immediate beck and call, that one turned into just a sort of souped-up Principal Private Secretary, a hand-holder and fixer on matters large and small. And the contrary risk – again, I've seen it – is to become so alienated from the Minister, in attitude or personal chemistry, that he or she simply doesn't look to

you on the things that are of real interest. And one's Department will see all that, either way' (Quinlan 1995: 5).

The style of leadership will also depend in part on the personality and preferences of different permanent secretaries. The biographical cases provide some vivid examples, such as the 'stormy reformer' Charles Trevelyan, with his strong and turbulent character, demonic energy and crusading or missionary temperament; and William Armstrong's complex personality, a calm analytical exterior concealing and checking strong emotions which perhaps broke through in the 1973–74 crisis. The personal factor can be both a strength and a weakness or limitation. In some ways Bridges was not cast to be the leader he was (he hated and avoided the limelight), but his infectious enthusiasm for the work, high standards and the example he set made him an outstanding Head of the Civil Service. But when there may have been an opportunity for significant and lasting Whitehall reform, after 1945, he was not by temperament or outlook the sort of person to grasp it. Otto Clarke has been judged by Whitehall 'insiders' to have been more successful as an innovator – devising a new public expenditure system at the Treasury – than in his later role as head of a large department of his own, when he had to manage people and lead a team. Any departmental history, tracking the arrival and departure of successive permanent secretaries, will pick out differences of approach and style: those more at home with management issues and others with a stronger policy slant (McQuail 1995).

The differences between departments do, however, inevitably structure the constraints and obligations faced by permanent secretaries – what lands in the 'in-tray', varies greatly. The nature of the 'management task' is affected by the widely-differing sizes of departments (109 000 in the Ministry of Defence in 1996, for instance, and 91 000 in Social Security, compared to 1000 in National Heritage, 950 in the Treasury, 215 in the Northern Ireland Office). And the picture is complicated by factors such as the diversity of staff employed (Health and MoD employing many different specialists, whereas the staff in, say, the Treasury and the Welsh Office are almost exclusively policy officials); the uneven impact of executive agencies (employing 95 per cent of DSS staff, 41 per cent of MoD staff, but only 10 per cent of Welsh Office staff); and the degree of dispersal (the territorial departments' permanent secretaries must shuttle between the two centres they operate from; Inland Revenue has an extensive local office network). Financial accountability in the Accounting Officer role obviously varies drastically too: the budgets for DSS (£82 bn in 1996–97), Health (£33 bn), and MoD (£21 bn), being in a different league to Trade and Industry (£3 bn) or the Foreign Office (£1 bn). Some permanent secretaries may be grilled by the Public Accounts Committee six times in a year, and have to be aware of the details of individual cases, while others appear only 2–3 times.

The size of the 'policy task' facing a permanent secretary is influenced by the spread and complexity of departmental programmes and interests; their coherence or inter-connectedness; whether they have an international dimension (adding travel burdens); and the government's political priorities. The degree of inter-relationship with other departments, or whether the ministry's functions

are more or less self-contained, will affect how much a permanent secretary has to employ 'diplomatic' skills in an inter-departmental context. The political sensitivity and 'exposure' of the department's work and policies at any one time is another key variable. Sir Terry Heiser has acknowledged how, in the late-1980s, 'it was difficult … to manage a "giant" department engaged in controversial policies on several fronts, often involving major legislation, and at the same time to contribute substantially to policy development'. He noted the Scottish Office model, with deputy secretaries relieving the pressure on the permanent secretary by acting as heads of sub-departments, but commented that 'it must be difficult for someone in charge of a federal department to be more than a super establishment officer rather than multiple policy adviser to the Secretary of State' (McQuail 1995: 29).

In the light of the biographical case studies, we can identify a number of ways in which the exercise of leadership in Whitehall and the role of permanent secretaries has changed over the last few decades. First, it is clear that there is now less group self-confidence within the mandarinate than there was 40 or 50 years ago (Quinlan 1995: 4). 'In the Bridges era', said one former insider in an interview, 'people didn't feel threatened in the way that we did in the 1960s and post-Thatcher'. 'By the 1970s', recalled a former permanent secretary, 'top civil servants were anxious that they needed the confidence of ministers, otherwise they would be sidelined. Evelyn Sharp would just have said, "I'm afraid you've got it wrong, minister". … But the time wasn't ripe for domineering leadership or even leadership of the Bridges kind. A defensiveness had crept over Whitehall.' Perhaps there was too much mandarin self-confidence in the 1940s and 1950s, but it has certainly been badly dented since. One consequence, however, may be that something valuable in the machinery of the state has been lost, in terms of the ability to stand up to ministers, tell them things that they do not want to hear, and sustain the sort of institutionalised scepticism that used to be associated with Whitehall.

A second and related development concerns the changing policy role of the top mandarins, something which predates Mrs Thatcher's arrival in Downing Street. 'The big change I notice since the 1960s', said a Labour Cabinet minister in 1977, 'is that, now, permanent secretaries are much less active in pushing their own policy views. I feel a great sense of hesitation in Whitehall' (*Sunday Telegraph*, 1 May 1977). A former permanent secretary felt that in the 1950s, when he had started his career, 'senior civil servants were pretty important policy figures in their own right … and I think that has dwindled in the course of my civil service career and is less perceptible now than it was'. The formidable Evelyn Sharp was never afraid to take a strong policy line and produce initiatives of her own, even saying that part of the job of a permanent secretary was to act as a brake on the minister. But Barberis (1996: 38, 42) observes that the modern permanent secretary 'is rarely, even within the confines of the official machine, a conspicuous policy initiator'. He describes permanent secretaries as nowadays 'policy managers rather than policy makers or originators', partly because the machine and the issues are more complex, and partly because ministers are more

assertive and less respectful of the 'departmental view'. To that extent, Otto Clarke or Evelyn Sharp-type figures may be less likely to be found at the top of the bureaucracy. And, of course, the sort of centralisation of policy advice seen in some departments, such as the Home Office, even into the mid-1960s – when everything was canalised through the permanent secretary – is now inconceivable as the demands of the job have grown. A minister may well 'look to his permanent secretary to *keep in touch with all the major policy issues* … and to *watch over progress* towards the department's political objectives' (Nairne 1982: 73, emphasis added), but this is a long way from dominating (let alone monopolising) the advisory role, or even seeing all the advice going to ministers.

On the other hand, ministers apparently continue to look for and to value the traditional expertise of the mandarins in terms of 'managing the political interface', political nous and a thorough knowledge of the governmental and parliamentary process (Efficiency Unit 1993). In this sense, senior civil servants have always been active players in the political game, the office of permanent secretary, as Dame Anne Mueller put it, being 'placed at the fulcrum between politics and administration' (1996: 64). 'Management? My job isn't management. The Secretary of State comes in and says "I'm in a hole! Get me out of it!" That's my job', a contemporary permanent secretary is reported as remarking – a job-description that would have been recognised by someone like Norman Brook and other mandarins in the past. There is a similar timelessness to the comments of another 1990s permanent secretary: 'We often need to create order out of chaos – indeed that is often what effective public administration is' (Efficiency Unit 1993). The special expertise of the top mandarins is in 'making the system work' (Cubbon 1993: 10). Arguably, the essence of the civil servant's leadership role may lie not in the articulation of a 'vision' (the job of ministers) but in the provision of the coordination necessary for the organisation to function in the context of change and implement the politically-desired goals (Pym 1996: 44).

But this is not to deny that leadership in the civil service has been defined increasingly in managerial terms. From the time of the Plowden Committee (1961) onwards, the emphasis began to shift away from the traditional idea of the permanent secretary as the 'personal adviser to the minister' (Playfair 1965: 264), with the recognition that more attention had to be paid at the top to problems of management and organisation (PRO 1959). Sir Patrick Nairne noted how by the time he retired as a permanent secretary in 1981 'management functions [had] increased at the expense of the policy role' (Nairne 1982: 75). In the 1980s, ministerial determination to impose a tougher managerial regime upon Whitehall, and to reduce costs and shed staff, forced senior officials to take an even more detailed interest in departmental management. 'That's absolutely scandalous – I'd never stand for anything like that', a fellow permanent secretary told the head of the DOE when he heard about Michael Heseltine's business-management ideas and his 'MINIS' management information system (McQuail 1995: 18) – but Mrs Thatcher gave the mandarins no choice. A premium was now placed on '"can-do" results-delivering executive characteristics, including the skills of team leadership and public presentation' (Quinlan 1994: 32).

Symptomatic of the new style were the comments of Michael Bichard, who took over at Employment in 1995, saying that while not questioning the importance of policy advice, he would place greater emphasis on leadership of the department (*Financial Times*, 28 April 1995). Bichard made it clear that he did not see the permanent secretary's role simply as defender of the official procedures, concerned with 'process' and 'keeping the official machine ticking over', but stressed a focus on outputs and delivering what ministers wanted (*Independent*, 13 April 1995). This marks a move away from the old-style mandarin model – a regulatory and co-ordinating role (Theakston 1995: 48), 'more passive and judicial administrators … "no objection" men' (Nairne 1982: 77) – as distinct from a more positive, innovative and managerially-activist approach.

Next Steps and the move to agencies has in many ways increased rather than decreased the managerial role of the permanent secretaries, pulling them away from detailed engagement with operations but changing their role into one of giving strategic and symbolic leadership. David Walker has likened the modern permanent secretary to 'an administrative Black Belt, able to read a balance sheet while giving sensitive attention to personnel while offering ministers acute and politically nuanced advice on highly complicated [policy] questions' (*Times*, 5 Oct. 1995). In this context, someone like Evelyn Sharp would have been out of place in modern Whitehall because today's giant departments like the Department of the Environment, Transport and the Regions cannot be run in the sort of informal and single-handed way she ran her ministry. Many departments now have a 'management board', chaired by the permanent secretary, bringing together the senior officials in the department and its agencies. Some insiders downplay this development, referring to 'two or three hours of structured gossip', 'the difficulty [in] finding anything the board could manage … other than housekeeping tasks' (Lewis 1997: 35–6, 121–2), or 'sitting in a room with the permanent secretary and his immediate deputies discussing the colour of the new floor tiles in the office for well over an hour' (private information). But the job of ensuring 'the strategic lines are in place is mentioned more positively' (*Times*, 5 Oct. 1995), or using the board as a device to keep increasingly disaggregated and 'federal' departments (and their agencies) moving along together (Barberis 1996: 55). The management revolution of the 1980s and 90s has in fact forced permanent secretaries to take personal responsibility for the organisation and functioning of their departments in a way unknown to their predecessors.

Top civil servants are now also leading in a more visible fashion than in the past. In the early 1960s, permanent secretaries could seem 'very grand and remote individuals' to their staffs, recalls Valerie Strachan. 'My predecessors, up till very recently, would have been astounded to see their names in the papers. For me it is part of the job' (Strachan 1996: 69–71). In the late-1950s Robert Hall, then the government's chief economic adviser, was struck by how little press attention top civil service appointments and promotions attracted – a tribute, he thought, to the *éminence grise* character of senior officials (Cairncross 1991: 219). These days the leading officials are less 'anonymous' than their predecessors, and have a somewhat higher public profile. Norman Brook could get away with

refusing to co-operate with newspapers wanting to publish stories about him, but from William Armstrong onwards successive Heads of the Civil Service have made themselves more available to the media. Other senior mandarins (such as Peter Middleton and Terry Burns at the Treasury in the 1980s and 90s) have also cultivated the press. The greater exposure may well be inevitable and desirable in the context of more open government, but does present targets for outside critics and carries the risk of perceived over-identification with current ministerial office-holders and policies, as William Armstrong and Robert Armstrong discovered in different ways. It can still be much safer for top civil servants to play the 'statesman-in-disguise' role behind closed doors than to take on a more visible leadership role.

Conclusion

This project claims that the study of the civil service and of bureaucractic leadership are advanced by studying the example of particular leading civil servants from a historical and biographical perspective. Debate about the figures chosen for study ('why not "X", "Y", or "Z", instead?'), or about the relative importance of individual people and institutions in a bureaucratic setting, only underlines the importance of what the project has tried to do.

The chapter seeks to fill major gaps in our historical understanding of the civil service. Moreover, we can generalise from the biographical case studies to illustrate the changing role of permanent secretaries in the Whitehall system, picking out important developments over time. The case studies also show the difficulties of and obstacles to 'transformational' leadership in Whitehall and suggest that the guardianship role of the administrative 'conservator' provides a more fruitful framework for thinking about the style and purposes of bureaucratic leadership in the British civil service. As we have seen from the 1980s onwards, of course, if politicians want 'frame-breaking' (Terry 1995: 62) institutional change in public bureaucracies badly enough, they will get it. Administrative 'conservators' will in the long-run not be able to stop them, certainly if the political pressure is maintained over a long period of time. At most, they will be able to influence, modify or tone down reform initiatives. Biography can illustrate the 'micro' politics of administrative leadership and reform, and help evaluate meso-level theories of these processes, too.

The future research agenda utilising this approach is potentially large and branches out in a number of directions. First, patterns of leadership over time in a particular department or agency could be examined, to bring out the interconnections between: individual personality, skill and style on the part of successive office-holders; institutional factors; and the changing environment (for example, Hargrove 1994 on the TVA; McQuail 1995 on DOE). Second, there could be studies of personnel at different levels of the hierarchy (for example, key middle-rank officials operating in defined policy communities or networks) and/or different tiers of government (for example, quangocrats, local council chiefs, Eurocrats, and so on – see Theakston (ed.) 1999). And third, there is scope

to use comparative biography to explore issues and themes other than the problems of bureaucratic leadership, as the Cooper and Wright (1992) collection of essays on US administrators and the ethics of public administration shows (and here a parallel British analysis would be valuable).

We need more biographical research as an antidote to anonymous 'institutional history' and desiccated administrative theories. It is not necessary to sign up to some sort of Carlyle-type 'great men' (*sic*) theory to believe that biography can provide at least as much insight into public administration as, say, large-scale statistical studies or abstract model-building.

8
The Changing Role of Central Government Departments[*]

Martin J. Smith, David Richards and David Marsh

Introduction

Government departments are the key policy making institutions in British politics. Their primary role is to act as administrative units for British government, but, in addition, they also provide the focus of most policy processes. Despite their importance to the operation of the core executive, the functions of ministers, the development and implementation of policy, they have been much neglected as an area of academic study. Most attention has been paid to the role of the prime minister and Cabinet, while analyses of departments themselves remain few and far between (notable exceptions are Heclo and Wildavsky 1974; Rose 1988 and Hennessy 1989). Indeed, notions of prime ministerial government (King 1985; Hennessy 1986) and even presidentialism (Foley 1992; Pryce 1998) have skewed both the development of research in this area and the understanding of the operation of government.

Hence, the background to this research was, first, the premise that in the majority of policy areas, departments more often than not provide the terrain on which policy is made. Second, there is a lack of comprehensive and detailed analysis of the operations of central government departments. Third, most of the extant work on departments is highly descriptive (see Willson 1955) and therefore we were concerned with developing a more rigorous, analytical account of the operation of departments. The work of James (1992), Rhodes and Dunleavy (1995), Campbell and Wilson (1995) and Burch and Holliday (1996) started to develop more theoretically informed and contextual accounts of central government and our intention was to develop these perspectives in the study of departments. The aim of this chapter is to give an overview of our findings (fully reported in Smith, Richards and Marsh 2000). This was a large project covering four departments and therefore the chapter can give only a brief summary of the full research. Initially, the chapter examines changes in departmental culture. It

then assesses the extent of change in departmental culture which, in turn, raises important questions concerning the role of ministers. There follows a brief discussion of ministers and the role of officials. The chapter then examines the nature of the policy process and policy networks in departments and the impact of managerialism. Finally, we analyse the impact of prime ministers on departments. We begin with a brief discussion of our chosen methodology.

Methods

The methodology we have adopted for our research has been the comparative case study approach. Elsewhere, quantitative approaches have been applied to departments and there has also been qualitative analyses of single departments. But the comparative case study method has not previously been used (Yin 1984).

Our approach was a comparative study of four departments – the Home Office, the Department of Trade and Industry, the Department of Social Security and the now defunct Department of Energy. We initially collected quantitative data on the size, functions, budgets and organisation of the four departments. This information was mainly taken from official government publications, although we were also privy to a number of internal, unpublished government documents.

However, the main source of material for our project has been drawn from 183 semi-structured interviews we conducted with ministers, civil servants and interest group representatives (see Table 8.1) who between 1974–97 had an association with our four departments. The interviews were conducted between October 1995 and August 1998.

It is important to stress that our research was not meant to be a behavioural study. Neither the civil service, nor Cabinet ministers are generally willing to allow observational studies. Moreover, interest group representatives tend to define their own world in terms of the impact, or in some cases, lack of impact, they have on a given policy area. Therefore, although we rely on in-depth, semi-structured, interviews, given that officials, ministers and interest group representatives provide subjective narratives of their actions, we are presenting their 'understandings' of the world (see Devine 1995; Richards 1996; Hay and Richards

Table 8.1 Breakdown of numbers interviewed

Grade	Retired	Contemporary
Civil servants		
Grade 1/1A	20	5
Grade 2	27	13
Grade 3	16	27
Grade 5-HEO	12	26
Cabinet ministers	22	
Interest group representatives	15	
Total number of interviews		183

1999; Smith, Richards and Marsh 2000). In this sense, our research cannot provide an objective picture but rather it is suggestive. We are attempting to present and analyse British political élite's interpretations of the world in which they operate. At the same time, we are very conscious of a failing in most analyses of this type, an emphasis on agency-orientated accounts and, more generally, a failure to consider the structural constraints within which public servants operate. In the course of our own interviews, we were therefore sensitised to the methodological problem that civil servants and ministers have a view of politics which emphasises agency and personality and so we, as researchers, needed to recognise and assess the structural constraints. However, the qualitative approach of using a large number of semi-structured interviews has proved of great use in providing a wealth of primary, empirical data for our chosen comparative case study method.

Departmental culture

The key finding of our research, supported by all our interviewees, is that it can be misleading for commentators to refer only to a single, unified, monolithic Whitehall culture. Every department has its own distinct culture which has evolved over the past 25 years, often much longer. It is necessary to develop a complex understanding of culture in Whitehall and this culture has become more complex with the changes that have occurred since 1979. Two examples are given below:

> One has to emphasise the surprising degree of continuity between the two different governments, which, despite the Thatcherite approach, remained unbroken up until Douglas Hurd left the Home Office in 1989. Indeed, the continuity remained intact from Jenkins in the sixties, all the way through to Hurd. During that time, the Home Office did have a sense of a great deal of continuity in what it was doing and what its approach should be. (Home Office official)

One former permanent secretary reported:

> In the Department of Trade there was a strong Cobdenite free trade ethos. And, I think it is fair to say that almost anyone who served in that department at any respectable level became infected with it, up to and including the Secretary of State. …

However, the degree of change has varied greatly from department to department. For example, Lord Young recalled:

> I think there was resistance. Officials would come to me and say 'David, this is all very well but after the next election all this is going to get changed back so we can't let things get changed too much.' Because we had this period of

trying to go one way and then the other. It was only after the 1983 victory with a majority of 140 and the dis-integration of Labour that officials began to realise that this was a way of life and things started to accelerate.

Despite the acceptance that departments had cultures, an important finding of the research was that within departments, there was no single unified culture. Given the nature of our interviewees, and the propositions developed in Marsh and Smith (1999) concerning the dialectical nature of policy networks, we adopted a 'social constructivist' approach to the issue of culture. From this perspective, cultures are sets of values, rules and beliefs which operate within a particular context. In the sense that organisations are metaphors, cultures create a thread of beliefs that hold the organisational elements together, despite the intersection of numerous networks and hierarchies, some of which may be spatially seperated – in terms of hierarchy and geography – from the core of the organisation.

Cultures are social creations which institutionalise previous patterns of behaviour. In this sense, they should not simply be regarded as 'corporate cultures', as they can be often depicted in large, multi-national firms and where the culture has been imposed from above. Instead, they should be conceived as competing sets of changing values, rules and beliefs (or narratives) fighting for dominance in sectors, subsectors, departments – and within Whitehall as a whole

This leads to two important points. First, there is no unified Whitehall culture, but there are cultures operating at the level of the élite civil service in Whitehall – at departmental and at divisional level – and often distinct cultures within agencies. Culture is fragmented across vertical subsystems and hierarchies. Those at the top of the organisation have a distinct and different culture from those at the bottom.

Second, culture is implicitly concerned with maintaining a system of power. A crucial element of the civil service culture is secrecy because a perception exists that to undermine the secret nature of the policy process would lead to poorly derived decisions. The role of secrecy in the civil service culture is made particularly important by the public service ethos (see Richards and Smith 2000). A key notion in the Whitehall culture is the public service ethos. A former Cabinet Secretary provides a clear testimony of such a disposition:

> I think one can try to define it [a public service ethos], try to make it articulate … but in the end it is going to be example that carries it through. I do not believe one can rely solely … on codes or guidances to do so … I think it would be impossible to try to prescribe in too much detail what flows from the sense of public service or the public service ethos.

Officials have traditionally been perceived, by their political masters, to have been conferred with integrity in their work. This, in turn, has enabled public servants to be regarded as politically neutral actors. Although the public service ethos has never been formally codified – indeed, due to its intangible nature it

cannot be – it has, until recently, established and re-confirmed the three mantras on which the modern day civil service was established – neutrality, anonymity and permanence. In so doing, the central pillar of the Whitehall culture – the public service ethos – has enabled officials to act in such a way as to provide an effective check on ministerial power. This role has been fundamental and is at the heart of the Whitehall/Westminster system.

A second element of the research, in terms of culture, has been the extent to which departmental cultures have changed. When examining departmental change, we are presented with a paradox: departments are involved in a continual process of having to adapt to new ministers and new circumstances and to undergo almost continuous organisational reform. However, at the same time, departments have particular cultures and policy biases (strategic selectivity) which persist over time and, while not determining policy, they do impact upon policy outcomes. Indeed, our departmental case studies indicate that major, cultural reorientation occurs rarely and only after periods in which external and internal pressures have combined with strategic intentions by key actors (see Richards and Smith 1999). Such circumstances present ministers – who possess strategic intentions – with an opening in which to impose a new direction on departments. However, institutional obstacles to change remain a constant force within departments. Hence, rarely have ministers re-orientated the policy bias of a department to the degree that, with their departure from office, this does not signal the restoration of the old departmental line.

There have been infrequent occasions in which paradigmatic shifts in departments do occur. They are not necessarily sudden. Generally, it is the case that they take a number of years to be fully realised (see Richards and Smith 1999). In three of our case studies, the Home Office, the Department of Trade and Industry and the Department of Social Security, external economic and political forces created pressures for change. These pressures, in turn, prompted the Cabinet ministers concerned – Joseph, Waddington and Fowler – to recognise that the constraints on them had altered and they set about attempting to change the direction of their respective departments. This set of ministers we refer to as agenda innovators, as they set in motion a process for altering a department's strategic selectivity. Yet, in all three cases, these agenda innovators failed to affect wholesale and lasting change. For instance, David Waddington confessed:

> I wasn't really there long enough to bring about major change and, particularly, with all the problems we had in prisons and the Strangeways affair, one did tend to be absolutely overwhelmed by events as they unfolded. There wasn't really a lot of chance to bring about radical change even if one had wanted to do so. But then again, we did just begin … it was when I was at the Home Office that we were shaping up to big decisions about introducing the private sector in to the running of prisons but the actual decisions were not being made.

Joseph lacked the political will; outside circumstances contrived to remove Waddington and Fowler from office. More latterly, in the DSS and DTI, it was

Young and Lilley who had strategic intentions, political will and the opportunity to change the departmental strategic selectivity. For example, in the case of Young, an official suggested:

> I think that Lord Young had a very big impact. I do not think that many of his predecessors did and I do not think that many of his successors have – even though there would like to be one exception to that, as Michael Heseltine had a great impact in terms of organisation and structure, but I'm not sure if that process hadn't really started sometime before and the reason he found quite fertile ground was because the process had actually started before he arrived so he wasn't an absolute step change.

For the Home Office, continuity in the strategic selectivity persisted into the early 1990s up to the appointment of Michael Howard. Yet, although we would tentatively proffer that subsequently, strategic change has occurred, we would err on the side of caution in suggesting that this change has become firmly embedded in the department. This caution leads to a further point; that it is only retrospectively – in particular after a certain number of years and normally well after the departure of the relevant Cabinet Minister – that a change in a department's strategic selectivity can be both identified and confirmed.

Thus we contend that it was Young, Howard and Lilley who were able to reorientate what Hennessy *et al.* (1997: 5) refer to as the department's 'prevailing world view' and so secured a paradigm shift and we refer to this set of ministers as 'agenda institutionalisers'. These ministers were able to make a lasting impact because: they were prepared to accept the costs of fundamental change; they had a strategic view of how the department should be reoriented; they were capable of building on the work done by the agenda initiators; and they enjoyed the support of the prime minister. Crucially, perhaps, they were working with the grain of internal and external pressures and, as such, were developing policies which reflected the changes in the economic and political order. Thus, they were making strategic calculations within a particular structural context. For instance, Lilley suggested in an interview:

> I took a deliberate decision that you could only get reform if you carried people with you and you can only carry people with you if you raise the profile of welfare reform and made it seem something that we needed to do. Which I thought we did but I thought we could convince people of that and that then once they take that general thesis then individual reforms would become easier.

There was a broad consensus among DSS officials that Lilley's period as Secretary of State did leave a clear mark:

> Lilley was a strategist who was prepared to think in the long term. Now because of the nature of Social Security, that is a highly unusual approach.

However, his approach worked and it got all of us to look at welfare through a
different set of glasses.

We would not, however, wish to argue that in order for strategic selectivity to
change, it is always necessary to have both an agenda innovator and, sub-
sequently, an agenda institutionaliser. We would suggest that there are probably
instances in other Whitehall departments where the strategic selectivity has
altered at the behest of one individual. However, our own case studies did not
reflect such a process. If, and where, this did arise, it would suggest that agenda
innovator could also be conceived as institutionaliser. Here, the issue is one both
of temporality and structure and agency. Therefore we leave open, as a possible
future avenue of exploration, whether or not it requires more than one minister
to secure a permanent change in the strategic selectivity of a department.
However, drawing on the new institutionalist literature concerning path depend-
ency interspersed with punctuated equilibrium (March and Olsen 1984; Hall and
Taylor 1996), we would postulate that, more often than not, the process would
require the input of more than a single minister.

The cases also highlight the impact of different departments and varying
ministerial styles. The Home Office, having a firmly embedded culture and being
well insulated from wider economic vicissitudes, was perhaps the most difficult
to change. Its officials were generally more successful at persuading ministers to
accept the departmental line. The DTI, possessing a culture whose nature, at
times, could be characterised as being Janus-faced has found itself much more
susceptible to frequent change. Clearly, there is a causal link between the porous
nature of a department's culture and its capacity to resist change.

It is also apparent that the differing styles of ministers is important. Michael
Howard chose to adopt a confrontational approach which, while producing
changes in departmental policy, also created antagonism and resistance among
Home Office officials. The passage of time will more properly allow us to reflect
on whether or not the Howard spell was successful in inculcating a new strategic
selectivity in the Home Office. Conversely, Peter Lilley adopted a more cautious
approach, listening to officials, thinking about the direction of the department
and building alliances. Consequently, he found his staff much more supportive
and, it would appear, that he successfully altered the policy bias of the depart-
ment. Both the DSS and the DTI highlight the extent to which changing strategic
selectivity is normally an incremental process.

Our case studies also raise a number of general points which require further
investigation. First, large-scale organisations can undergo radical changes in
direction, but paradigmatic shifts require a combination of time, circumstances
and the presence of particular types of actors. This highlights a second, impor-
tant point, emphasised by Hay (1997): 'in understanding change we need to
introduce a temporal element'. Consequently, we need to be sensitive, firstly, to
disjunctures between external pressures and departmental change, and, secondly,
between actors' intentions to change and the translation of intentions into
actions. There is no direct relationship between general pressures and change,

because change requires strategic intentions. At the same time, the strategies of actors are conceived within particular structural contexts which affect perceptions of choice.

The notion of disjunctures between pressure and change raises important questions related to the much debated extent to which Thatcherism had an impact. Our evidence illustrates that the Thatcherite project affected various areas of policy at different times: in the DTI, the impact occurred early on; more generally, for the whole of the department, the Thatcher administration changed the nature of the department in the mid-80s. In the DSS and the Home Office, it was the Major administration which fully implemented policy changes, initiated during the Thatcher era (Ludlam and Smith 1996). Consequently, one way of assessing the real, as opposed to the rhetorical, impact of Thatcherism would be to disaggregate across Whitehall departments. It is an oversimplification to see such change predominantly occurring only in the later years (Jessop 1988; Marsh and Rhodes 1992).

Finally, our case studies highlight the dissonance between structural, cultural and policy change. While these three variables are interdependent, it is not always possible to establish a direct, temporal causality between them. In the DTI, structural change did not initially produce cultural change. In the DSS on the other hand, structural and cultural change are closely interrelated. The Home Office experienced a number of policy initiatives in the early 1980s, but the culture persisted throughout that decade and into the 1990s. The theoretical links, then, between culture, structure and policy are difficult to disentangle without some reference to the empirical context.

These conclusions also raise some important issues concerning the role of ministers. Having identified the key role ministers play in changing the culture of departments, we then paid attention to their role and impact on departments. Here, we present four major findings:

- Ministers should not be divided between policy, managerial and ambassadorial roles (see Headey 1974). All of these roles are component parts of a minister's remit and indeed, all are mutually reinforcing.
- All ministers have a policy role and this policy role has cumulatively increased in the last three decades. Partly because of ideology, partly because of external advice and partly because of increased public scrutiny of government activity, ministers now have more concern with formulating effective policy and making a difference.
- The impact of ministers depends on four main factors: the nature of the minister; the nature of the department; the relationships between the minister and the prime minister and the wider political and economic context. We contend that the impact of a minister is not solely dependent on his or her perception of the ministerial role, but it develops within a particular context and a certain set of structural relations.
- For Headey, the most proactive ministers were policy initiators. We would argue that there are two sets of ministers who do more than initiate policy,

they actually shift the policy bias of the department. Although they are not necessarily mutually exclusive, we have labelled these two categories of ministers – agenda innovators and institutionalisers. As we saw above, the net result of their actions is that they impact upon the previously embedded culture of the department.

The power of the civil service

The emphasis on the role of ministers and the argument that their policy role has increased raises an issue which is central to the understanding of departments: the nature and extent of civil service power. Civil service power presents a conundrum in core executive studies. Organisational and rational choice literature emphasises the concentration of resources which bureaucracy commands and suggest that it is the permanent officials who are able to dominate the temporarily appointed ministers. However, the observations of such Whitehall watchers as Chapman, Fry, Hennessy, Ridley and Theakston, as well as the accounts from our interviews, continually emphasise the loyalty of officials. Here, our interviews suggest that ministers 'have no problems' in controlling their officials. With a few exceptions, generally from Labour politicians in the 1970s, ministers always countered the notion that it was the officials who possessed the whip hand. However, such a view is counterintuitive for a number of reasons:

- Officials are permanent, ministers are temporary.
- Officials have expertise, knowledge and command of information which ministers lack.
- Officials control the bureaucratic machinery.
- Ministers have limited capacity to deal with issues in departments and therefore the majority of decisions are made by officials. In certain areas, for example, trade, officials are making relatively high-level decisions on when to give way over tariff negotiations.
- Put another way, many officials have the luxury of concentrating their energies in only one policy area. For a minister, time is scarce and often he or she has to deal not with specific policy, but the totality of the development of departmental policy, as well as divesting time to other functions for example, Cabinet, Parliament, Party work and media/PR relations, etc.

The Scott report (and the inquiries into Sandline [the illegal export of arms to Sierra Leone] and BSE) indicated occasions when officials have not fully informed ministers of the facts and, indeed, made decisions that were contrary to the wishes of ministers. However, our research revealed only a few isolated occasions when this occurred. For example:

Tony Benn was misled over issues concerning nuclear power and more generally there were occasions when officials thwarted his policies. As one official admitted:

to return to your question, did I brief him wrongly – to the best of my ability not, but historically yes because if you look at the cabinet papers I remember

drafting an annex to one of the papers which I now know is wrong. The CGB had all the information and they were in an enormously powerful position and the economics of nuclear power were not accurately presented.

Another official stated:

You asked me earlier whether it was true that officials frustrated Benn. Yes, it is true in one particular, very limited sense. That where Benn was going off on policy lines that were not those of the Cabinet … we did try to undermine Benn's attempts to undermine the Cabinet.

Norman Tebbit admitted that one official refused to change regional policy and the policy could only be changed by removing the official. According to Tebbit:

The trouble I had was over things like regional policy where we had an exceptionally able woman who was the Deputy or Assistant Secretary and she knew and understood the area and had been involved with the policy for years and was quite emotional about it and the idea of it being scrapped … I think I could not have made it harder for her, if I'd told her I was going to slaughter her first born. I then realised there was a strong case for moving people in order that they did not get emotionally attached to a policy area. She went on in the civil service and had a successful career, but I just could not get her to accept new ideas in that area, so I moved her.

Patrick Jenkin stated that an official misled him on the financial cost of changing the earnings limit for pensioners. We suggest that to explain the above examples, it is necessary to reconceptualise civil service power.

Reconceptualising civil service power

Both officials and ministers have a strong interest in maintaining the view that officials advise and ministers decide

To admit otherwise would be to suggest that ministers were not decisive politicians and that officials were neither neutral nor acting with integrity. Moreover, it would expose both officials and ministers to important questions concerning the nature of accountability. If officials were making decisions, they would have to be directly accountable.

Officials are, except in exceptional circumstances, loyal to ministers

This loyalty is crucial for two reasons:

a)   Officials' interests reside in the success of the department. For the department to do well, ministers have to do well. Therefore, officials exist to see that their minister is successful. The role of the official is highly political

because it is concerned with protecting the minister from political flack, both in the context of Whitehall power games, and also the wider political arena.

b)   Officials cannot act without ministerial cover and therefore they give loyalty to ministers, in return for ministers providing the trust to allow them to act without continual ministerial direction. Official power is not identified as a problem by ministers because their own perceived position of ascendancy appears not to be challenged. The minister's own understanding of the relationship therefore remains as the constitutionally proper 'master–courtier' caricature.

Officials operate on a different level to ministers

Ministers are concerned with particular policy decisions and officials are concerned with making decisions within a constitutionally informed framework. As long as they have ministerial [and therefore constitutional] cover, they have considerable autonomy. What officials do not do is oppose ministers, but through their reproduction of the Whitehall game and the delivering of 'facts' to the minister, they determine the terrain on which ministers operate. In so doing, they are then empowered to undertake decisions within an accepted [i.e. constitutionally proper] framework of what is perceived as the general goals of the ministers.

However, there is an important sense in which the role of officials have changed. Officials do have less autonomy than they used to. One former permanent secretary at the Home Office suggested that in the 1950s and 1960s a minister's basic function was to carry out the will of officials. Another official in the DTI confirmed:

> My clear impression is that civil servants had much more weight in 1947. The then permanent secretaries were powerful. Donald Ferguson had a major influence on the promulgation of policy … It was clearly established that in the Minister's absence the permanent secretary was in charge of the Department and I think that they had very great weight in the promulgation of policy and that probably continued through to the 1960s. … From the 1970s onwards the influence of civil servants did become less.

However, such a view suffers both from over simplification and the distorting effect of cognitive dissonance. The influence of officials on policy has remained important but varying with department and ministers. Officials continue to play a significant role in defining the nature of problems, the 'facts' and the viability of solutions. Interestingly, much of the advice that officials do provide is political advice rather than policy advice. Officials are good at advising ministers how to obfuscate issues to disarm the opposition, but the quality of their policy advice is often variable. For instance, Nigel Lawson observed: 'In the Department of Energy the general quality was pretty average and sometimes, even down right poor'.

Policy networks and the policy process

An examination of the roles of officials in policy networks and the policy process is crucial in developing an understanding of their power. Two important findings came from this research:

1. the variable nature of the policy process;
2. the difficulty of applying formalised notions of policy networks to Whitehall.

The variable nature of the policy process

Despite attempts to standardise policy making and to ensure rational processes of policy making from Fulton to Blair, the nature of the policy process changes frequently across time, policy area, department, officials and ministers. There is no single or standardised form of policy making in government departments. The most common methods of developing policy were:

1. To identify a problem and for an official – usually a grade 7, but there was variation from department to department – to review the evidence, consult interests and develop proposals which will then go to a grade 3 or grade 2 before being presented to a minister. One example is in the development of the Public Order Act. 'The genesis of that review was a very specific event … the murder of Blair Peach'. For over five years the review progressed very slowly until an official was asked to draft proposals for a White Paper. The official was then charged with reviewing the existing legislation and consulting relevant bodies and he 'set up a consultative group which met very intensively over my first three months.'
2. Identify a problem and establish a committee to review and consult before reporting to a grade 2 or 3 or in some cases the minister. In health and social security policy, it has been relatively common when developing major change to establish a formal committee involving ministers, officials and outside experts to review policy and develop policy proposals. The Fowler review set-up 'review teams' which took evidence of various elements of social security policy. Some of these teams were chaired by the Secretary of State and involved outside experts.
3. Respond to a problem identified by an agency at operational level – this was the case over the payment of the job seekers allowance. Agencies play a crucial role in identifying problems with implementation, anomalies in policy outcomes and contradictions in policy goals. Often, if they identify these problems in a non-political manner, they can be fairly successful at persuading the parent department to review the policy.
4. A response to a crisis: an example here is the Football Supporters Bill. There are great expectations on ministers to respond when things go wrong and this is particularly true in the Home Office when the media pays a great deal of attention to issues of law and order. The consequence is that ministers are

often required to act quickly and legislation is to some extent made on the hoof. Thatcher responded directly to incidence of football hooliganism by pushing forward the Football Supporters Bill. Its intention to create a membership scheme and the general difficulties of the scheme were revealed in the more considered review of the Taylor committee following the Hillsborough disaster and the proposals were dropped.

5. A policy developed within the department and pressed on the minister. The classic example of such policy making is the abolition of retail price maintenance which the Department of Trade kept urging on ministers until it was finally accepted by Ted Heath (Bruce-Gardyne and Lawson 1976). More recent examples are the decision to build Pressurised Water Reactors which the Department of Energy first urged on Tony Benn, who resisted, but they were accepted by David Howell. In the 1980s and 1990s, the DTI developed an information technology policy (the information society initiatives) which it presented to ministers.

6. Policies developed by a minister through either ideology or as a response to a particular problem: this was Lilley's approach in the DSS. Lilley was clear that he wished to reform social security because he thought that there should be less reliance on state provision. Consequently, he was the main force behind policy reforms that occurred in social security policy in the 1990s.

It is also important to note that there is a great deal of variation in the manner in which policy is made in each department and, despite notions of a standardised civil service, departments have a great deal of autonomy in how they organise themselves.

Policy networks in Whitehall

The variable nature of policy making emphasises the difficulty of applying policy networks to Whitehall. Although there are clearly recognisable policy networks, rarely are they stable over a long period of time. While there are a limited number of stable and well institutionalised networks – for example, the relationship between the Association of Chief Police Officers (ACPO) and the Home Office – the majority of networks are temporary, flexible and fast moving. As one Home Office official said: 'Yes there are a lot of policy networks but they are very individual in the Home Office'. The fluid nature of the networks in Whitehall is possible (while retaining an identity of networks) because the rules of the game are well established and when an official joins a network, he or she knows how to act and is aware of the sets of beliefs which underpin the system.

According to one official, these networks are relatively fragmented because they cross Whitehall:

Between the department and the Whitehall community, there were lots of horizontal linkages. They would start from a particular policy area of the

department and (in the case of homelessness) end up in casualty departments, housing interests which take you into the Department of Housing side of the Environment, local authority interests which takes you into the local authority side of the DoE, income support, social security interests because they are paying all the bills, the voluntary sector, the Salvation Army, Crisis, Centre Point. Organisations like that are dealing with the homeless and they involve the Home Office because the Home Office then had responsibility for the voluntary sector and so it went on. If you go to the simplest, most self-contained policy issue which just ran across all Whitehall but actually began in the Department of Health – just think of AIDS, which if you had to find one person in Whitehall who was AIDS king it was the Chief Medical Officer. But every permanent secretary was represented on a committee which at a ministerial level William Whitelaw chaired or the Cabinet Secretary – Robert Armstrong.

Networks in the core executive, as opposed to those between Whitehall and outside groups, have a number of specific features:

- The absolute boundary of who is included is relatively limited, but within Whitehall they tend to be messy and ill-defined and thus closer to issue networks than policy communities.
- Members of networks will often be institutionally defined. People with specific roles will have tasks which include them in particular networks. However, at the same time some networks may be interpersonal and break down or change greatly with the removal of a particular individual.
- Many networks will be informal and will exist in order to overcome the rigidities of formal hierarchies.
- At different times and within different networks, both ministers and civil servants act as gatekeepers, determining who is part of and who is excluded from participation.
- If networks are more often informal, then the institutionalisation of power will occur more through cultures and values rather than through institutional forms. Thus as Heclo and Wildavsky (1981) suggest, it is important to understand the actor's perceptions of the organisational forms which face them. It is also important to understand the way in which actors recreate those organisational forms (Giddens 1986).

Networks are important because much policy making and intra-organisational contact in central government is not through formal institutions but through contacts of informal networks. Therefore, it is important to understand how these networks operate and how they affect policy outcomes. Moreover, networks involve the institutionalisation of beliefs, values, cultures and particular forms of behaviour. They are organisations. Organisations shape attitudes (Perrow 1970) as well as behaviour. Networks result from repeated behaviour and, consequently, they relieve decision-makers from taking difficult decisions.

They simplify the policy process by limiting actions, problems and solutions (see Berger and Luckman 1967). They define roles and responses. In so doing, they are not neutral, but reflect past and present distributions of resources and conflicts. Thus, when a decision is made within a particular network, the decision is not made on the basis of a rational assessment of all the available information, but will reflect past practices, past conflicts and the culture and values of the decision-makers. In other words, networks are important because they affect policy outcomes. They are the structuration of organisational power as well as of past conflicts. In examining networks we are looking at how power relations are institutionalised (Marsh and Smith 1999).

Managerialism

The issue of managerialism is one of the most interesting and complex aspects of our research. It is clear that some departments (the DTI) have embraced the managerial ethos much more quickly than others (the Home Office). Thus, it was only really in the 1990s that the Home Office was willing to fully adapt to delegation and to making their managerial and policy structures much more flexible. Nevertheless, nearly all interviewees agreed that Whitehall and the role of an official had become more managerial 'over the last ten years'. With reductions in numbers and the delegating of budgets, a considerable part of the work of grades 1–3 can be regarded as managerial.

However, it is interesting that two outsiders – one who has gone on to a very senior position in the civil service – believe that there is much more rhetoric than reality to managerialism within the upper levels of Whitehall. One stated that, even in the 1980s:

> I detected much less of a management focus within the civil service. There was a lot of talk about management and had been for some time and that of course was why agencies were set up. … But really the civil service was still, and some would argue still is, dominated by policy mandarins: you got promotion; you were valued, if you were good at policy. If you weren't good at policy, they gave you a management job as a kind of second division career.

Nevertheless, our interviews did suggest significant changes in the roles of senior officials with those at the top (grades 1 and 2) being concerned with management and the policy making functions slipping down the hierarchy to grade 5, 7s and HEOs. One of the most interesting findings of our research was that our interpretation of managerialism raised a number of important questions about the distinction between policy and management. Nearly all senior officials are involved in both. Moreover, official have lost policy functions, both to politicians and to lower grades in the civil service. To give one quote, amongst many:

> As permanent secretary, I'm surprised at the amount of time which needs to be spent on management, given that many permanent secretaries over the

years have not given the impression that that was a key part of their role. Its very difficult to avoid pure management responsibilities; I mean, I wouldn't want to avoid them anyway, but I was surprised at how often they just hit my desk.

One permanent secretary said that before agencies, 50 per cent of his time was spent on policy and after Next Steps it was reduced to 30 per cent. Increasingly, across departments, it is the grade 7s who undertake detailed policy work and who brief ministers. There is a conscious attempt to move from a hierarchical bureaucracy to a more flexible approach. To quote one DSS official:

The name of the person on a submission would be the person who did the work. It might be an HEO or generally a grade seven. We have regulations, a boring set, the grade 7 pulled the briefings together and did the speech. The EOs and HEOs have done the briefing. They went to ministers yesterday and will sit in the House on Thursday evening and support it. I (grade 5) will not get involved.

There is no evidence in our interviews that the last 18 years has seen an increase in the policy function of senior officials.

Most interviewees support the view that the pressure for the creation of Next Steps agencies was politically, not bureaucratically, driven. In certain areas, for example, the Prison Service, there was extremely strong pressure by officials against reverting to agency status. However, the source of power behind the impetus for Next Steps came from the prime minister, using the Efficiency Unit as a vehicle for driving through the process of change. As one former grade 2 in the Home Office reported:

If the Prime Minister said she was going to do something it was going to be a brave minister who stood up to her. The reforms just went through. This was the power which Peter Kemp [Next Steps project manager] commanded and it stemmed from the full backing of the Prime Minister.

The role of the prime minister

Thus, the role of the prime minister in departments is crucial, particularly in the light of the growing literature on presidentialism. Our premise is that it is ministers and departments who develop policy proposals and if they have support from Cabinet colleagues, and/or the prime minister, they can usually succeed in securing the safe passage of their policy. Therefore, for the majority of policy, the impact of the prime minister is limited to a veto power (Blair, for example, has specific policy arenas where he wishes to be involved which means other areas receive much less attention). Policy-making, most of the time, goes on regardless of the prime minister. The impact of the prime minister on a department is highly variable, depending on the policy, the departmental minister and the

particular circumstances. The importance of this point is brought into focus by the comments of a former energy official, who later worked closely with Thatcher:

> I don't think she was anymore interested in energy than she was in other sub-jects that were going to be important. If I think back to my time in her office, the first year 1981, was mainly concerned about the rampant recession and the state of the economy and the management of the economy and manag-ing the political debate on all that. And indeed the 'wet' and 'dry' problem. The second year was dominated by the Falkland's War and during several months in which the war was fought she didn't do any domestic business at all and the third year was mainly about winning the election.

It is ministers and departments which have the resources and authority to make policy and it is difficult for prime ministers to use departments as mech-anisms for achieving their own policy goals (hence the perennial concerns arising in the Heath, Wilson, Callaghan, Thatcher, Major, and most recently, Blair governments over improving central co-ordination and countering departmentalism).

However, there are exceptions. The prime minister can use his or her authority to intervene in a particular area of interest. This method cannot be used often, or consistently, but it does mean that, on occasions, the prime minister can direct policy. One interviewee, a former Cabinet Secretary, observed that:

> Any Prime Minister, if she or he wishes to exert influence, can have it. You can either do it publicly like Mr Major has been doing with Mrs Shephard just recently or you can do it behind the scenes. It tends to be a shift within policy rather than a shift between policy. There's nothing sinister about it, you still have the policy, the broad lines of policy established reasonably rationally, as it were, in inter-ministerial discussions. But … a minister in charge of a depart-ment really quite likes to know if the Prime Minister takes a different view on a particular thing. …

The most effective form of direct intervention is through bilateral agreements with a minister. There are mutual benefits for the prime minister and the minis-ter. The prime minister can have an impact on policy and the minister can develop policy with prime ministerial backing. Bilaterals are likely to be more effective if the minister is seen as sympathetic to the prime minister's policy goals. Therefore, premier's often attempt to influence policy through appointing colleagues who hold similar ideological preferences. The prime minister also has considerable influence through the organisation and use of Cabinet Committees because they provide the terrain on which major policy developments occur and for success in the committees it is useful for ministers to have prime ministerial support. Two areas where the prime minister does have considerable impact is in the event of a crisis, where the prime minister is usually expected to take a lead

and, second, in the organisation of government. Both these situations can provide the prime minister with significant opportunities for long term impact on the development of policy.

Conclusion

In order to understand the operation of the core executive, it is important to take departments seriously. They are where concentrations of political and bureaucratic resources are located and, as such, they both influence the development of policy and structure the behaviour of other actors within the core executive. They define the role of ministers and civil servants and even prime ministers have great difficulty in influencing policy outcomes without interacting with, and mediating the interests of, departments. Both ministers and prime ministers are highly dependent on departments.

This dependence emphasises the importance of culture because cultures are not just ways of working and ways of seeing, but they are the embodiment of ideologies and power. They frame how and why decisions are made and the nature of those decisions. Therefore, in understanding cultural change, and evaluating the degree of that change, we are analysing changes in power relations. Thus, changes in culture can be seen as affecting a number of important power relationships. First, the change in the Whitehall culture at a general level – shifts in grading, the threats to the public sector ethos, attempts at greater openness – change the nature of the relationships between ministers and officials and the roles they play. Officials have become subject to greater external audit and their role is increasingly managerial. These changes, combined with more policy orientated ministers, affects the balance of power between ministers and officials.

Second, the changes in the policy paradigms of departments has affected the policy biases of departments and, as a consequence, change the framework of action that is open to ministers. While officials are bound by their own conceptions of loyalty and the public service ethos, a minister with a clear strategy and the ability to build political and official support can – given time – make some significant changes both in policy and the culture of departments. Departments have changed and this has important consequences both for what officials do and what ministers do. However, it is apparent that, while departments have changed, the degree of change has not been as great as either those who suggest the rise of ministerial dominance (Foster and Plowden 1997), or those who claim the undermining of departments by presidentialism (Foley 1992; Pryce 1998) would have us believe. It is also the case that the degree of change has varied from department to department according to the responsibilities, structure and culture of departments and the nature and strategy of each minister.

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Part III
New Modes of Service Delivery

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9

Accounting and Accountability: an Historical Case Study of a Private–Public Partnership*

Noel Whiteside

Introduction

In recent years, demographic change, the advent of labour market flexibilities and the rise of neo-liberal economic orthodoxies have transformed the politics of welfare. This trend has thrown into question the feasibility of universal, state-funded health and social security, stimulating a quest for greater involvement of both private finance and market competition to promote efficiency. Quasi-market structures have been introduced into the NHS and the social services, which separate purchaser from provider and seek to secure greater responsiveness to client need and better value for the taxpayer's money (Bartlett *et al.* 1998). The search for savings to the public purse has fostered tighter administration of state social security, involving stricter controls over access to benefit and greater reliance on means tests, to 'target' resources to those most in need. Although this transformation was initiated by the Thatcher and Major governments, New Labour shows no intention of turning back the clock. In both the New Deal and Welfare to Work programmes, in the introduction of tax concessions to foster self-reliance (Individual Savings Accounts, Lifelong Learning Accounts, Working Families Tax Credits and the promised stakeholder pensions), the Blair government shows it is determined to reform welfare, to minimise benefit dependency and to make work pay. The way forward lies in 'public–private partnerships' to promote change.

The transformation of governance brought about by these and associated reforms has commanded much academic attention. The involvement of ostensibly private agencies in the delivery of public services, the greater reliance on markets to secure efficiency savings while realising policy objectives, has blurred the boundaries of the state, causing a marked expansion of state regulation of what is now ostensibly private business. In the area of state welfare, the changes included the quasi-privatisation of previously state-run bodies (ranging from the

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creation of hospital trusts through to the Benefits Agency). However, policy is also initiating reforms which utilise the private sector in state-sponsored schemes of social security, such as pensions (HMSO 1998). Although often characterised as part of the trend towards privatisation, new relations between government and the financial services industry can also be interpreted as a colonisation of the private sector by the state for its own policy purposes. We might visualise the future publication of performance indicators and tables displaying the comparative competencies of various insurance providers and equity trusts offering stakeholder pensions in much the same manner as the school GCSE tables and assessments of university research performance. Currently confined to pension reform, this type of initiative may be applied to other areas: to long-term care for the elderly, for example, where a drive for public expenditure savings may also encourage policies to stimulate private insurance, allowing means tests to be tightened for applicants seeking public-sector funding.

The public–private partnerships created by such arrangements merge public policy and private business. The mis-selling of private pension plans after the 1986 Social Security Act – when several thousand contributors to existing schemes were wrongly persuaded by over-eager insurance agents to abandon them in favour of a personal pension – has proved salutary. The experience demonstrated the shortcomings of free market competition as a sole guarantor of effective provision; the powers of the industry's regulator (the Financial Services Agency) have been strengthened accordingly. As the state becomes more involved with private sector performance – as it will with stakeholder pensions – regulation will become more elaborate; the government's reputation rests on the success or failure of the policies it introduces. In similar vein, programmes of privatisation and the creation of quasi-markets in the NHS, the social services and other previously state-run sectors, have witnessed the extension of regulatory mechanisms and agencies – to 'regulate in' policy objectives to the new markets created by government. Public audit exposes the strengths and weaknesses of these markets: People's Panels assess public satisfaction with privatised arrangements, allowing government to amend regulations or create sanctions as required. Regulation becomes politicised: private sector performance becomes closely associated with the government's own and is subject to more detailed official scrutiny and inspection. Official interventions can go well beyond the enforcement of good practice: the very identity of 'good practice' can be modified to bring a programme into step with other political objectives. Many problems arise from issues of equity, which a market-based system of service delivery – reliant on comparative performance between various providers – will not generate. Mr Blair's Social Exclusion Unit is tackling problems consequent on leaving the poorest people on sink estates with few amenities and the least efficient services. State regulation is necessary to prevent market providers behaving in ways they consider 'natural' – by cutting off services such as water or electricity supply to households who do not pay their bills, for example. 'Market' performance is skewed to meet political objectives; the separation of state and market becomes hard to sustain.

At what point does state regulation transform a private concern into a public agency? Market mechanisms have infiltrated the governing process; more insidious is government's infiltration of market operations. New systems raise questions of accountability (of both industry and regulator), and of how efficient regulation is to be guaranteed. How are obligations to voters and Parliament on the one hand, to shareholders and customers on the other, to be reconciled? A publicly subsidised system should be publicly accountable to prevent opportunism (the use of public funds to generate private profit), to promote good practice and to ensure equity. Yet private business must account to its shareholders who expect a return on their investment. This chapter explores potential problems that may arise from conflicting responsibilities in public–private partnerships. It looks back at the experience of a similar arrangement which provided social security and medical care for working people in interwar Britain. Under the National Health Insurance (NHI) scheme, which administered both social security benefits and basic health care to workers between 1912 and 1948, private 'approved societies' competed for members, offering statutory medical treatments and cash benefits in return for a fixed tri-partite contribution provided by employer, employee and the state. These societies combined public provision with incentives to private protection, operating under the supervision of the Ministry of Health.

Of course we know that circumstances in interwar Britain were not the same as they are today. The responsibilities of government for prewar welfare were residual: those who could afford to pay were required to pay, a situation which only changed with the advent of the mixed economy and universalism in state welfare in the late 1940s. Before the war, separate statutory social insurance schemes – providing benefits for the unemployed, the sick and (from 1925) the elderly, widows and orphans – were confined to the working class. Publicly funded health services, run by local authorities, operated alongside the NHI scheme; these ran maternity and infant welfare clinics, school medical services, institutional care for specified infectious diseases and so on. Yet throughout this period, middle-class consumers paid their own medical bills and were excluded from statutory protection. However, the interwar era, with its high unemployment and strict constraints on public expenditure, bears some resemblance to our own. Then as now, industrial recession increased the numbers dependent on the public purse, stimulating policies to reduce state liabilities by restricting access to state benefits, to limit Exchequer subsidies, to foster voluntary and charitable agencies, to promote private provision of welfare. Administrative efficiency and cost effectiveness were at a premium. Without arguing that history repeats itself, this chapter suggests that similar policy perspectives in the two periods have generated administrative structures which display similar strengths and weaknesses. The next section explores National Health Insurance as a private–public partnership; the one that follows looks at the effects of government regulation on market performance. The final section draws some conclusions from historical experience and relates them to current developments.

National Health Insurance: structures of accountability

First, the structure and operation of the National Health Insurance Scheme need to be clarified. This scheme, the brainchild of Lloyd George, lasted from 1912 until 1948 – combining what we would now classify as social security benefits and a rudimentary health service. It offered basic GP care and sickness benefits in return for a tri-partite contribution from employers, workers earning less than a specified minimum each year, and the state. After 26 weeks, sickness benefit was transformed into disability benefit at half the previous rate: a change designed to prevent 'malingering' by forcing all but the most desperate to return to work. The scheme covered the workers themselves but not their families and dependants. In addition to those included by statute, the scheme was open to voluntary contributors – about 640 000 were included by 1936 (Political and Economic Planning 1937: 198–9).

The scheme was administered by centrally registered 'approved' societies (friendly societies, industrial insurance companies and a few trade unions) which administered benefits, paid the 'panel' doctors and dispensaries through local insurance committees and managed the day-to-day running of the scheme. Approved societies were non-profit making. Their original purpose was to promote the democratic involvement of working-class contributors in managing the funds, to extend established friendly society traditions of mutual protection, and to offer choice. While all societies were obliged to provide the statutory minimum cover, the larger, richer societies could – with official approval – attract new recruits by using profits made under the scheme to offer additional benefits (mostly ophthalmic and dental care, specialist services or extra cash payments). These benefits encouraged careful administration to safeguard society balances because they attracted new recruits. Even so, societies tended to help claimants because callous treatment could alienate prospective members. Participation in the public scheme fostered private interests; societies sought, with official endorsement, to encourage members to purchase private policies in order to top up the public one and it is through the extension of this private business that the industrial insurance companies made their profits. The numbers covered by NHI expanded from around 11.5 million in 1912 to 20.264 million in 1938 (out of a total population of 47.5 million) (Ministry of Health 1939: 32–4) – an expansion explained by population growth, by raising of the ceiling of minimum annual earnings to £250 in 1920, by the rising numbers of women covered by the scheme (from 3.68 million in 1912 to 6.11 million in 1938) (Beveridge Report 1942–3, tables I and II: p. 25).

From the start, societies were directly accountable to central government for all expenditure. All society monies accruing under the scheme ended up in the coffers of the Ministry of Health. Employers purchased stamps from the GPO, stuck them each week in the NHI book of each employee (deducting the worker's contribution from wages). When full, the book was returned to the worker's chosen approved society, which returned it to the ministry as proof of income – which, in turn, credited that society's account held in Whitehall. Actual cash was

only paid over on receipt of six-monthly audited accounts; every audit was carried out by a new government auditing department, created specifically for this purpose. As societies were reimbursed retrospectively, any expenditure deemed 'improper' (which did not conform to central regulations or society rules) was not repaid. Every five years, the Government Actuary – who was charged with securing the financial viability of each individual society – used these audited accounts to predict future profitability. His valuations determined the amount of future profit to be used to fund additional benefits, the amount to be held centrally in contingency funds, the amount to be dedicated to investments – both by the society itself and by central government on its behalf. Contrary to historical opinion (for example, Gilbert 1970), the system made it impossible for NHI profits to be transferred to the pockets of society officials or to shareholders or to anyone else. Private profit came from the sale of supplementary policies alone.

Lloyd George always intended that the approved societies should be self governing and that, following the principles of mutuality and friendly society tradition, their assets would be the property of their members. Central regulation would guarantee the efficient administration of these assets; profits would fund additional benefits for all members under whose influence the scope of medical care would expand. NHI was designed to extend the advantages of trade union and friendly society membership, hitherto confined to skilled and 'respectable' workers, to all the labouring classes – thereby fostering democratic participation and collective responsibility. In 1911, 40 per cent of adult males (and 100 per cent of adult females) did not have the vote. In Lloyd George's own words:

> This Bill [the National Insurance Bill] marks an enormous advance. ... They [the labour movement] are right in fighting for their trade unions. They represent, on the whole, the best stock of the working classes ... this Bill benefits the poorer classes and it will do greater things for them than any Bill introduced for a great many years in this House. It will remove anxiety as to distress, it will heal, it will lift them up, it will give them a new hope. It will do more than that, because it will give them a new weapon which will enable them to organize and the most valuable thing is that the working classes will be organized – 15,000,000 of them – for the first time for their own purposes. (Lloyd George speech, 11 July 1911, cited in Grigg 1991: 337–8)

However, this proposed extension of collective empowerment struggled from the start. When the Liverpool Victoria collecting society, with three million members nationwide (one million in London) advertised its first annual general meeting in 1913, only 20 people turned up. 'That shows to my mind' their representative informed a departmental committee, 'that people are only concerned as to getting their benefits and that though the mutual idea is recognised in theory, it does not work out in practice'.[1] Proper friendly societies combined social protection with other activities; they expected members to attend branch meetings to deliver and collect their cards, staying to run society business. Inspection of

The Equitable (the society magazine of the Tunbridge Wells Friendly and Equitable Society) in the interwar years reveals the social side of friendly society activity. The journal is replete with notices of collective jollity: carnival dances, annual dinners and branch outings, bank holiday trips, seaside visits, juvenile tea entertainments and juvenile outings – showing how a healthy medium-sized friendly society in a prosperous part of the country responded to the social requirements of its membership and secured its next generation of recruits. Operating in an area of low unemployment and with few members in dangerous trades, this society subsidised 'extra-curricular' activities through high returns on investments under its control. For profitable societies, these interest payments could subsidise such additional activities, or offset disallowed reimbursement, or finance social events.

In the interwar years, however, commercial acumen and central business organisation prospered but working class mutuality did not. Among trade union approved societies, lack of commercial expertise, poor recruitment from the outset, the advent of high unemployment in coal mining, ironfounding, engineering, shipbuilding (all early areas of union growth), generated financial difficulties. During the interwar recession, workers with chronic conditions became 'residualised' as long-term claimants on disability benefit; of these, trade union societies recruiting in heavy industry had more than their share. With the exception of the London Compositors, trade union societies offered fewer additional benefits and were the most vociferous advocates of pooling all approved society profits to allow the rich ones to subsidise the poor. Following the 1926 General Strike, the National Association of Trade Union Approved Societies (NATUAS) initiated a drive to repair union organisation through the extension of approved society membership (similar to the initiatives being discussed within the TUC today); this initiative, unable to match the services and care of more prosperous societies, ultimately gained little ground.

In contrast, the industrial insurance companies' public and private business flourished. Starting from scratch, membership of approved societies run by commercial insurance covered nearly half of all contributors by the start of the Second World War. Voluntary insurance also grew on an unprecedented scale, particularly life insurance. By 1939, an average of 2.25 private policies existed for every UK citizen; premium income on these policies – at £74 million p.a. – was more than the total contributions of employers and employed to state schemes for health, unemployment and pensions combined.[2] Four out of five private policies were held by 14 major companies.[3] Of these, the Prudential was easily the largest, running four approved societies with a membership of over 4.3 million and holding 29 million private policies.[4] The 1942 Beveridge Report was highly critical of enormous profits from lapsed private policies, the amounts paid to shareholders and the expenses incurred by using insurance agents – arguing strongly (and endorsing the TUC view) that commercial interests should not be associated with the administration of state welfare (Harris 1977: Ch. 16). However, the personal touch provided by agents was popular. The individual attention and help they offered contrasted to the impersonal reception unemployed claimants received at the employment exchanges. Competition

fostered responsiveness; as approved society profits could only be spent on benefits, NHI activities could be used as a loss leader to attract private business, which raised the insurance agent's commission. ' … 'It has been frequently suggested to us' a departmental committee reported in 1914 'that the agent of industrial insurance societies is urged to an attitude of undue leniency with those with whom it is necessary he should live on amicable terms, if he is successfully to carry out his ordinary business' (HMSO 1914–16: 26). Friendly societies complained that commercial companies gave sickness benefits to all comers; societies who policed their members lost them. These commercial strategies might well explain why industrial insurance managed to attract more new recruits than the traditional friendly societies under the NHI scheme.

Other factors also explain the apparent triumph of commercial acumen over the principles of mutuality. Possibly, friendly societies contributed to their own decline. Entry requirements – commonly including a medical inspection – had long excluded members liable to prove a drain on the funds; tradition was slow to change. Working class mutuality had been successful when it was selective. In contrast, the industrial insurance companies admitted all comers. 'We have taken in the halt, the maim and the blind' the Prudential boasted to the Beveridge Committee in 1942 'and we have never asked for a medical certificate in respect of any person … '.[5] By contrast, the Tunbridge Wells Equitable rejected candidates in poor health and reviewed all with a history of tuberculosis in the family on a case-by-case basis. Insurance companies like the Prudential recruited extensively among unorganised workers, notably women who were previously ostracised by the mainstream friendly societies (or organised in separate sections), but who made up nearly one-third of the insured workforce by 1938. Lloyd George's vision of extending mutuality, independence and self governance down the income scale to the poorest working classes, proved illusory; friendly society membership was sustained, but not extended, under the scheme. By the 1940s, Mass Observation found the movement in a poor state, with low (or no) participation at meetings, an ageing membership and few new recruits. 'It used to be more fun in the good old days when we had sheepshead supper here and perhaps a hundred of us together' one old timer observed, following a meeting when only a dozen 60–70 year olds turned up 'The Government's cutting out all that friendliness' commented another. 'Meetings? Cor, no! We don't have none of them now.' And another, 'I'm just a member you know. I pay my subscriptions and that's all. It's a sort of insurance with me.' (Beveridge 1948: 22 and 25). A survey in the summer of 1947 found that over 80 per cent of members never attended branch meetings and that these were run by a small rump of the very old; friendly society participation among the young was in precipitate decline (*ibid*.: 76). Why friendly society mutuality and public accountability were being undermined is addressed in the following section.

Recession, regulation and politics

From the outset, friendly societies found their earlier autonomy severely circumscribed once they registered as approved societies. 'Our secretaries are simply

being converted into State officials … ' a Manchester Unity of Oddfellows representative complained in March 1914. 'It is said that the funds have been administered by self governing societies, but then we know as a matter of fact that they are not self governing.'[6] Before the passage of the 1911 National Insurance Act, a friendly society branch could determine the merits of a claim to benefit not merely on the claimant's contributory record and the presence (or otherwise) of a doctor's sick note, but also on local knowledge of the applicant's character and habits. Evidence of sexual permissiveness, such as venereal disease, or alcoholic over indulgence could disqualify a claim on the funds. Although local discretion could still be exercised over private claims, after the 1911 Act the newly created National Health Insurance Commissioners (who were appointed, not elected), determined the rules governing access to NHI benefits. Running two separate schemes in tandem (the public and the private), with different regulations, was too much to ask of the average branch secretary. Hence the central executive of a friendly society like the Manchester Unity began to police administration in its previously autonomous branches, to prevent state reimbursements disallowed by public audit from cutting into its central reserves. The introduction of central audit also required uniform systems of book-keeping, to permit the systematic review of society accounts. 'The requirements of the [NHI] Commissioners are varied and voluminous' the chairman reported to the Tunbridge Wells Equitable: 'The exceedingly intricate work has to be done their way, which in many respects is the reverse of an improvement on the tried and tested methods of the old Societies.'[7] The shift to more bureaucratic control proved a permanent feature of the scheme. The consequent damage that NHI regulatory mechanisms did to local discretion and local autonomy also explains the dwindling interest of local members in the management of society affairs.

Central controls were reinforced by the effects of the interwar recession. Unemployment rose, contributory income slumped and claims soared, thereby threatening society solvency. Between 1921 and 1927, sickness benefit claims rose by 50 per cent for women, 33 per cent for men;[8] these figures continued to mount in ensuing years. Rising sickness rates in an era of high unemployment can be explained by two principle factors, both of which have occurred again recently (Whiteside 1988). First, heavy industries in the depressed areas were shedding labour; these were major sources of industrial disease and accidents. Older and less productive (and less healthy) workers were the first to be laid off; in the context of a tightening labour market, these groups found greater difficulty in getting another job. Under such circumstances, a minor physical impairment became translated into a major medical complaint – particularly when the claimant found his chances of work ruined repeatedly because of it. Hence claims on the Unemployment Fund might be transferred to the approved societies, with rising numbers becoming residualised as long-term claimants during the Slump years of the early 1930s.

Second, changing access to unemployment benefits had a marked impact on sickness claims. During the six-month national coal stoppage of 1926, miners' claims to sickness benefits rose by over 60 per cent (HMSO 1931–2: 907). Other

strikes had similar effects. 'It cannot be doubted' commented the Welsh Board of Health following the miners' strike of 1931 'that many men capable of work were claiming sickness benefit simply because the pits were idle.'[9] Men on strike could not claim unemployment benefit, but the endemic poor health among pit workers made access to medical certification practically a routine matter. Further, as the Unemployment Fund went into deficit in 1922 and stayed that way until the mid-1930s, the Ministry of Labour – under pressure from the Treasury – 'tightened up' access to benefit. This strategy initiated a prolonged (and ultimately pointless) bout of claimant shuffling, involving not only the Ministries of Labour and Health, but also the Home Office (who dealt with workmen's compensation cases) and the Ministry of Pensions (who dealt with war pensions). As access to unemployment benefit was increasingly restricted, claims to health insurance rose, particularly from women workers (whose situation is described below). 'I do not expect the Ministry of Labour to listen to reason' the Government Actuary commented acidly as the 1930s Slump took its toll, 'but I am sure that the harsh conditions of Unemployment Insurance are responsible for a considerable part of the disablement benefits we are paying and, what is worse, for the destruction of the will to work which is producing so many human derelicts'.[10] Disputes concerning the proper status of claimants in less than perfect health (the bronchial, the pregnant, the rheumatic, the neurotic) continued to plague the process of classification and benefit administration. Such quarrels raised administrative costs, justifying the conclusion reached by Beveridge in 1942 that, to increase efficiency, state benefits should be united under a single ministry.

The political impact of the interwar recession also reconstructed the remit of approved society activity. First, political pressure from the Labour movement demanded that the rights of the unemployed under the NHI scheme should be protected. This contravened established society practice, under which unemployed members could claim health benefits for a limited period and were liable for accumulated contribution arrears on their return to work. Under a series of acts in the 1920s, the sick unemployed obtained extended access to medical care and sickness benefit, largely at approved society expense, without any obligation to repay arrears. By 1932, at the height of the Slump, these extensions were costing societies about £2 million a year;[11] rising liabilities took their toll on small, local societies – some collapsed under the strain before the government moved to offer limited support. By 1939, the unemployed could still claim 1–2 years free insurance; ten-year members could sustain NHI cover indefinitely, on an annual rolling basis (Ministry of Health 1939: 14–15). Second, even as their obligations increased, society income from the Exchequer was cut repeatedly – once in 1922 (following the Geddes Committee Report) and twice in 1925 (following the introduction of contributory pensions and the Economy Act). Years later, this still provoked anger, particularly among poorer societies, over monies 'filched by the Chancellor'.[12] These cuts were never restored. Finally, Treasury restrictions on public expenditure also allowed 'creative accountancy' to be applied to the management of society contingency funds held within

Whitehall. The value of these funds mounted considerably during the interwar years; by 1939, the accruing annual interest of £7 million was used to offset Exchequer liability under the scheme (£9 million p.a.).[13] Tight central control over society accounts meant public expenditure savings were given political priority over extensions in medical services or protection for dependants, contrary to Lloyd George's original intentions.

To protect society solvency, Ministry of Health officials sought to stem the tide of rising claims by restricting access to health benefits. Panel doctors became subject to stricter scrutiny, to contain problems of 'lax certification'. Societies whose balances appeared to be at risk were told to use sickness visitors to check whether members on the funds were really ill. State-salaried regional medical officers (RMOs) reassessed the medical status of long-term claimants; 'lax' societies became subject to official reports and pressure to improve their methods (through the systematic referral of long-term claims to the RMO). In Scotland, civil servants had no reservations about dealing directly with the panel doctors, who became subject to a marked degree of official bullying. Their case records were scrutinised, their certification practices inspected; they were subject to lectures on diagnosis, treatment and the evils of over-prescription and they were occasionally sued if they failed to follow the medical officer's advice. Not surprisingly, such tactics provoked further arguments with the Ministry of Labour as claimants of questionable fitness flooded back to the exchanges to register as unemployed.

The drive to reduce the numbers on approved society funds aimed primarily at women members, especially married women, who received more than their fair share of official attention. Women's claims had always been higher than men's. In 1914 they were about 25 per cent above the male standard rate. Evidence pointed to throat and lung problems, nervous debility, anaemia and 'women's diseases', all possible consequence of lower earnings (and poorer diet), a backlog of previously untreated sickness, as well as the effects of multiple pregnancies among the married minority. Their claims were considerably higher than those of their single sisters and came from the poorest households where low (or no) male wages required the wife to go out to work. Although the gap between male and female claim rates narrowed during the First World War, it reappeared in 1921 and continued to broaden during the rest of the decade (Gilbert 1970: 285–6). In 1928–30, women's claims were nearly double those of male members and those of married women alone were three times as great.[14] Reasons for this apparently swift deterioration in the health of working women reflect administrative factors as well as social ones. The Ministry of Labour launched an early, impressive attack on female claims to unemployment benefit: in 1921, a means test disqualified discretionary claims from anyone living in a household with someone in work – a regulation affecting unemployed daughters and wives and aimed specifically at ex-munitions workers. In 1922, under a new regulation, the employment exchanges were instructed to offer women claimants domestic service. This placed the claimant in a double bind – if she refused the job, her claim was disallowed because she had refused work she was physically capable of

doing and if she accepted it, she left the unemployment scheme as domestic service was not an 'insured trade'. Nor was it a very well paid one either – covering office cleaners, catering and pub staff as well as the tweenies and cooks. By the mid-1930s, domestic service ran second only to coal mining as the most common occupation among long-term claimants under NHI, indicating the effects of physical labour and low wages on these workers as well as their ineligibility to claim benefit as unemployed.

The Ministry of Health responded to the apparently rising incidence of female illness by trying to cut women's claims. Access for married women were first reduced in 1915, when special regulations limited the rights of the newly married to approved society support. Married women were the main targets for RMO surveillance, provoking extensive debate about whether pregnancy constituted 'sickness', which complications were 'normal', whether a mother-to-be was 'capable of work'. Here state policy contradicted itself: local authority infant and maternal welfare clinics considered wage-earning in late pregnancy undesirable while the RMOs (and the Commissioners) argued that pregnancy did not constitute physical incapacity for waged work or household duties (women on sickness benefit caught doing the housework had their claims disqualified). During the crisis imposed by the Slump, married female claims again came under scrutiny. 'The Approved Societies have discovered that married women are the worst "benefit spongers"' screamed *The People* on 19 April 1931 '… the funds are being taken advantage of by married women who are getting sickness benefit while at the same time engaging in their household duties'. Such attitudes helped pave the way for further cuts in female benefit rates under fresh legislation the following year; this meant that single women's contributions effectively subsidised the higher claim rate of their married female colleagues.

These developments illustrate how the apparently objective and impartial regulations governing social insurance, underwritten by the National Insurance Act in 1911, were reshaped during the interwar years in response to changing socio-economic circumstances and consequent political responses. While health insurance protection for the unemployed was extended and sustained on the grounds of their vulnerability and poverty, the rights of women workers – particularly married women workers – were repeatedly reduced. Other high-claiming groups, like pit workers, were not identified for such selective treatment. Miners, like the unemployed, were well organised and protected by the Labour movement; women workers did not pose the same political threat. However, neither Labour Party nor trade unionists proved influential enough to safeguard workers' rights under NHI against the consequences of incursions by the Treasury.

Political objectives and socio-economic influences reshaped NHI at the price of undermining society autonomy – a process reinforced by recession. Time made this position worse. Constant changes in regulations governing the rights of the unemployed with varying contributory status, of women claimants, of voluntary contributors or members aged over 65 – all increased the authority of those few Whitehall officials who governed the scheme while mystifying society secretaries and their members. By the early 1930s, only a handful of senior officials in the

Ministry of Health knew and understood all the regulations under which a health insurance claim could be kept alive. In consequence, it was easy for the ministry to change regulations governing access to benefit unilaterally: complicated rules that had accrued over time prevented informed debate in the Commons, the press or anywhere else. The Exchequer contribution was only paid on reimbursement of expenditure; interwar governments had a built-in incentive to reduce successful claims as far as possible. The societies were not inadequate administrators; on the contrary, they performed efficiently in ensuring the collection of contributions and here they were evidently better than the employment exchanges charged with the state-run unemployment insurance scheme. 'Sound' (meaning efficient) administration could secure profits to fund additional benefits and attract members.

Economic policy enforced through state audit of society accounts meant public expenditure constraints took priority over the extension of health services. Approved society evidence to the Royal Commission on Health Insurance in the mid-1920s demonstrates their eagerness to see medical services expand, an enthusiasm not shared by the Treasury. The original objectives the NHI scheme had been designed to meet were ignored; its administration became shaped by other priorities, discrediting both the scheme itself and the approved societies that served it. Unlike the position in Germany, where local societies were the direct recipients of their contributory income and remained relatively autonomous, health insurance failed to thrive in Britain. More disastrous still was the experience of NHI on the friendly society movement itself. Central surveillance undermined established systems of public accountability traditional to friendly societies, which had long involved active branch participation in both the formulation of rules and the assessment of claims. Central regulation meant that public accountability no longer operated through participatory democracy but through consumer choice; again, the scope of that choice was itself centrally determined. The consequent decline of mutuality in Britain contrasts markedly with the experience of working-class organisations in other European states. When Beveridge proposed the scheme's abolition in 1942, there was little public outcry. This experience of NHI as a private–public partnership does not bode well for the future and it is to this aspect of affairs that we now turn.

Conclusions

Central regulation of quasi-private provision was, over time, reshaped by changing circumstances and altered political priorities. In the long term, the funding and coverage of NHI were centrally decided and these decisions were 'regulated in' unilaterally. Increased regulatory complexity progressively reduced the scope for self governance. Society policy was determined by audit and accounts, not by public accountability; NHI members remained ignorant of debates and dialogue within Whitehall which decided the development of the health insurance scheme.

We might expect competition between societies and the principles of public choice to have offset this trend, making societies responsive to members'

demands. However, the scope and degree of market competition within NHI was limited. First, by the mid-1930s, thanks to central regulation, the differences between additional benefits offered by major societies to attract new recruits were small. These benefits usually took the form of cash payments to cover special medical costs: hence a new entrant could choose whether to join the Royal Liver (offering half-cost up to a maximum £5 on medical appliances) or the Hearts of Oak (offering full-cost up to £1 and half-cost thereafter), for example (Political and Economic Planning 1937: 204). Second, competition was contained by the creation of cartels. Following the 1911 Act, approved societies became federated into master associations for political purposes: NATUAS was founded in 1913, as was the Association of Approved Societies and the National Federation of Employers' Approved Societies, among others. These societies out-lawed member poaching and limited competition. Third, there is little evidence that working people acted in an economically rational way when deciding on which society to join. Choice was not shaped by the careful calculation of per-sonal advantage. Rather, new entrants tended to join the society already patron-ised by friends, workmates or family; a 1947 survey found that these factors determined choice in over 70 per cent of cases (Beveridge 1948: 75). This local fidelity allowed small societies to soldier on into the 1940s, offering benefits inferior to many commercial alternatives. While the number of agencies regis-tered as approved societies fell fast in the early years of the scheme, this fall was not the consequence of competition, but of the result of complexity and cost of complying with central regulations. The Tunbridge Wells Equitable's minutes in the early years record numerous instances of local societies, with membership under 100, requesting amalgamation for this reason. The impact of market com-petition in guaranteeing public accountability was apparently slight.

This conclusion does not imply that state regulation is destructive of market advantages because it obstructs agency responsiveness to client demand. The position is quite the reverse. Markets, in spite of what their apologists claim, are not natural phenomena; all are the product of historical evolution, of con-ventions governing the proper exchange of specific products, of collective expectations concerning ethically correct behaviour as well as the promotion of economic stability and growth. Much is inscribed in law. No market, in short, is 'free' of state regulation. Much of this regulation serves social purposes – ensur-ing that drugs, drinks and foodstuffs are safe for human consumption, for example, and otherwise protecting customers against what would be commonly defined as fraudulent behaviour. Such regulation is desirable and necessary; when people are swindled by an unscrupulous entrepreneur, the collective reac-tion is to request more regulatory protection, not less. Hence, the state is vested with the responsibility for determining the form and nature of market behaviour, for shaping it to accord with collective expectations of common justice – and for securing the general good. Even before the recent privatisation initiatives, governments regulated markets. The change in recent years is that the state has created markets (or rather quasi-markets) where none existed before – within the NHS and social services, for example – an initiative necessarily requiring a great

deal of 'creative' regulation to persuade the new agencies to behave in a manner conducive to politicians' expectations. The attractions of this new administrative model have been fully grasped by New Labour; government is now moving beyond the adaptation of state-created private agencies for policy purposes to establish similar regulatory mechanisms, to 'reform' pre-existent markets for similar ends. These recent changes represent a different instrument of public administration, but one as vulnerable to dictatorship from the centre as any state-run alternative. While the boundaries of the state have been 'rolled back' in one sense, the remit of policy has been extended in another, as government grants and subsidies are employed to reshape civic culture and economic life, to amend business behaviour in accordance with political goals – a process secured through the mechanism of the public audit.

This shift in governance stems from a project of social reform whose primary object is a restoration of personal responsibility and independence, to recreate self worth through rewarding initiative and entrepreneurship by, in Mr Blair's words, making work pay. The individual in work will (with tax incentives) be enabled to use (suitably regulated) private agencies to protect him or herself against the hazards of life such as invalidity and old age, allowing collective provision against social risk to become residualised for the very poor. This vision requires not only changing the habits and expectations of the general population, but also the reconstruction of both the working methods and objectives of private sector businesses and agencies active in the insurance field. There are arguments to suggest that individual self protection for most working people is neither economically feasible nor particularly efficient. Their evaluation has not been our concern here. Rather the purpose of this chapter has been to reveal how the process of audit, although initially intended as an instrument to remoralise society and its institutions (and here Lloyd George is as guilty as Mr Blair), is neither as objective nor as impartial as it might initially appear. It centralises authority and undermines public accountability, while also being infinitely adaptable to a wide variety of other, possibly unpopular, political ends.

Notes

1. Peters; 22 Oct. 1913: *Departmental Committee on sickness benefit claims under the National Insurance Act: minutes of evidence*, Cd 7690, Session 1914–16. (London: HMSO), p. 53
2. Beveridge draft: 56 (n.d. 1942); BP VIII/36/17, British Library of Political and Economic Science (BLPES).
3. Beveridge memo. To War Cabinet, 20 August 1942 pp. 2–3; BP VIII/36/21, BLPES.
4. Prudential memorandum to Beveridge Committee, May 1942; BP VIII/36/31 p. 2, BLPES.
5. Evidence to Beveridge by the National Confederation of Industrial Insurance Approved Societies, 25 March 1942: 30, CAB 87/77, Public Record Office (PRO).
6. Evidence Wright, 18 March 1914, Departmental Committee on sickness benefit claims under the National Insurance Act, Cd. 7689, Session 1914–16 (London: HMSO) pp. 77 and 78.
7. Chairman's Report to AGM, 12 May 1913, p. 71: PIN 24/153 PRO.
8. 'Report by the Government Actuary on Sickness and Disablement Experience 1921–7': PIN 4/27, PRO.

9. 'Report of the Welsh Board of Health for 12 December 1930–12 February 1931': PIN 3/42, PRO.
10. Watson to Kinnear, 1 March 1936, ACT 1/582, PRO.
11. Kinnear to Minister of Health, 26 February 1932: PIN 4/11, PRO.
12. AGM: NATUAS 1930, p. 9: MSS 292 155/1, Medical Records Centre (MRC), Warwick.
13. In 1938, over £220 million of society income was held in Whitehall as centralised reserve funds. Government Actuary 'Memo on Beveridge's Heads of Scheme': ACT 1/685, PRO.
14. Epps to Kinnear, 23 May 1932, ACT 1/483, PRO.

10
Modelling Institutional Change: the Making of Markets*

Janet Newman, Sue Richards and Paula Smith

Introduction

The 1980s and 1990s saw a number of attempts to reform the institutions of government in the UK. This chapter focuses on the impact of the White Paper *Competing for Quality* in 1991 which signalled the intention that the reform programme for the civil service should take a new direction, involving a major increase in the degree of private sector involvement in the work of central government. The research project on which the chapter is based studied the process of market testing and outsourcing – from the selection of activities to be tested to the procurement process, contract management and the development of partnerships. An earlier phase of our work reported on the origin and development of the market testing policy itself (Richards, Smith and Newman 1996).

The chapter explores ways in which the institutions of the civil service have been changed by the opening up of government to market mechanisms. Institutional change is concerned with changes to the 'rules of the game': the formal and informal rules, norms and conventions through which social action is shaped. The process may be resisted, contested and adapted as it unfolds. In a context in which decision making is dispersed around a wide range of actors, the outcomes cannot be predicted from the original policy goals: as March and Olsen comment, 'It is easier to produce change through shock than it is to control what combination of new institutions and practices will evolve from that shock' (March and Olsen 1989: 65).

Our research material reveals a variety of reactions as strongly driven change with firm political backing impacted on organisational and professional cultures antipathetic to using the market. We observed the capacity of institutions to re-shape the change agenda to decrease the threats posed by reforms. It could be argued that the impact of market testing was deflected by civil service institutions since initial targets were missed by a mile, costs often increased rather than

decreased, and in some areas performance worsened rather than improved. However we also observed a process of institutional change as lessons were learned, myths dispelled, prejudices overcome and new patterns of relationships between public and private sectors explored. Some of the rules of the game did change. More are in the process of changing now, partly as a result of market testing policy.

Theoretical framework

At an early stage of the project it became evident that new institutional theory might offer a fruitful theoretical framework. This body of theory draws on a wide range of disciplines, particularly economics, political science and organisational studies. Empirical work suggested that three strands of theory would be of particular salience for our project. The first explores the search for efficiency and the institutional frameworks through which economic processes are mediated (North 1990). The second highlights the role of power and interests in shaping outcomes, drawing on rational choice and bureau-shaping ideas (Niskanen 1971; Dunleavy 1991; Alford 1975; Ascher 1987). The third was drawn from organisational theory and focused on the social and cultural processes through which informal norms and customs are elaborated (Powell and diMaggio 1991; Meyer and Rowan 1991; Scott 1994).

These three approaches were used to develop a multi-layered understanding of the impact of the *Competing for Quality* programme on management and policy-making in central government, and enabled us to explore in some detail the interplay of the processes of 'rational action' and of 'norm-governed behaviour' in our case studies. Market testing policy sought to embed a new set of rules based on rational decisions about how best to use competition to secure efficiencies within the civil service. Williamson (1975) suggests that make or buy decisions in firms will be based on the least-cost alternative when total costs (that is, production costs plus transaction, monitoring, and contract management costs) are taken into consideration. This enables a proper comparison to be made between in-house provision and the provision of services through contract. However North (1990) argues that such decisions will be shaped by institutions, which he defines as:

> the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic. Institutional change shapes the way that societies evolve through time and hence is the key to understanding economic change. (North 1990: 3)

We want to highlight five key features of the new institutional framework, all of them important in understanding our data. First, institutions link 'structure' and 'agency'. In Lowndes' phrase, 'Institutions are devised by individuals, but in turn constrain their action' (Lowndes 1996: 182). This means that institutional

change was not something that could be done by *fiat*. While the Armstrong memorandum sets out that 'civil servants have a duty to obey the government of the day', our research illustrated the ways in social and cultural factors shaped responses to policy.

Second, institutions have both formal and informal aspects: they involve both laws and regulations and also norms and customs. Our study showed how civil servants responded to the imposition of new formal rules (for example, the requirement to meet targets for the volume of work to be subject to market testing) but also how they developed new informal rules about where and how market mechanisms might best be used.

Third, institutional theory focuses on institutions rather than organisations or individual agents. Rules and norms flow across organisational boundaries, and between different tiers of government. So, for example, the informal norms which shaped the way in which public service employees attempted to ensure probity and accountability formed a dominant 'logic of appropriate action' (Meyer and Rowan 1991) which shaped the behaviour of policy makers, senior civil servants and operational staff. At the same time, new logics of appropriateness on procurement and contracts developed as civil service managers interacted with private sector contractors.

Fourth, institutions have stability over time. Informal rules, norms and shared 'logics of appropriateness' have a stability which resists rational attempts to bring about change, and our study showed informal processes undermining this major reform initiative. However, institutional change is also path dependent: initial choices determine later developments. Although norms and customs could not be changed by *fiat* the introduction of radical change placed new constraints on social action which, over time, influenced patterns of decision-making on the ground.

Case studies of change

The main body of the research examined the development of market testing and contracting in a range of government departments through case studies, each based on a block of civil service work that was subjected to contract. We adopted a case study approach to help unravel the detail of particular circumstances as they unfolded in what was a highly dynamic process. As always with the case study method, these advantages were somewhat counteracted by the familiar problems of statistical representativeness and the difficulty of generalising, but given the previous scarcity of detailed descriptions of the work of government departments, we believe that the balance of advantage lay with the case study method. As Rhodes asserts, case studies 'constitute an alternative to quantitative methods, not a poor relation' (Rhodes 1997: 82).

We undertook some two dozen case studies to get as full a picture as possible of the impact of the new policy. Our selection of case studies was based on a sample of nine departments: three mainly concerned with policy work, three mainly concerned with operational services, and three that were a mixture of the two. The cases were drawn both from Executive Agencies and core departments.

We studied a sample of market tested services in three categories: services whose process and output were easy to measure, such as facilities management; services whose process and output were hard to measure, such as welfare and counselling services; and services which had previously been provided only by the public sector and where no provider market currently existed, such as prisoner escort.

We also undertook further sampling based on the budgetary value of the work to ensure that we covered both big and small contracts, and that we had successful bids from both in-house and external providers, together with examples of strategic contracting out where internal staff were not allowed to bid.

Within our case studies we sought information on the context of market testing, particularly the departments' pre-existing strategies for handling management change; the reasons for selection and non-selection of services for market testing; and the decision on whether to undertake 'classic' market testing (allowing internal staff to bid for the work) or strategic contracting out. We covered the nature of the procurement process, and the kinds of decisions taken over packaging, specifying, managing the competition and letting the contract. We asked questions about the contract management process, exploring monitoring arrangements and the nature of the relationship between the department as client or purchaser, and contractors and service providers.

We undertook a survey based on a quota sample of contract documents to gather data on provision for variation, default and the handling of risk, and explored the significance of contract form in shaping the relationship between client and contractor. We looked at how departments sought to resolve such problems as information asymmetry and opportunism as the life of the contract wore on, particularly in the light of the codes of stewardship and public audit that had long been institutionalised in the civil service. Finally, we sought to tap into practitioners' assessments of what had been achieved. This was not an easy assessment to make in an objective fashion, given the shifting nature of the policy objectives and the overlap with other aspects of the strategy for reform, such as the process of developing Next Steps agencies. Nonetheless, broad reflections were sought and given.

Our case studies illustrate a range of interactions between continuity and change. This section illustrates some of the processes which shaped the interaction of old and new rules in the process of institutional change. We have selected cases which illustrate the themes we identified across all of our case study sites but the themes are drawn from all our cases and data. The first case suggests how the concern to demonstrate probity and to minimise risk led to an over-bureaucratic process of procurement and to a predominance of input-based contracts, both of which limited potential efficiency gains. At the same time it suggests that managers were learning to act as 'intelligent customers' in the selection and packaging of services.

Case study 1: risk minimisation in the procurement process

This case is based on an in-house training service comprising several hundred staff responsible for developing new training materials and for delivering a range

of technical and non-technical training. At the time of the market test the organisation had adopted a strategy of devolving training budgets and responsibilities to operational units; this process had commenced but was incomplete. The approach adopted was of a market test with an in-house bid. It was decided that all staff would have the option of remaining with the agency if the bid was lost. The effect of this decision on the procurement process was to exclude bidders who did not have the capacity to staff this large training enterprise from their own resources and who would need to absorb the agency's own staff. To help overcome this problem, but also to prevent the in-house unit from continuing as a single monopoly provider, the service was re-packaged on an area basis. We were told that it was decided not to award the contract to the one or two big multi-nationals who expressed interest: a range of suppliers in competition for contracts was sought 'in order to be seen to provide fair and open competition'. Geographical packaging was also in line with the devolution policy, in that area managers could take responsibility for managing (but not letting) the contract for training staff within their area.

The Invitation to Tender (ITT) document listed 96 courses based on the current curriculum offered by the in-house team. This produced long and detailed bids. 650 replies to the ITT had to be whittled down to an acceptable number through a complex bureaucratic process to ensure that probity at each stage could be demonstrated to both politicians and bidders. The emphasis was on protecting the departmental head from possible complaints by a contractor that the process had been unfair. This led to the production of input-based and highly detailed specifications, based on the way in which existing work was conducted, and a highly complex tender evaluation process. The input-based specification also led to problems once contracts were let. One area manager reported to us that:

> In the first year we spent all our time finding out why customers did not want to come on the courses which providers offered under the contract. We were having to cancel a lot of courses that we were nevertheless having to pay for. We discovered that the information in the specification was at least 18 months out of date by the time the contract started to run. This caused absolute havoc.

The nature of the specification also limited the scope for innovation; we were told that:

> The providers feel constrained in terms of offering innovation – they feel they are only used as a company to provide courses. They would like to use their capacity to a fuller extent but find it hard to develop ideas with us since they think we'll assume they are just looking for extra bucks. Despite these problems the contract did build in an awareness of risk sharing which offered incentives for contractors to deliver a good service in the eyes of their customers. The 3-year contract guaranteed a declining percentage of the area-based training budgets in each year; additional work could be won by the

contractor but this would be in competition with other providers. This laid the foundation for future efficiency gains despite the constraints of the initial procurement process.

It was no simple matter to switch to the new, efficiency driven rules and abandon old ways of working that were deeply embedded in the culture of the civil service. However, while tendering processes were always rule bound, some case studies illustrate attempts at a more consultative approach in which managers were willing to negotiate with contractors before actually agreeing the contract, and to form partnerships which added value to in-house providers. This suggests that genuine attempts were being made to secure advantage from greater use of the private sector in government.

This effort did not always work smoothly, and our data shows how, in attempting to secure advantages from the private sector, managers sometimes opened themselves up to the possibility of opportunism.

Case study 2: the dangers of opportunism in the move to partnership

One case which illustrates this is based on the Internal Audit function in a large department. Senior managers expressed reservations about externalising its internal 'eyes and ears' and there was a desire to retain the service in-house if possible. In order to strengthen the in-house team to compete for the bid, the team was streamlined and slimmed down and a partnership was formed with a major private sector financial consultancy firm to strengthen the team in specialist areas and to increase its capacity when demand rose.

The contract was explicitly written to include a focus on outcomes. The payment structure included elements of volume (how many audits were conducted) and outcomes (how many of the recommendations from an audit were implemented by line managers in a certain period). This acted as an incentive for audit teams to build relationships with line managers and to shape recommendations which were likely to be implemented successfully. However, the partnership which had been established (in-house team plus consultants from a large financial consultancy company) came to be viewed as a failure. The contractor had fielded senior partners in the tendering and bidding process who promised a great deal by way of the expertise and skills that the company would bring to the service. However, the delivery was delegated to more junior staff who did not live up to these promises. Attempts were made to tighten up what had been shaped as a loose relational contract, with closer scrutiny and contract management, thus increasing transaction costs. Senior managers told us that in retrospect they had placed too much trust in the reputation of the company and the relationship was dissolved when the contract was relet. Assumptions about the reputation of the contractor led to an initial lack of rigour in the specification and contract management process to the disadvantage of the client.

As the market testing programme unfolded, and the benefits of market mechanisms began to be recognised, we found the emergence of a higher proportion of strategic, rather than defensive, responses, linked to an enhanced capacity to

draw on private sector experience in selecting areas where their involvement might bring benefits. This shift was accompanied by changing ideas about good staff management. Initially it was often assumed that in-house bids would operate in the best interests of staff, allowing them to compete and demonstrate their capability. The levels of disruption and trauma which this produced came as something of a shock to many senior managers, resulting in moves towards either strategic contracting-out or the benchmarking of services against private sector norms without formal market testing.

There was a shift away from meeting volume targets by 'salami slicing' to produce lots of small packages of work (which contractors were often not interested in bidding for) to a more strategic approach as managers attempted to read the long-term intentions of ministers and to recognise the potential value of innovation and investment. Partnerships with private sector companies were used not just to strengthen in-house bids but to secure long-term innovation, tapping in to external resources for investment in new equipment and also re-engineering. However, as Kettl (1993) argues, government as smart buyer has to strike the appropriate balance between minimising uncertainty in pursuing its efficiency goals without compromising its ability to deliver its accountability requirements because it now relies on private contractors. The next case illustrates how this tension in the development of new models of contracting in the context of the continuance of existing institutions was experienced in some of our case studies.

Case study 3: from market testing to strategic contracting

This case is based on the letting of a major contract to supply the whole of an information technology service to a government department. The contractual relationship took the form of a relational contract with a private sector contractor. Partnerships based on relational contracts are viewed as appropriate where there is a degree of uncertainty over service requirements, which cannot therefore be specified into a complete contract. In such relational contracts the emphasis is on producing a framework in which uncertainty can be managed rather than one that attempts to cover every contingency.

In this case study, the client emphasised the need to develop an appropriate contract which incorporated sufficient controls both to avoid opportunistic behaviour and to ensure accountability. The appropriate contract in this case was about 'trust based on an underpinning layer that is quite rigid'. At the same time there was a recognition that the contractor's needs also had to be considered if the innovation gains were to be achieved: 'We want a balance that does not blunt the entrepreneurial gift they bring to us'.

This balance was hard to strike in the context of the continuance of existing institutional constraints. Respondents clearly felt under some stress to respond to the interests of the Accounting Officer. A benchmark, based on a snapshot of the costs of the service at a particular point in time, had been produced to evaluate the contract, and although the benchmark became a more artificial construct the longer time went on and the more the service changed, nonetheless it continued.

In explaining this contract, staff emphasised public accountability and the need to ensure that in developing the partnership they did not undermine the position of the Accounting Officer in front of the Public Accounts Committee.

Relational contracts involve a degree of trust between client and contractor. The client must be prepared to trust the contractor to behave within the spirit of the agreement on the assumption that the reputation and future business growth of the contractor depend on it. The contractor must be prepared to trust that the client understands the realities of the new situation, that is, that the private sector needs to make a return on its investment to deliver its part of the deal. The concept of partnership, as it developed in this case, meant that when problems arose the culture of 'pointing the finger' was viewed as inappropriate: 'the easy thing to do is to off-load when it goes wrong, but what we have to say is that if it goes wrong it is both our faults'. Both partners put significant senior management time into developing and then maintaining a relationship in which they shared their understanding of the issues to be resolved, developed mutual understanding and a basis of trust to underpin the contract. The client side had clearly shifted their normative position through their experience of working with the private sector. But there was a perception that they might have become too removed from the mainstream institutions and were seen by some as having been captured by the contractor. In this case it was reported that operational staff, who were experiencing many of the same frustrations about the service as they had in the past, had not come to share the same level of trust in the contractor.

Over time, greater contact with the private sector through the contracting process helped to dispel its previously 'mythic' quality: attitudes changed as managers came to form relationships with private sector partners rather than operating from stereotypes of the business world. We came across many examples of surprise that staff had been treated well (and often better than in the civil service), that companies invested in building trust with their clients and were unwilling to sacrifice that trust for opportunistic gains, and a general appreciation of the approach of some (but as case 2 suggests not all) contractors. Some organisations opened their doors to the private sector in order to access innovative approaches to services, learning how to manage the collaboration for mutual benefit. Others engaged in ambitious relational contracts whose impact on systems of public accountability is as yet unclear. To illustrate some of the tensions around the development of relational contracting we have drawn on another case study based on the contracting-out of IT services.

Case study 4: developing a strategic approach: re-engineering and its up-stream impact

In the early stages of market testing this agency had put out tenders for small packages of work, mainly in support services. Over time however it developed a more strategic approach and decided to out-source most of the IT function (a function close to the core business for this particular agency):

We had gone for the easy ones, in the non core. But this was based on the existing way in which the business was organised. When we saw that the initiative was here to stay, we had to take a more strategic approach.

However, unlike the previous case study, it did not choose to let all the work to one contractor, but to split the work into chunks which were awarded to different contractors in order to minimise risk and secure the advantages of continuing competition. It also decided to keep the development function in-house, partly to minimise political risk and partly to ensure that the agency retained the strategic skills and capacity to continue to act as an 'intelligent customer'. Decisions about which functions to out-source involved a number of critical judgements about how to secure the maximum benefits from working closely with the private sector while retaining enough in-house expertise to retain control over strategic developments.

However, this case shared with case study 3 a focus on developing partnerships with contractors. Contracts were written in a way which fostered a process of re-engineering in which the private sector became 'partners' in securing the innovations which would drive future development, reaping a share of the efficiency savings resulting from investment on their part. The managers were concerned about the constraints on long-term partnership and re-engineering posed by the nature of the policy-formation process. They saw the potential efficiency gains to be made from re-engineering the service process, but felt this would not be possible without a different relationship between policy and operations. A previously loosely-coupled system, operating in a relatively disconnected way and to different logics, buffered by senior operational managers whose job it was to stitch things together, could attain the full benefits of re-engineering only by changing the way that policy is made. As one of our respondents commented, 'You cannot re-engineer delivery without re-engineering the policy process at the same time'. This case explicitly highlighted the importance of transparency in the operation of the 'techno-structure' brought about through contractual arrangements, and suggested that managerial interests were seeking a potentially tighter coupling between policy and operations.

The case studies we have selected each illustrates the over-arching themes of managing risk and ensuring accountability. The first suggests how the concern to demonstrate probity and minimise risk led to an over-bureaucratic process of procurement. This was reflected in many early market tests and led to a predominance of input-based contracts, both of which limited potential efficiency gains. Contract specification and procurement based on existing inputs and processes was an approach much criticised by private sector respondents, and many case studies show managers seeking to work with the private sector to secure efficiency gains, sometimes, as has been pointed out in the second case, opening themselves up to risks of opportunism in the process.

As the political climate changed, we saw a shift from market testing to strategic contracting out. This enabled managers to achieve larger efficiency gains by working with contractors to re-engineer the process of service delivery by chang-

ing the ways in which inputs were transformed into outputs (the alternative way of delivering efficiency gains was through lowering labour costs). However, as our third and fourth case studies illustrate, even in the most ambitious, flexible and relational contracts, the procurement process and the management of the contract relationship were guided by a desire 'to protect the position of the Accounting Officer' by tracking changes back to the baseline contract. Higher transaction costs were the price to be paid for managing political risk. At the same time, institutional features – old rules of the game of accounting and the need to minimise financial risk – acted as a limiting force on the development of new institutions of relational contracting, partnership and risk sharing between the public and private sectors.

Modelling institutional change

These case studies illustrate the ways in which change over time was not smooth and rational but messy and complex, involving the negotiation between new and old rules of the game. This interaction was influenced by a number of different factors. Some of these originated in the changing political context and shifts in the model of policy implementation over time. Some flowed from the changing organisational and professional context of the civil service. Managers and others helped shape new 'logics of appropriate action' as they interpreted and re-interpreted their external and internal environments. To help make sense of this complexity this section abstracts a number of elements from a complex field of action and builds them into a model of change (Figure 10.1).

Each element is, as we shall show, dynamic rather than constant due to an iterative process of reassessing experience and realigning action. The flow of influences between the elements is both multiple and reciprocal. Rather than predictive, the model is intended to be analytical, enabling a richer understanding of the processes through which institutions shape, and are shaped, by social action. We argue that the interaction between these elements, and the dynamics of change within each, will influence both the extent and nature of institutional change. In what follows we use the model to illuminate the factors which shaped and reshaped the process of institutional change during the period we studied, leading to a shift from 'compliance' to the new policy in the early stages of implementation to 'engagement' with its spirit later on. In our final section we suggest ways in which the model might suggest issues for the future processes of institutional change across the management/policy interface.

The political context

The publication of the Citizen's Charter (Cabinet Office 1991) represented a dramatic shift of emphasis in the programme of management change in the civil service. The Citizen's Charter was followed in November of the same year by the White Paper *Competing for Quality*. Together, these documents represent the kind of 'radical shock' designed to de-stabilise existing rules and norms (March and Olsen 1989).

POLITICAL CONTEXT
- Degree of certainty/uncertainty
- Clarity of policy goals
- Extent of political will

POLICY IMPLEMENTATION
- Nature of targets (volume or output/outcome)
- Degree of devolved authority
- Extent of central prescription of methods

ORGANISATIONAL CONTEXT
- Strength of cultural norms/organisational identity
- Nature of the business
- Closeness or distance from the market

PROFESSIONAL INTERESTS
- Professional context – strength of 'civil service' norms
- Extent of bureau-shaping behaviours

LOGICS OF APPROPRIATENESS
- Interpretation of policy goals
- Negotiation of conflicting norms
- Balancing requirements of different stakeholders

LEARNING AND REALIGNMENT
- Learning from partners
- Reshaping of interests following managerial or market changes

Figure 10.1   A model of institutional change

However, the political context into which this reform was introduced was highly uncertain. Political expectations in the early months of the Major administration were like a roller coaster, making life difficult for senior civil servants who did not know how seriously to take this radical shift of direction on policy. While the formal rules of the game assert that civil servants were there to do the bidding of the duly-elected government of the day, in practice this was mediated through informal norms of behaviour which allowed delaying tactics in the run-up to a general election when it might not be sensible to spend taxpayers' money on something which might have to be reversed within the space of a few months. There was impatience with this response on the part of those promoting the change. At least one minister at the time referred to obstruction by civil servants in the policy formulation process: 'On occasion, I called meetings at 30 minutes notice so that the officials could not have a pre-meeting'. Although *Competing for Quality* was published and the Deregulation Bill enacted – thus clearing the way for contractual arrangements for private sector delivery of various public services until the 1992 election result established the legitimacy of the policy – little was actually done.

However, even after the 1992 election, the civil service was slow to respond, or responded in ways that indicated reluctant compliance, selecting low value or peripheral areas of work for testing. In the reporting year that ended in December 1993 (a 15-month year) the programme undershot its targets by over 50 per cent. To explain this we turn to the next two elements of the model: the organisational context of the civil service at the time and the model of policy implementation enshrined in *Competing for Quality* which, we suggest, led to the early focus on compliance rather than commitment.

The policy implementation process

The White Paper *Competing for Quality* (HM Treasury 1991) was prescriptive, detailing which areas were to be selected for market testing. Departments were set targets for the volume of their activities to be subjected to a market test, and the policy focused on the use of inputs rather than the achievement of results. Tight central control cut across the devolved structure that had been created and the newly embedded managerial institutions. The subsequent White Paper *Civil Service – Continuity and Change* (Cabinet Office 1994) heralded a more flexible approach while retaining the centrally driven impetus towards further outsourcing and privatisation. The White Paper was written in the context of growing external criticism of market testing, and may have been influenced by the work of the Select Committee on the Treasury and Civil Service that was engaged in a major review of the work of the civil service. The committee's line was in favour of improving management within government, but critical of the way market testing was handled. Under *Continuity and Change*, departments were enabled to produce their own efficiency plans, demonstrating how they intended to meet tighter efficiency targets in their administrative expenditure, whether by using the market or not. This meant a shift from a hierarchy-based model of implementation, with strong central prescription of methods and

targets, to a greater degree of devolved authority to achieve centrally deter-mined efficiency savings.

This difference of emphasis, in interaction with other variables, led to a shift in response by Departments and Agencies. Post-1994, we found the development of a more strategic approach as managers attempted to read the long-term inten-tions of ministers and to recognise the potential value of innovation and invest-ment. In some case studies partnerships with private sector companies were used not just to strengthen in-house bids but to secure long-term innovation, tapping in to external resources for investment in new equipment and also external re-engineering capability.

The organisational context

The civil service had changed significantly in the period preceding the imple-mentation of the new policy as a result of the 1980s cycle of reform starting with the Rayner scrutinies and cost centres and going on to the Financial Management Initiative and the Next Steps programme. A large investment in management development and training had accompanied these reforms and it is clear that the civil service in 1991 was not the same as in 1979 and that there were newly embedded institutions in support of devolved management and managerial leadership. The 'impoverished concept of management' (Metcalfe and Richards 1987) which previously characterised the approach to management of senior civil servants had been enriched in a variety of ways. Certain approaches to change became embedded as rules of the game which were widely accepted: for example, it had become accepted that good management required at least a degree of devolved responsibility to managerial leaders. Within limits imposed by norms about the management of political risk, senior managers, par-ticularly agency chief executives, came to be judged on the results they achieved. They had used their devolved authority to negotiate away old inflexible work practices and staff had adapted, albeit reluctantly, to more flexible ways of working as part of a commitment to 'improving management in Government' (Ibbs 1988).

However, the civil service had become more differentiated following the estab-lishment of Next Steps agencies. In Sir Robin Butler's famous phrase, the civil service became 'unified but not uniform'. Departmental cultures had always varied to some extent because of contingent factors, but the impact of civil service reform during the 1980s had served to further that differentiation. This created a variety of initial responses to the introduction of market testing. Efficiency arguments interacted with how different organisations identified and pursued their interests, or the perceived interests of staff or customers, in shaping responses and producing variations in the process. Many departments sought to reconcile market testing with existing strategies for managing change. In the DSS, for example, where the agency principle had been espoused with some success, considerable support was provided for in-house teams, assisting them to bid for work in competition with private contractors. Others welcomed the new policy because they were already close to the market and interpreted market

testing as representing an extension of the repertoire of managerial responses. The DTI's numerous linkages with private sector interests were compounded by the perceived antipathy of President of the Board of Trade, Michael Heseltine, to the principle of Next Steps agencies. This context meant that the DTI did not encourage staff to bid for work, going for strategic contracting out or outright privatisation instead. Not all secretaries of state gave the same priority to competitiveness; they may have been collectively responsible for the policy as Cabinet members, but, immersed in their own departmental portfolios, there was little sign of their having strongly pushed the policy. In the absence of a clear political lead, the stance taken by different ministers and senior officials within departments seems to have been a stronger explanatory factor for the approach taken.

Change in the UK civil service is multi-faceted, with different kinds of initiative interacting with each other. It was, then, difficult to untangle the impact of market testing from other changes, for example, those resulting from the creation of Next Steps agencies and the business improvements that had resulted. Past experience of working with the private sector meant that managers were more likely to seize the opportunities presented by the new policy. In the information technology function in particular, the private sector had already entered the civil service in a big way, and *Competing for Quality* provided the opportunity to develop the practice further through strategic contracting out. However, not all agencies or departments supported the policy. Customs and excise, with 350 years of tradition behind it, governed by its statutory board of senior officials and at some remove from ministers, let no market tested contracts in the early years of the policy.

Professional interests

Professional interests shaped the elaboration of the policy as civil servants sought to comply with it while defending their interests and those of their staff. The most noticeable expressions of this were in the choice of which areas to market test and the approach to allowing in-house bids and supporting in-house teams bidding for work. There were no formal rules which laid down what work should or should not be tested, as was the case with compulsory competitive tendering (CCT) in local government, so choices about what should be put out to the market could be influenced by professional interests. In examining the list of services which have been subject to market testing or to strategic contracting out, we found little which came within the work of fast-stream administrators or within that of the professional groups which are related to them such as economists, statisticians or lawyers. From an efficiency perspective, tendering for some of the work of fast-stream administrators would seem to make sense. Asset specificity of skills has in the past provided a basis for argument for excluding outsiders – they do not know the arcane 'rules' or norms about appropriate behaviour. But many of the competencies of fast-stream administrators seem little different from others outside – in consultancy, in the academic world, business strategy and the think tanks. What Dunleavy (1991) terms 'bureau-shaping' behaviour was most evident in the definitions of 'core' and 'non-core' businesses

or activities that underpinned decisions about what to market test or contract out. It was notable that support services (typing, messengers, facilities management, etc.) were frequent early choices. This was justified on efficiency grounds (ready markets existed and services could be provided more efficiently by the private sector). However, we could also see interests at work in the desire of some managers to divest themselves of troublesome management responsibilities (for example, for support services, highly unionised areas of work or areas associated with long-term poor performance).

The definition of interests varied across different stakeholders in the process of change. Senior managers tended to be concerned about securing efficiencies and about achieving the volume targets for market testing set by government. In contrast, those more directly involved in service delivery were more preoccupied with overcoming defects and making the service work, tending to express concerns about system integration and quality of service to customers. It was also possible to distinguish between different sets of concerns held by 'mandarins' (those senior civil servants mainly engaged in policy advice) from those of managers (those responsible for running a particular business). Some (but not all) senior managers were concerned about how to get the best outcomes from a strategic use of market mechanisms. But this managerial or business agenda intersected with the more traditional orientations of the civil service. Managers in some departments expressed concern that contractors did not have a proper enough understanding of the culture of the civil service to enable them to deliver effectively. Others had concerns about fragmentation: although specific businesses could be run more efficiently, the process was viewed as not having taken sufficient account of interrelationships between different services within the same policy area. Some had worries about the impact on levels of service and the implications for accountability and public probity.

This diversity of interests played an important role in shaping the interaction between continuity and change during the process of implementation. Not all of the forces for continuity can be attributed to 'bureau shaping' behaviour: concerns rooted in deeply held beliefs about the culture and values of the civil service played an important role. Interests and beliefs were reshaped as actors took on and identified with their new roles as clients and contractors. In-house teams acting as contractors began to identify their interests with business survival and success, and many welcomed the opportunity of 'managing turn-around' and developing more entrepreneurial approaches. For clients, the development of networks with the business community through the procurement process meant that managers came to view the policy as providing opportunities for innovation and re-engineering, as well as a source of new investment. In this sense, changing the rules of the game led to new motivations and sources of satisfaction, albeit accompanied by considerable trauma and dismay on the way.

Logics of appropriateness

The process we have outlined in exploring the first three dimensions of the model appears to suggest an evolutionary process of change: from political

uncertainty to clarity; from a hierarchy-based model of implementation to a more flexible approach, both underpinning new conceptions of professional interests and the shift to a more strategic approach. However, the story is not that simple. As institutional theory suggests, informal rules, norms and shared 'logics of appropriateness' (Meyer and Rowan 1991) have a stability which resists rational attempts to bring about change. Our study explored the ways in which actors attempted to make sense of their actions within a rapidly changing political context and a shifting lexicon of meanings from which to draw. We saw actors interpreting and reinterpreting the policy goals and acting to shape events in the spaces created by political uncertainty and policy ambiguity. As the political and policy contexts shifted, actors were caught between conflicting logics of appropriateness derived from the interaction of old and new rules of the game. A key example lies in the management of risk and uncertainty in the context of both formal and informal rules of probity and accountability. Before the introduction of market models, the civil service had institutionalised coherent notions of accountability and standards through formal rules and responsibilities, and through its shared culture of public service, probity and good stewardship of public money. As our first case study suggests, the concern to demonstrate probity and minimise risk often led to an over-bureaucratic process of procurement and to a predominance of input-based contracts, both of which limited potential efficiency gains.

As market models were introduced and the organisational context of the civil service changed, new 'logics of appropriateness' became evident amongst strategic managers with regard to the management of services (case study 2). At the same time, there was little evidence that institutions of accountability and governance had adapted to correspond with these logics. Senior officials therefore find themselves caught between two conflicting rules of the game. As 'intelligent customers' of private contractors their role involves the management of market risks and uncertainties, trying to achieve the best for the public interest. As public servants they also have to manage the political risks of contracting for public services, conforming to the expectations of the institutions of governance and accountability, which in practice means minimising the risk of failure, playing safe and achieving less.

Case studies 3 and 4 illustrate the uneasy co-existence of multiple legitimation systems, with the 'logics of appropriateness' deriving from the concern for probity and guardianship cross-cutting the legitimations of flexibility, entrepreneurship and efficiency derived from the commercial world. What is at stake is how the hierarchies of legitimation of these different institutions evolve. How this is resolved depends not just on who has more or less power to shape the process directly, but on the meanings which social actors attribute to their world. Actors do not necessarily act rationally in either the pursuit of efficiency or in defence of their interests; actions are shaped within and through complex sets of myths, narratives and cultural assumptions. The way in which old and new rules interacted as meanings were constructed and reconstructed at each of our case study sites, suggest a key point of indeterminacy in our model. Rather than old

institutions being displaced by new ones, the two sets currently seem to co-exist in an uneasy arrangement that broadcasts confusion and increases the internal transaction costs of the work of the civil service.

Experience, reassessment and realignment

This part of the model underpins the dynamics of change in each of the other elements. Social actors are not the passive recipients of change initiatives, but have the capacity to assess their experience and to realign their goals as change initiatives are implemented on the ground. We collected a number of different 'narratives of change' through our interviews with policy makers, senior officials and operational managers that illuminate the importance of the continuing process of the realignment of social action with changing interpretations of organisational reforms. These narratives reflect managers' evolving assessments of the impact of market testing on their organisations. The stories we were told showed how greater contact with the private sector through the contracting process helped to dispel its previously 'mythic' quality: attitudes changed as managers came to form relationships with private sector partners rather than operating from stereotypes of the business world. We came across many examples of surprise that staff had been treated well (and often better than in the civil service), that companies invested in building trust with their clients and were unwilling to sacrifice that trust for opportunistic gains, and a general appreciation of the approach of some (although not all) contractors. At the same time we found managers learning to act as 'intelligent customers' in the selection and packaging of services. As the market testing programme unfolded, and the benefits of market mechanisms began to be recognised, we found the emergence of a higher proportion of strategic, rather than defensive, responses, linked to an enhanced capacity to draw on private sector experience in selecting areas where their investment might bring benefits.

This was accompanied by changing ideas about good staff management. Initially it was often assumed that in-house bids would operate in the best interests of staff, allowing them to compete and demonstrate their capability. In the early stages of market testing 'being fair to staff' was used as a rationale for allowing an in-house bid to be set against external competition. Many of those we interviewed reported that they had changed their views, having witnessed the extent of trauma and uncertainty for staff which classic market testing tended to produce, and the resulting lowered morale. This led, over time, to moves towards either strategic contracting out or the bench-marking of services against private sector norms without formal market testing.

A rather different set of narratives focused around the potential of market testing as a lever for cultural change. Exposure to competition was viewed as a means of tackling pockets of poor performance or of breaking producer power in strongly unionised areas of work: 'Market testing has been an important lever to change attitudes and sharpen practice'. Many case study sites are seen, in the eyes of their senior managers, as phenomenally successful in terms of efficiency gains and business improvements arising from market testing or out-sourcing.

Other narratives offered a longer-term perspective with more emphasis on productivity gains. Working more closely with the private sector was also seen to have brought new sources of finance which enabled re-engineering and process innovation, especially through investment in IT. There were, however, differences of emphasis in the attribution of the causes of innovation: some saw it as a result of public–private partnerships; others saw innovation arising principally from staff seeking to win bids in-house. From the early period of compliance or resistance we saw a development over time among civil servants of the view that the use of markets and competition was after all acceptable, and could bring unforeseen benefits:

> if you had asked me in 1979 how efficient we were and how much more efficient we could get, I would have said yes we can improve by 5%, 10%. The idea that we could actually improve by an order of magnitude would never have occurred to me. But I have to say, looking at our efficiency today, I am less satiated with it than I was back in 1979. Because we've seen what we can actually do and technology is moving all the time, and, if you take advantage of it, you will continually reduce. I am a great believer in market forces, not because of the political philosophy, but because I see the effect it can have.

Other respondents told a subtly different story of early promise and achievement turning to later disappointment as a result of what was perceived as a shift in the then government agenda. In the early stages the policy had been concerned with efficiency, while later the emphasis had shifted to economy, with decisions being driven by a concern to reduce costs and with insufficient attention to other objectives. Some of the managers we interviewed in late 1996 felt that there was now no more scope for making large-scale savings, that contractors were already being squeezed or bearing large amounts of risk, and that subsequent savings would have to come from a lowering of quality (service levels).

The processes of reassessment and realignment influenced the dynamics of change in each of the elements of our model. We are not suggesting that actors necessarily engaged in conscious reflexive processes, although many of those interviewed were able to do so when asked to tell their stories. The suggestion is rather that new norms and rules – formal and informal – developed as actors read and re-read the shifting contexts in which they were operating, and constructed new narratives to explain events or to legitimate their strategies. Many of these processes of realignment are as yet incomplete, and some of the tensions within the process of institutional change remain unresolved. However, as institutional theory suggests, institutional change is path dependent: current pathways of adjustment and realignment are likely to prefigure future pathways of change.

We explore some possible future pathways, and their implications, in our final section. At this point we want to suggest the value of the model for developing a deeper understanding of change than that offered by rationalistic or mechanical models. Our study enables us to suggest a series of propositions about the institutional features of the policy implementation process:

Proposition 1.   Institutional change is more likely where political intent is clear, and political uncertainty is minimal. In our study political uncertainty in the run-up to a general election acted as a constraint on the process of change; managers sought to slow the process down and adopted a number of strategies to minimise the impact of the new policy. When the political climate changed, and it was realised that the policy was here to stay, many – but not all – managers worked more actively to deliver its goals.

Proposition 2.   Institutional change is more likely where key stakeholders in the political/policy nexus are in accord about the desirability of the policy change. Our study showed how the stance taken by different ministers led to a diversity of responses across departments.

Proposition 3.   Institutional change is more likely where implementation methods are based on delegated responsibility for achieving outputs or outcomes rather than tightly prescribed centrally determined methods. A key shift in the effectiveness of the change in our study took place following the White Paper *Continuity and Change* which was based on a delegated model of delivering outputs, replacing the hierarchy-based model on which the original policy was based.

Proposition 4.   Institutional change is more likely where key actors responsible for delivery have well developed networks with others who can support the process of change or who have a stake in the outcomes. In our study greater interaction with contractors dispelled some of the early myths about private sector opportunists. Reputation is an extremely important asset to a contractor in the Whitehall 'village', where potential clients know each other and compare notes. Successful companies resist the temptation to make a quick one-off gain when what is at stake is a major business growth area over the longer term. Observing this approach in practice opened the eyes of many civil servants to the potential for partnership

Proposition 5.   Institutional change is more likely where actors involved in implementation are able to identify with policy goals or can reshape goals to align with personal or organisational goals. In our study managers who were able to shape the process in a way which supported desirable outcomes for the organisation, for customers or for more general conceptions of the public interest were more likely to take a proactive approach to implementation.

Proposition 6.   Institutional change is more likely where the formal rules of the game do not conflict substantially – i.e. where there is policy alignment and coherence. We have shown the impact of conflicting logics of appropriateness that flowed from the 'old' rules of accountability and the 'new' rules of using market mechanisms to secure efficiency savings. Our respondents also highlighted the problems raised by the ambiguity between using market testing to secure performance improvements within the civil service, and the later shift of emphasis to outright privatisation.

Proposition 7. Institutional change reconstitutes the pattern of interests and identifications held by social actors. While the professional interests of civil servants served to minimise the impact of the new policy on the 'core' of the civil service itself, over time we saw new patterns of identification (the civil servant as entrepreneur) and interests (for example, ways in which change opened up new career routes for some). New patterns of interest and identities were linked to changes in behaviour. However the diversity of interests and identifications in an increasingly differentiated field of action led to the emergence of different pathways of change.

Proposition 8. Institutional change is uneven in its effects. It is shaped by social actors as they reflect on their experience, reassess their goals and realign their actions. Our study showed how these processes led to a gradual shift from hostility to the change to a realisation of some of the benefits of market testing, contracting and partnership. However, the results were uneven: many of our interviewees retained the concerns about the fragmentation of the civil service and the erosion of the norms of probity and guardianship which remain as deeply held cultural norms and beliefs.

Proposition 9. The outcomes of institutional change cannot be predicted from the policy inputs. Institutional change cannot be readily controlled from above through rational implementation processes. The model suggests the importance of experience and learning and the realignment of interests and identifications. However, it is not possible to predict what will be learned or how interests and identifications will be realigned. The study of institutional change must, then, focus on how social actors understand their world: how they interpret policy goals, how they cope with ambiguity, how they manage conflicting rules and norms, and how they assess the results of their actions.

Future pathways of change

While we have emphasised the problems of predicting institutional change, our study provided important signals about possible future pathways of change. First, the organisational context has been profoundly reshaped by the processes of market testing and outsourcing. The implication of these institutional changes is that the world which civil servants have to deal with is less homogeneous and more differentiated than in the past, and more ambiguous. The 'shock waves' emitted by the market testing policy were not all coherent, and the sense that was made of the initiative in different parts of the civil service was different. They did not reach, and were not designed to reach, the institutions of governance and accountability. In that context of ambiguity over institutional norms, some strategic managers have responded by pushing forward the boundaries and gaining benefits in efficiency and effectiveness by finding creative ways of accommodating to old institutional rules and norms. Creative interpretation of competition rules, for example, may be necessary in order to sustain long-term

partnerships. Others appear to be more troubled by this ambiguity, looking for coherence and guidance about what to do. Ambiguity provides important opportunities for actors who shape change and development, but it also imposes transaction costs, as civil servants try to cover themselves under old rules, while nonetheless working in new ways, and possibly not doing well at either.

Second, the process of loosening controls over where and how change is to be delivered through a focus on outputs, rather than inputs, has resulted in processes of innovation which the centre may find hard to control. As one of our interviewees, an agency chief executive, commented:

> It is inconvenient that this crude and inconvenient and badly managed change has delivered so much. It enabled things to happen which otherwise would not have happened due to the inflexibility of the centre (of the department). Once you know you were going to be subjected to market testing you are encouraged to be innovative. If you are the centre this makes demands to do things differently – from Agencies, from staff – hard to resist.

Further innovation is emerging in the contracting process as managers seek to maximise the benefits of partnership with private sector contractors by contracting for outcomes. One of our case studies was engaging in an ambitious relational contract to supply the support systems for particular policy outcomes. Some elements of the contract are supplied on a risk-sharing, outcome basis, in which the returns to both client and contractor are higher. Other elements employ a more conventional contracting process following industry standard for their services. The outcome element of the contract provides incentives for both client and contractor to deliver the policy outcomes. This involves not only controlling those aspects of the policy that are under their control but also working to influence those which are not.

Innovations in partnership-based models of contracting may have significant implications for future pathways of change at the policy/management interface. One of the demands from below that emerged during our study was for some form of re-engineering to the policy process itself. The shift from market testing to strategic contracting-out enabled managers to achieve greater efficiency by working with contractors to re-engineer the process of service delivery by changing the ways in which inputs were transformed into outputs (the alternative way of delivering efficiency gains was through lowering labour costs). However, even in the most ambitious, flexible and relational contracts, the procurement process and the management of the contract relationship were guided by a desire 'to protect the position of the Accounting Officer' by tracking changes back to the baseline contract. Higher transaction costs were the price to be paid for managing political risk. At the same time, institutional features – old rules of the game of accounting and the need to minimise financial risk – acted as a limiting force on the development of new institutions of relational contracting, partnership and risk sharing between the public and private sectors. New partnership relationships fit uneasily with other institutional rules and norms. Our data high-

lights the uneasy boundary between the new institutions of management and the institutions of politics and policy, as the increasing transparency of service costs which contractual relationships imply impact upwards to policy decisions. The effect of this on the policy process is hard to predict, but it could work to narrow the options of ministers and contain them within certain pathways.

We can also identify pathways of change in the wider political context. The new Labour government has signalled clearly that there will be no going back to keeping the private sector at arm's length from public services, and in some cases has been more radical than its predecessor. The current climate, in the words of Dr David Clark, former Chancellor of the Duchy of Lancaster, emphasises the need for 'pragmatism rather than dogmatism'. This implies that case-by-case decisions will be made about private sector involvement and there will be strategic assessment of whether public or private sector provision is appropriate and most effective in a particular context. Like all good political slogans, this one was able to capture in simple form a complex position that was being adopted by many different actors in this play. While the image of the last government was set by a dogmatic search for privatisation opportunities, in actual fact a more pragmatic approach was already evident. The focus on pragmatism reflects and refracts the tensions between central control of change and local managerial autonomy. That is, it sits at the interface between the political agenda of institutional modernisation, seen to require tight central control, and the managerial agenda of business autonomy. The new government's approach to change which underpins both 'Best Value' in local government and 'Better Quality Government at Optimal Cost' in central government reflects this tension. The approach is essentially 'enabling' in that organisations are free to shape their own decisions about the use of competition and markets within a framework of tight guidance produced by the centre.

One danger is that rules of governance and accountability will cease to have the resonance they have had in the past, joining the 'dignified' rather than the 'efficient' parts of the constitution. It may be that the appearance of Accounting Officers before the Public Accounts Committee has already signalled a shift in this direction. Public humiliation is painful, but not as painful as the private humiliations imposed on top civil servants who fail to bring down the costs of their services to the taxpayer, a process which at present seems to require partnership relationships not anticipated when the old rules developed. The danger is that the principles of good governance and accountability are undermined by the interpretation put on them, which may fail to keep pace with changes in the rest of the system.

Working in this way also requires a high level of strategic management competence, which is not necessarily widespread throughout the civil service, adding further pressures towards differentiation. The costs as well as the benefits of differentiation should concern us. Many people see confusion over the rules of the game as a barrier to effectiveness rather than as an opportunity. In those circumstances, covering your back is likely to take on a high priority, and good management and good governance come second. As North (1990) points out, some

nations are more and some less successful at developing institutions that support effective use of their resources. While institutional change in management in the civil service may have supported institutions, it is an unfinished revolution, leaving behind it confusion and ambiguity. As the future unfolds, it will be interesting to observe whether the new narratives of partnership and innovation prove to be more compelling and legitimate than the older narratives of civil service life. In this context understanding the processes of institutional change, and the factors that shape social action in a dispersed field of decision making, will be of critical importance.

11
Public Involvement: Making It Work*

Jane Steele and John Seargeant

Attempts by public services to consult and involve the communities they serve are certainly nothing new. But the Conservative administrations of the 1980s and 1990s and the Labour government which has been in office since 1997 have emphasised new goals for public involvement, and introduced policies which have increased the volume and diversity of activity.

The research we report here was carried out in 1996, with the aim of identifying good practice and, from this, developing guidelines for those with responsibility for involving the public. In the course of the research we examined the processes and the outcomes of public involvement, the difficulties which are associated with it, and the approaches which help to make it work.

Since the fieldwork was carried out, many more people and organisations in public services have gained more experience and developed more skills in public involvement. However, some fundamental difficulties remain. Indeed, as activity expands and policy seems to encourage heightened expectations of what can be achieved, the importance of making public involvement work – and work cost-effectively – also increases.

Some of the difficulties are to do with the practical, organisational and management issues involved in consulting the public. More intractable ones are at the heart of what it means to provide public services in a democratic society. Public involvement is about finding out what people think, and about acting on that information. But views may not be clear or consistent, and few of the decisions which the managers of public services have to take, in the context of limited resources and conflicting demands, are straightforward.

The role of the public's response in the managerial and political decision-making within organisations may be diminished by prevailing cultures and traditions, many of which have been accustomed to different ways of operating.

There may be contending interests in the organisation, and even some who perceive a threat to their own positions by allowing influence from 'outside'.

The policy context for the research: then and now

This research was commissioned and carried out prior to the general election in May 1997. Since then there has been growth in public involvement by public bodies, driven in part by government policy. We are experiencing a new impetus and greater diversity in public involvement, although as an approach and an ethos it has a long history.

In local government, the tradition of consultation in housing and social services goes back a long way. During the Conservative governments of 1979–1997, and especially during the latter part of this period, public consultation was directed at improving the efficiency of public services, and their responsiveness to their users and customers.

These developments have continued since 1997, with a government which makes explicit its belief that public involvement is a route not only to more effective services, but to greater accountability, healthier democracy and more active citizenship. Engaging local people is a key element in regeneration strategies, while the current focus on capacity building reminds some observers of the community development activities of the 1970s.

Current policy initiatives, including Best Value, Health and Education Action Zones, the New Deal for Communities and Primary Care Groups, all require local services to consult or involve local people in the development of strategies and services. At national level, central government cites the People's Panel and the National Survey of Patient Experience as routes to better public services. Research for the Department of the Environment, Transport and the Regions, published in 1998, found not only that local authorities were doing more to consult the public than ever before, but that they were using a greater diversity of methods to do so.

In short, public involvement by public services is a rapidly changing scene. Our observations of the scene, since this research was completed, are that experience and practical know-how have increased considerably, albeit unevenly, and there is considerable commitment to the aims of public involvement – and goodwill from the public as well. The increase in activity has increased the concerns about the need for strategic approaches to co-ordinate projects and manage the volume of work. Fundamentally, however, the difficulties in making it work remain.

Our research methods

The research was commissioned by the Cabinet Office and run as part of the Whitehall Programme. To produce good practice guidance for people in all parts of the public sector, we carried out 14 case studies of consultation, all of them recently completed or continuing at the time of the research. They included a

range of types of organisation, types of issue and subject, and types of method or mechanism for consultation and involvement.

The research involved interviews with three key groups of participants: the public and community members who took part; the decision-makers and users of the information produced by consultation; and those who organised and carried out the work. From this we were able to explore and understand differences in perspective and understanding.

Making it work: how can we tell?

One of our research objectives in analysing the perspectives of the different participants was to understand what equates to success from their point of view. Previous research and writing in the field had tended to concentrate on process, but we were concerned as well with 'does it work' and 'how to make it work' – questions which we (and the Cabinet Office in commissioning the work) had determined were the questions to which managers and policy makers would want the answers.

We set out, therefore, to examine the processes in detail, as well as the relationships between the different stages of each consultation or involvement project and its results and final outcomes. As we did so, it became clear that different groups do indeed have different perspectives on the same process, but often fail to understand just how different they are. Such gaps in understanding are a source of dissatisfaction for members of the community, and frustration for the public service organisations.

Both the processes and the outcomes are important to everyone with a role in public involvement. The public can experience a 'good' process as stimulating, enjoyable and informative, but they also expect to see results in the form of changes to services or policies. And it was decision-making at the end of the process in order to produce clear and explicit outcomes which was the most difficult part of the whole thing for the organisations we studied. Effective communication and feedback on those outcomes to participants is a recurring problem.

Timescales are important. Some purposes can only be achieved over a long period. But it is important to build towards these with shorter term and obvious outcomes which will help to sustain people's commitment and the credibility of the involvement strategy. General and strategic goals require more immediate and explicit milestones along the way.

Why involve the public?

Public services have many purposes in involving the public, and often more than one at once. Members of the public bring their own objectives. A lack of clarity about purposes, and sometimes tension between different purposes and different stakeholders, can be a source of difficulty.

'Why' involve the public is not a straightforward decision for public services, because there can be a variety of reasons. The question begs further questions:

why involve the public in some decisions and not others, when it is impractical to involve them in every decision? What then should be the criteria for involving the public in an issue?

One aspect of this issue is 'when' to involve the public: when policies are being developed and policy is still at a formative stage? Or when services are being reviewed and people have real and concrete experiences to reflect on? We found that public services involved the public for different reasons and at different stages. Organisations made effective use of public involvement to explore the needs of users and non-users of services; to develop policies, plans and strategies; to inform service priorities; and to assess service performance. But to be effective, these different purposes require different methods, as we discuss below.

Organisations have both general and specific purposes in involving the public. General purposes include overall aspirations, such as improvements in accountability and social cohesion. Or they may be to do with the way the organisation works, its culture and the development of its staff. All of these general purposes can provide a useful environment within the organisation by providing a sense of direction and an environment which encourages a commitment to public involvement, but they are not evident – and thus real or convincing – to the public. And they do not provide a framework for the organisation to measure its progress: thus more concrete guidelines are also needed.

For these reasons and for others to do with the use of resources and co-ordination, more and more organisations are developing strategies to guide their public involvement activities. However, even where strategies exist they may not be explicit about some of the other considerations which motivate public organisations. We came across some underlying motivations which can prevent the involvement being effective.

One is a desire to seek consensus and to resolve disputes and this may well be unsuccessful. Where different groups have different interests and priorities, difficult decisions still have to be taken. A second motive is compliance with the requirement to consult, which is a risky course to take. 'Going through the motions' means that the organisation tends not to take ownership of the process, and the public will be all too aware of the lack of commitment to take their input seriously. Thirdly, a concern with the status and reputation of the organisation, can become a problem if it becomes more concerned with its image than with really listening to what people have to say.

The 'why involve the public' question extends to the detail of the shape and form of the expected outputs and the intentions for how these will be used. A vagueness about this part of the process of public involvement is a key factor in the lack of outcomes and discernible impact of public involvement which we observed throughout the case studies.

In discussing 'why involve the public', managers need to address with some precision the amount of influence they intend to allow to the public's views, and to be explicit about this from the beginning. A commitment to implement the public's views is neither reasonable nor required, but an explanation of how the results will be used is enormously helpful in securing commitment and clarifying

purposes. Participants need to understand their role and whether they will have a definite role in particular decisions or will provide general background information or an airing of views.

Who to involve?

This is a key question for those organising public involvement. Organisations may have established views about who to involve and what they are like, but these ideas are sometimes based on tradition rather than reality. Deciding who to involve is not always straightforward, and it is an important decision because it will influence the credibility of the process, the sorts of involvement methods which are used and the type of response which is obtained.

The organisation may be more or less clear about who it needs to hear from. Where the delivery of a service is being reviewed, for example, it is clear that service users should be consulted. But the boundaries around who is and who is not affected are not always clear, especially when the tax payer's and non-user's interests are recognised. Particular difficulties arise in consulting the public about issues of place and geography, because different groups of people, who use the area in different ways or are affected by what happens there, may all have a view.

Organisations are faced with defining who has a legitimate interest in the issues under discussion. It is quite likely that this definition will not be shared by all the participants, particularly where issues are controversial, and that the weight given to different views will continue to be disputed throughout the process. Those with a legitimate interest might be all those who are affected by the issues being discussed, but these effects might be greater for some groups than for others, positive for some and negative for others.

In some cases organisations perceive groups as being affected by an issue, but need to stimulate an interest where little awareness exists. This might be the case with non-users of a service, for example.

Different target groups for involvement may vary greatly in their knowledge, their interests, and their willingness and ability to take part in different involvement projects. Their physical distance is an issue of particular importance for national and regional organisations, and one which means they often have to rely on postal or telephone survey methods, as personal interaction involves high costs in terms of staff time and travel.

People's 'distance' from the issue in terms of their knowledge and experience is critical in the choice of method for involving them. People who are in regular contact with an issue, as service users, for example, will be able to respond usefully using less interactive methods. And such methods will work well where issues are not so complicated that they require much explanation or discussion for the organisation to obtain a useful response.

However, where organisations are seeking views on issues which are complex or unfamiliar to their target groups, it is necessary to develop approaches which give people the opportunity to learn, to discuss and to come to their conclusions over a longer period of time. Our research found that the choice of method was

the single most important factor in making public involvement work, and the characteristics of the group(s) whose involvement is sought is critical to this choice.

Organisations face recurring difficulties over involving some particular groups of people. One category is the organised, special interest groups. They often have a great deal of experience, reflection and knowledge to share. However, they may also have established views, even a campaigning stance, which inhibits dialogue or discussion. Claims to represent their 'constituency' may not be justified. It is almost always necessary for organisations to seek the views of 'ordinary people' as well as those of established groups. Further, it is often necessary to organise parallel consultations for the two groups, for, as our research illustrated, the vocal lobby group can dominate proceedings and prevent non-members from voicing their opinions.

Which methods to use

With such a range of methods to choose from, this decision can be a difficult one. Fashion can sometimes play a part, but organisations usually make their choice for more robust reasons. Cost is critical, and the major element of cost, for all participants, is time. The popularity of panels can be explained by running costs which are relatively low, once the panel is established, when set against the recurring and varied uses to which the panel can be put.

Different issues and decisions require different contributions from public involvement, so the type of output which methods have to offer is important here. Complex issues require the deliberation which comes from interactive methods. Some purposes demand the sort of quantitative information which comes from surveys. Organisations frequently face a trade-off between involving large numbers of people and obtaining a depth of response which is only feasible when a smaller number is involved. A combination of methods is frequently required.

Ensuring an outcome

The most difficult phase of public involvement for public services is located firmly at the end of the process – in the use (and often non-use) made of the results of involvement for decision-making about policy, services or priorities. In our research, decisions or actions which flowed clearly from public involvement were hard to find. The lack of outcomes from public involvement, either real or perceived, is the greatest cause of disillusionment and scepticism among members of the public who take part, and sometimes among staff who work hard to make the processes work.

Organisations find it difficult to change these perceptions, because the results of public involvement are usually just one of several considerations which are taken into account when decisions are made. Further, the decision-making processes can be long and appear mysterious to people on the outside. For central government it can be particularly difficult to communicate the links with

decisions and changes in policy, especially when their participants were geo-graphically spread and the chain of people who implement change is a long one.

The commitment of senior people in the organisation to involving the public conveys an authority and sense of ownership which increase the chance of such interaction having an impact. If decision-makers are to see the results as credible and useful, they generally need to be involved in planning and designing the project from the outset. Even so, managers and policy-makers realise that the route from seeking public involvement to making and implementing decisions is far from straightforward. Public services are dealing with inherently complex issues and multiple accountabilities, of which their accountability to the public, which is itself complex and multi-layered, is just one part.

This is probably the most serious issue for public services to address as they continue to increase their efforts to involve the public. Our research with the members of the public or groups who took part in public involvement projects showed, across numerous case studies, that clear understanding of the purpose of their involvement was rare, that they were typically unable to discern any real impact or outcome, and that feedback after their involvement was on the whole absent. All of these failings were major causes of disappointment – the opposite of the policy-makers' intentions.

To illustrate some of these points, we present one of our 14 case studies.

Case study of a round table planning conference organised by the Highways Agency

Origins and objectives

The Highways Agency organised a 'round table conference' to consider needs for improved transport facilities in the Guestling Thorn/Rye area of East Sussex, and possible solutions to transport problems. The conference was held in two ses-sions in January and April 1995, and the report of the conference was published in September 1995.

Origins

In August 1993 the Department of Transport announced its intention to pilot the use of round table planning conferences. Following trials in Hereford and Cornwall, the Minister for Railways and Roads announced the formal introduc-tion of such conferences in August 1994. The A259 trunk road was to be the subject of the next one.

Round table conferences were presented as part of a package of measures to reduce the time taken to agree on and build new roads, and to improve value for money and efficiency in the roads programme. They were intended to be held in the early stages of planning a scheme, with the aim of shortening the time taken to reach decisions about road building. They were not to replace any statutory procedures or change the rights of objectors.

A round table planning conference is described as an informal forum for groups and individuals to discuss transport needs and problems in a particular

area. There is an independent chairperson to facilitate debate and encourage constructive and non-repetitious contributions, to seek consensus on a way forward, and to report to the Secretary of State for Transport. There are no pre-set proposals on the agenda. Non-road options may be discussed. The Highways Agency and their consultants are there to give advice and information.

To consider this innovation, it is necessary to understand the usual approach to consulting the public about road planning. The established pattern is for the Department of Transport/Highways Agency to consult local authorities and other statutory bodies in confidence before presenting a small number of route options for wider public consultation. This public consultation usually takes the form of an exhibition with brochures and a questionnaire to elicit the views of the public. The report on this consultation exercise is one source of information for the Minister's decision on a preferred route for the road.

The announcement on the preferred route is followed by more detailed assessment and design work. Then, if objections are received, there is a public inquiry. It is an inquiry into the choice of the specific preferred route. Anyone may give evidence and voice objections. Following a report from the Planning Inspector, who chairs the inquiry, the department either confirms its choice of route or announces other work to be done. It is not possible to decide on a different route at that stage.

The August 1994 announcement of planning conferences had said that they would be held 'at an early stage of scheme planning, as part of or as a precursor to formal public consultation'. In fact, the Hereford trial conference had been held *after* a public inquiry. This inquiry had led to a decision to withdraw the proposed route, because of the level of objections. However, the Cornwall trial had been held before any public consultation at all.

Despite the intentions to hold a conference in the early stages of planning, the A259 conference was called after an earlier public consultation exercise (held in May 1993) on the Guestling Thorn and Icklesham bypass had proved inconclusive. That is, it produced no consensus or overall majority for any one option. No preferred route was announced. The consultation exercise had set out several options. They included one to the north of Icklesham and Winchelsea, across the Brede levels, and several routes which passed to the south of the village of Icklesham and the existing road. The stalemate came about because the people of Icklesham broadly favoured the northern route, but this was objected to by other interests, including environmental groups and residents of another village to the north.

Government was thus faced with an impasse; any choice of route would be deeply unpopular with certain groups. It is thought by many that the conference was called to avoid or delay having to make such a controversial, ministerial-level decision, especially in the prevailing climate of large and well-publicised protests against road building schemes.

Objectives

The pre-conference publicity brochure stated that it was to decide the way forward, following the inconclusive public consultation. It also stated three

objectives – the conference was to seek agreement on: the need for an improvement to the transport facilities; the objectives of any solution; an acceptable solution for meeting the need and objectives of any scheme, taking account of all the relevant interests.

The geographical scope of the conference was also stated at this point. Preferred routes for the Winchelsea and Rye bypasses, on the east of the conference area, had been announced in July 1991. However, they were to be included in the conference as well. The western end of the Winchelsea bypass had been included in the public consultation of May 1993, but not the rest of these schemes. Thus, the scope of the conference was considerably wider than that of the previous consultation exercise.

To the west of the conference area, there was already a published route for the Hastings eastern bypass. Road schemes along the whole route of the A259 were presented as part of the Department of Transport's programme for improving the south coast trunk road.

The process

Methods

The Highways Agency made the practical arrangements for the conference, but the way it was conducted was essentially a matter for the independent chairman. He was Robin Wilson, a former president of the Institution of Civil Engineers, who has extensive experience of highway planning and public consultation about it. His brief was to arrange and facilitate debate, to encourage constructive and non-repetitious contributions, to report to the Secretary of State on the views expressed at the conference, and to seek consensus on a way forward. Beyond this, he received no formal guidance. He has explained that he took decisions about the methods and approaches to use in the light of the circumstances as the conference proceeded.

Robin Wilson established a number of principles for his own role as Chair and for the conduct of the conference, building on his general experience and what he had learned of the two previous conferences. These included:

- The word 'conference' implies taking part in discussions, reaching a conclusion which all are party to, and a duty to produce an end result.
- A conference has delegates. People wishing to attend had to register, either as individuals or representatives of organisations. They were told they had to attend for the whole time, to enable discussion to develop. People were also encouraged to organise themselves into groups, as contributions made on behalf of groups would carry more influence, and save time and space.
- There would be no voting or majority decisions. The aim was to seek consensus. Minority views must be brought into any recommendations.
- The role of the chair was to facilitate, not to come to a view himself. It was for the group to reach a view, and he would guide the process for them to do so.
- Any written submissions could be placed in the conference library, established for that purpose, but it was not the role of the chairman to read them.

- Speakers were allowed to speak for as long as they held the attention of the conference, but the chairman intervened to stop repetition or seek clarification.

Activities

Publicity.   Brochures about the conference and registration forms were sent to all residents of the area covered by the conference, to those who had responded to the previous consultation, and to local, regional and national organisations who were thought likely to have an interest.

Pre-conference meeting.   A pre-conference meeting was held in December 1994, in order for the chairman to outline the objectives, scope and procedure and to answer questions about any of these. At this meeting, the results of the inconclusive public consultation were issued, including the numbers who favoured each route. It is not usual for the Department of Transport or Highways Agency to release such information for public consultation, until a preferred route has been announced.

Registration.   People and groups were encouraged to register as delegates to the conference. Delegates received an information pack, with background material on the area and its transport patterns. A total of 280 delegates were registered; 144 as representatives of 90 groups, 136 as individuals.

Accommodation.   The conference was held in the Icklesham village hall, which accommodates 120 people. Three portakabins, linked with video and sound systems to the main hall, provided accommodation for up to 90 more. The main hall was full for most of the time; the cabins were between half and two-thirds full.

The conference table in the main hall accommodated 42. These seats were initially allocated to those delegates who had expressed a desire to speak on the day's topic. As the conference progressed they were allocated to those representing larger groups, statutory authorities and other major interests. The chairman sat at one end of the long table so that delegates could address each other across it.

Timetable

A draft programme was provided for the pre-conference meeting. This proposed eight sessions of 2 to 3 hours each, over four days. The draft programme directly reflected the objectives of the conference: the first 2 to 3 sessions were to investigate the needs for improvement, sessions 3 to 5 were to consider constraints, and sessions 5 to 8 were to look at options for improvements. In fact, the conference lasted a total of nine days and eighteen sessions. There was a first part of six days (10–17 January) and a second part of three days (3–5 April). Seven days had afternoon and evening sessions, two had morning and afternoon sessions.

The first part of the conference considered needs and constraints and began to look at options. The second part of the conference considered, in turn, the choices for Guestling Thorn and Icklesham, Winchelsea and Rye.

Adjourning the conference

Towards the end of the first part of the conference, two new routes, different from any which had previously been considered, were proposed for the Icklesham bypass. These emerged when the chairman detected an interest in small-scale improvements, and the possibility of a route that closely followed the existing road. He facilitated the development of these ideas by using an overhead projector in the conference, drawing the possible routes on a map projected for all to see, as people in the hall made suggestions. Both new routes passed closer to the village than those put forward at the public consultation. One included a tunnel under Winchelsea and thus proposed changes to the preferred route there.

The chairman adjourned the conference to allow time for consultants to develop a more detailed proposal for these routes, and a rough costing. During the adjournment, exhibitions were held in Icklesham and Rye to give people the opportunity to study the new route options.

Draft resolutions

Before the conference adjourned, the chairman also presented five draft resolutions for the conference to consider. This was a response to his concern that the conference was getting nowhere. The draft resolutions were intended to state where he thought the conference had got to and to allow people to see an output which reflected their contributions and was balanced.

Seeking consensus

The strength of opposing views emerged clearly during the first part of the conference. Those who were present comment, in particular, on the disagreement over the route for an Icklesham bypass. This was essentially the same disagreement that had surfaced at the previous public consultation. Most Icklesham residents favoured the northern route, put forward at public consultation. However, this option was vehemently opposed by the Save the Brede Valley Group, formed after the consultation in 1993, with the purpose of preventing any road building in the valley.

During the first few days of the conference, the chair of the Icklesham Parish Council and individual residents of Icklesham became increasingly concerned that they were being outnumbered at the conference. They were alarmed and surprised to find so many other groups from outside the village at the conference, as they had understood it to be concerned primarily with their own local interests. Having supported the northern route at public consultation, they were further dismayed to find that new proposals, much closer to the village, were being put forward. They had thought that the conference would only consider the 1993 consultation routes, not that new options might be developed.

The Icklesham Residents' Association was therefore formed to represent the views of Icklesham people at the conference. During the adjournment, the association organised a secret ballot of all on the electoral roll, to establish which route had most support. There was a response of almost 90 per cent. 65 per cent of respondents favoured the northern route from the 1993 consultation. This became a mandate for the residents' association.

During the weekend at the end of the first week of the conference, the chairman of the newly formed Icklesham Residents' Association invited those who were seen as key players to lunch and a meeting at his house, to be chaired by the local MP. The aim was to explore the possibility of compromise and common ground, outside the conference hall. It is reported that it became clear during that meeting that no compromise was going to be possible between the Icklesham Parish Council and Residents' Association on the one hand, and the Save the Brede Valley group on the other. Both continued to argue for their established positions.

The suggested new routes emerging from the conference also caused concern in Winchelsea, where many residents had not understood that the town came within the scope of the conference. They had thought that the 1991 preferred route was set, and not open to change. The possibility of a new option, including a tunnel under the town, prompted the formation of the Winchelsea Residents' Association. They also organised a poll of local residents. The desire to put their case effectively led one group to hold fundraising events so that they could pay experts in the field to represent them at the conference.

The conference was also attended by interest and pressure groups from outside the area. At one point, one local group was accused by another of bringing in people from two London-based groups with a known anti-roads position. The intervention of these groups led to what some describe as 'a shouting match' in the conference hall. The chairman announced that he would leave the hall for a short period, during which the conference should decide if it wished to continue and to respect the authority of the chair. If not, he would leave. It is reported that local people then made it clear to the 'outsiders' that they were not welcome. The conference then resumed.

Conference report

The conference report, including the resolutions, was produced by the chairman after the conference had ended. He had offered the conference the opportunity to meet again to comment on the wording of the draft final resolutions, but it was agreed that this was not necessary. The report contained nine resolutions, based on the five earlier draft resolutions and subsequent discussions. The report noted where the resolutions were generally supported, where there were dissenting views, what these were and who held them.

In brief, the resolutions adopted, reflect a consensus on the need for improvements; agree a bypass route for Guestling Thorn and note that the Hastings eastern bypass should not be built without it; record regret that no consensus was possible on how to improve the Guestling Thorn to Rye section, but put forward two new options, one of which includes the Winchelsea tunnel; and support the current preferred route for the Rye bypass, with minor modifications.

Assessment of the process

As a method of public consultation, the planning conference generated strong and varied views among the participants. These were inevitably influenced by

the fact that the conference achieved little or nothing for most of the groups we spoke to. However, there were some positive reactions to aspects of the method as well as criticisms.

Some of those we spoke to felt that the particular problem this conference had tried to resolve would be impossible to resolve through any consultative method. But they thought there was a potential role for the round table conference in planning road schemes, if it was used and structured differently. This potential is discussed under 'Assessment' below.

In the views of those involved, the following aspects of the conference were fundamental to its success or failure as a process.

Timing and geographical scope

It was widely thought that the Department of Transport had been naive if it had expected the conference to resolve questions on which those who took part in the previous public consultation had been clearly divided. In the intervening 18 months, views had, if anything, become more entrenched. Some groups had spent the intervening time preparing their case.

The subject of the previous consultation had been the Icklesham and Guestling Thorn bypass. Residents of these villages felt they had made a clear choice of route then and were taken aback to find the matter open for debate again.

The geographical scope, wider than that of the previous consultation exercise, had been announced but was apparently not understood by people in the eastern part of the conference area. Residents in these areas were surprised to find that the conference affected them, as they thought their bypass routes were settled. Some groups reacted very negatively to new options being proposed.

The different views of the conference's scope are illustrated by attitudes towards Icklesham village hall as a venue. Some thought the conference needed a bigger, more neutral venue and that the choice of Icklesham was misleading, and allowed that part of the scheme to assume too much importance. Representatives of Icklesham, on the other hand, were dismayed to find that the conference was giving what they saw as an unfair amount of attention to the views of others from further away or with 'single issue' interests.

Attendance and representation

There were strong views about who should be entitled to attend, and the basis on which they should speak. The conference was open to all, both groups and individuals, and many felt this was the only possible and fair way to approach it.

One concern was that speakers should be required to declare their interests. Many felt that speakers' points of view simply reflected either where they lived or where they had other interests, and that these interests should be made explicit.

Other arguments concerned the relative weight to be given to the views of those who were not local residents, such as conservation bodies with a national remit to consider wildlife sites, or to take a strategic overview of road planning. When considering local preferences, how local do people have to be in order to have a say? And people were suspicious that more attention would be paid to the articulate professional than to the amateur.

The role of representatives of organisations also caused some suspicion. One concern was that speakers might not represent views of their members fully or accurately. One approach was to give representatives a mandate. However, this tended to make their contribution inflexible, as they were unable to negotiate or compromise without referring back to the group and this procedure was not generally practical.

There was some confusion over the role of the county council officers. Their position was that they were there to give their professional advice, which was based on a county-wide perspective and on the extensive study which had been undertaken to respond to the earlier consultation by the Highways Agency. They did not have a mandate for the conference itself and were not there to represent the authority's views, which would be determined by councillors. Any conference outcomes which required a council decision would have to be taken by elected members at a later date. Meanwhile, two members of the county council who were at the conference were representing particular interests and views, not necessarily the views of the council as whole.

Facilitating dialogue and consensus

By the end of the conference, all who participated had a clear understanding of the views of the different groups. The strength with which different views were held was also understood. This overall picture is not easily obtainable from a public consultation, nor available to so many participants.

It was easier for some people to speak than others. Confidence, experience, the ability to think on one's feet and deal quickly with complex points were all important. Some people found the process intimidating. The skill of the chairman was generally agreed to be absolutely fundamental to a successful conference. The chairman here was widely praised for doing a difficult job well, for being fair and for enabling everyone to make a contribution. His engineering expertise was generally thought to be an advantage. One group, however, were critical of the chairman on all these points.

As the conference proceeded, it became clear that there was little or no scope for consensus on some issues. The chairman has since expressed the view that the process could be developed if the chair took on a rather different role. The aim would be to break an apparent deadlock by holding discussions with small groups outside the main conference hall, in the hope that people could retreat from entrenched positions and enter into more of a dialogue. Possibilities might include mediation or conciliation, by means of brokerage or shuttle diplomacy.

Time commitment

Many delegates were at the conference for all or most of the nine days. This was a considerable commitment from those who were unpaid representatives of voluntary groups and/or had jobs and other responsibilities, and was a major drawback to the process for many.

It presented difficulties also for some of the smaller statutory bodies with limited resources and a wide range of responsibilities. Not all of these were able

to attend for the whole time, if at all. They were used to one-to-one discussions with the Highways Agency, followed by a public inquiry. The conference was an addition to these processes, not a substitute for them, and the demands it made on their time was a major problem.

Managing the process

The chairman had the freedom to decide how to run the conference. He controlled the timetable and decided how long to allow for each issue and each contribution. He could extend the overall length of the conference as he thought necessary. The decision to adjourn the conference for work to be done on new routes was his. The chairman worked closely with the Highways Agency and their consultants, who supported him and were available to discuss progress.

Resources

The total cost to the Highways Agency was approximately £0.5 million. This included fees for consultants to study the possible new routes and the cost of mounting the conference. The costs of the conference itself include the accommodation, the technology required to link the overflow huts to the main hall, information material and brochures, and technical and secretarial services bought in from East Sussex County Council. The chairman had two staff to assist him.

For delegates, the major cost was their time, which was considerable. A specific example comes from one of the county council officers who attended the whole conference. He reports that he spent the equivalent of four weeks in total working on the conference.

The impact of the process on its output

The conference showed that new options, not previously identified by the authorities, can be developed in such a forum. It also showed that consensus can sometimes be reached on replacing existing plans with new proposals. The conference also confirmed some existing plans.

All of these achievements have tended to be overshadowed by the failure to agree on the central part of the route, and by the upheaval caused by proposing changes to some routes which were thought to have been agreed.

Impact

Acting on the output of the conference

The chairman's report of the conference findings went to the Secretary of State for Transport. It was sent to all conference delegates and other interested parties, and was published by the Department of Transport in September 1995. The press release which announced the report's publication also said that the Secretary of State would announce a preferred route in due course.

Impact

The objectives of the conference had been to reach agreement on: need; objectives of a solution; and of an acceptable solution for meeting the need and

objectives. The overall aim of planning conferences was to speed up the decision-making process on road building.

The conference had agreed a resolution on the need for improvements, and it had agreed solutions for parts but not all of the route. The need for new road building was not, in the end, accepted by government, which changed its mind about building the road at all. One section of the scheme remained in the road building programme when our research came to an end, the one on which consensus was reached. Without the conference, this might not have happened. As the conference failed to reach consensus on solutions for the whole route, and as views about this remained strongly opposed, it seems unlikely that, had the scheme remained in the programme, it would have speeded up the process of decision-making on road building.

After the conference, government decisions about the A259 were made in two stages. The results of the Review of the Trunk Road Programme, published in November 1995, put all three schemes (Guestling Thorn and Icklesham, Winchelsea, Rye) in the longer term programme, creating the expectation that there was no realistic prospect of work being done on them in the foreseeable future. However, the preferred route protection for the Guestling Thorn bypass was not withdrawn as the scheme may be taken forward in a programme of smaller scale Network Enhancement Projects.

In further changes to the trunk road programme, which were announced after the November 1996 budget, all three bypasses were withdrawn all together. The Hastings eastern bypass remained in the programme. Both announcements refer to overall policy changes on road building, resulting from financial constraints, the need to make better use of existing roads and to pay more attention to environmental concerns. The number of schemes in the road programme was reduced by more than 60 per cent between March 1994 and November 1996.

It was widely believed by those involved in the conference that the outcomes of the conference had made it convenient for the government to withdraw the scheme altogether. This view holds that the conference had originally been called to avoid having to make a controversial decision. When the conference provided further evidence of the strength of the different views discovered by the previous public consultation, then the obvious decision was to take the opportunities to defer and then withdraw the scheme. Financial constraints are not accepted by those who participated in the conference as the real reason for these decisions.

The impact of these decisions has been felt differently by the communities of the area. For the Save the Brede Valley group, the result was all they had hoped for. Winchelsea lost the bypass it thought had been agreed. Icklesham felt it had lost its opportunity to get a bypass, and that this happened because of the unreasonable influence of those from outside the immediate vicinity. The view of some of the statutory bodies is that the unwillingness of Icklesham to compromise cost the village its bypass. Underlying all these judgements are a range of views about the importance of the A259 as a strategic route.

Assessment

As we have seen, the conference achieved its objectives to a limited extent. But for almost all concerned it was seen as a waste of resources because of the subsequent decisions to cancel the scheme. There was also a view that the conference could have a useful role to play in different circumstances. We therefore conclude with a summary of people's views of the potential for this sort of exercise in the planning of road schemes.

For some participants, holding a conference is not an idea worth pursuing. They argue that consensus, where it exists, will emerge with or without a conference. They believe that the conference is not a cost-effective method and there is a preference for going straight to the usual, statutory public inquiry, which would take place anyway. The inquiry's formal process of evidence and rebuttal is preferred to the dialogue aimed for by the conference.

Many participants felt one of the main values of the conference to be the exchange of information it created. This was done much more effectively, and included many more groups and organisations, than the usual consultation process. Much more information was in the public domain as a result. The conference was much preferred, by many, to the adversarial format of a public inquiry.

The benefit of this could be properly realised if it took place at an early stage in the planning process, before any other public consultation or announcements of preferred routes. The conference could then be used to explore public opinion and perhaps to develop ideas. If a conference takes place early on, before people feel their personal interests are directly threatened and before positions become so entrenched, then some of the process problems identified above would be less of an obstruction. In this way, the conference has the potential to subsume the usual public consultation, though it might be necessary to carry out the usual form of consultation once route options were defined.

It is debatable whether conferences could ever achieve anything in the most controversial or sensitive areas. This is related to whether they are intended to be used to explore opinion and ideas or move as far as seeking consensus. However, the important point is made that any process would not remove the need for difficult and probably unpopular decisions at government level. Moreover, government must be prepared to act quickly on the conference report, which quickly loses value and credibility.

Conclusions

We identified the four key points arising from this consultation exercise:

- Planning conferences are an addition to the normal consultation and decision-making process, not a substitute for any part of this. Despite earlier trial conferences, there are unresolved questions about the timing, scope and role of such a conference.
- The conduct of the process of a conference is a major factor in its success or otherwise. If conferences are to be used in the future, we consider that ground

rules and principles developed for this conference would be a sound basis for guidance on procedure.

- The investment of time and energy by those participating in the conference should be met by an equal commitment to a prompt and open decision-making process by the Department of Transport.
- It may not be possible to avoid difficult and controversial decisions, which involve value judgements. Road building is a prime example of this and it would be naive of any organisation to think consultation could do more than delay and, possibly, inform that decision.

Seeking consensus on an issue which will have a direct impact on people's day-to-day lives is inherently difficult. It is made more so if the conference takes place, as this one did, after an earlier consultation which had helped people to establish firm views and expectations. The conference did not remove the need for controversial decisions. In our view it would be unrealistic to have expected it to do so. It is also unsurprising that, given the timing of the conference, many participants suspected that this was not the real purpose and were sceptical before it began.

The planning conference demonstrates that where strongly held views are in contention then absolute fairness in the processes adopted is particularly important. We consider that the chairing and conduct of this conference provide many pointers to good practice, and demonstrate what can be achieved even in heated circumstances.

The commitment of time and other resources by delegates reflected the strong interest they had in the outcome. This investment was not met by a responsive decision-making process – there was no commitment to a decision-making timetable and decisions were influenced by wider national and political considerations, without the reasons for the decisions being made explicit.

It is proper, we believe, that the conference resolutions should not be in any way binding on decision-makers. It would be hard to justify such a rule unless the consensus had been reached by a group which was accepted as representative – and there would have to be consensus also on which interests had a right to be represented. However, the decision-making after the A259 conference appeared, and was, remote from the intense experience of participating in the conference. The disaffection which followed was more than simply the result of disappointment with the outcome.

Given this mismatch, we consider that there is a case to be made for either limiting the conference expectations to the exchange of information and development of ideas, or for increasing the potential for the conference to reach consensus. The first option would take some of the heat out of the process and lead to a much better understanding of public views than is possible in the usual approach to public consultation. The second option might involve allowing the chair the opportunity, for example, to hold separate meetings between opposing groups in order to reach a consensus through mediation.

12

Transforming Regional Government Offices in England: a New Whitehall Agenda*

Ken Spencer and John Mawson

The research upon which this chapter reports was entitled: Whitehall and the Re-organisation of regional offices in England. Research was undertaken over the period late 1994 to 1997. Little research had previously been undertaken on regional offices (Young 1982). The researchers have maintained an interest in more recent debates surrounding the government offices in England. As a result the chapter includes more recent findings as well as those arising from the ESRC project itself (Mawson 1997; Mawson and Spencer 1995a and b; Spencer and Mawson 1998).

The focus of the research was to explore the background to the introduction of integrated government regional offices in England in 1994, and to explore issues surrounding the early role and operation of this innovation. The aim was one of developing wider understanding of this new Whitehall initiative in the English regions.

Pressures for new integrated government offices

The new offices were created on 1 April 1994. Ministers saw the prime role as one of identifying economic problems in the regions, of improving economic competitiveness, and in partnerships with regional stakeholders, arriving at co-ordinated, cohesive policy solutions. The initiative built upon an integration of the broader policy programmes of the four initiating government departments (Employment, Environment, Industry and Transport).

It was expected that the new government offices would meet the requirements of their joint ministers in four ways (Government Offices Co-ordination Unit 1995: 8–9). Firstly, by being charged with securing co-ordination between parent departmental programmes in their region. Secondly, by undertaking an 'eyes and ears' function to provide reliable information about local issues and opinions. Thirdly, the offices would ensure that government policy was both effectively

and accurately presented regionally. Fourthly, they would ensure support for ministers in dealing with parliamentary business with a regional aspect and in helping to smooth ministers' visits to regions.

The ten Government Offices for the Regions (GOs) were created in response to the 1992 Conservative Party Manifesto which wanted to strengthen the co-ordination of government programmes and policies within the regions. The manifesto called for an integration of appropriate Whitehall departments so that the business community and local government would have one port of call rather than several (Conservative Party 1992). The initiative was a key element of the enlivened debate on regional matters. It remains a factor in the current devolution debates, following the push by the Labour government, elected in 1997, towards Scottish and Welsh devolution and change in Northern Ireland. Regional administration and government within England is now a growing political issue (Coulson 1990; Stoker, Hogwood and Bullman 1995; AMA 1995; Bradbury and Mawson 1997; Elcock and Keating 1998; Mawson 1996; Regional Policy Commission 1996).

Other pressures led to strengthening GOs in the English regions. In 1989 a Select Committee had drawn attention to a lack of serious territorial analysis of public expenditure together with the lack of a consistent disaggregated basis of public expenditure information on English regions. It also felt that there was inadequate planning of interconnections between regional programmes and their outcomes (House of Commons 1989).

Around the same time both the Audit Commission (1989) and the National Audit Office (1990) felt that regional co-ordination of Whitehall policies was ineffective. This was because the centralised and departmentalised nature of government made it historically difficult to ensure effective policy co-ordination at urban and regional levels. It was seen, in part, as being due to the separateness of existing government departments with regional offices.

There was also growing concern over the inadequate interaction of governmental support mechanisms to business and employment. Business leaders had been concerned to press the government to get its regional act together so that regional business competitiveness could be enhanced (Bennett, Wicks and McCoshan 1994; Bennett 1995; Moore and Richardson 1989; Storey 1994). Much of this debate concerned the division of various functions amongst different agencies, for example, Training and Enterprise Councils, the Confederation of British Industry, Chambers of Commerce, English Partnerships, the Rural Development Commission, the economic development functions of local government, and a wide range of separate government programmes managed through separate departments of regional government offices.

At the same time, greater pressures being felt as a result of European Union regional strategies and business competitiveness in the wider European and global contexts, led to change (Coopers and Lybrand/BITC 1992; Jones and Keating 1995; Garside and Hebbert 1989; Hebbert 1989). The lack of a stronger regional approach had been felt to hinder access to European funds as well as not encouraging greater competitiveness of English regional economies (Baine,

Bennington and Russell 1992; Batley and Stoker 1990; John 1996; Roberts and Hart 1996; Wannop 1995). There was a feeling that England did not, at sub-national level, play as effective a part as it might within the European Union. The establishment by the European Union of the Committee of the Regions (1994) added credibility to the need to develop a stronger, more co-ordinated regional governmental presence in England (Commission of the European Communities 1994). At the same time the European Union was seen, itself, to be pursuing a stronger regional emphasis (Harvie 1994). It was moving towards a Europe of regions.

These roles for GOs can be seen in the wider context of government's and Whitehall's recognitions of a new more holistic approach to governance at regional level (Spencer and Mawson 1998b). The new offices reflected, unlike their predecessors, the need for more integration, in an increasingly fragmented world, of both institutions and policies of governance.

Pressures were applied to the new integrated offices to operate in partnership mode to ensure greater regional effectiveness, especially with business (Coulson 1997; Spencer and Kunz 1993). This included the need to build stronger horizontal, not just hierarchical, links in government and the need to incorporate a stronger bottom-up structure to counter-balance the hitherto strong top-down framework. In short, it was recognised that regional organisational capacity needed strengthening (Lewis 1992; House of Commons 1995).

The changing nature of both local and regional governance, with its many players and different voices (including quangos), required drawing together or, at least, orchestrating. Perhaps the GOs were also seen as a vehicle for improving elements of the central–local government relationship. Clearly the offices were initially, and to a lesser degree subsequently, seen as developing the administrative/manageralist arms of Whitehall – they were not directly seen as avenues for greater political involvement and regional accountability (Regional Policy Commission 1996; Mawson and Spencer 1997a). However, with the growing pressures for Scottish and Welsh devolution, a similar accountability debate is growing in English regions. Through Regional Chambers and through the Regional Development Agencies, several English regions wish to move towards further political accountability. Such shifts of emphasis will require to build on many of the existing strengths of the GOs (Mawson and Spencer 1995).

There were pressures from the Treasury and from other government initiatives seeking to drive greater efficiency within the civil service, for example, Citizens' Charter 1987, Next Steps Initiative 1988, Market Testing 1991 and the creation of the Office for Public Service and Science 1994. One of the underlying philosophies behind these various pressures, at English regional level, was to use the territorial dimension of public policy as a helpful mechanism for encouraging greater cohesion in overlapping policy fields. Political support for the new integrated GO approach came particularly from the then deputy prime minister and the Secretary of State for the Environment. Thus the pressures to create the new style GOs was largely driven by internal circumstances within government, particularly concerned with rationalisation, with regional competitiveness and with stronger co-ordination, as well as business pressures and the growing evidence

from Select Committees and elsewhere that better regional cohesion of Whitehall's activities was now necessary. It has already been shown elsewhere how the wider historical context fits alongside this initiative (Mawson 1996; Mawson 1997).

The launch and staff review

The Conservative government announced in November 1993 that the new integrated GOs would be established on 1 April 1994. The Secretary of State for the Environment in a press release indicated that GOs would 'provide their customers with a more comprehensive and accessible service ... meet the widespread demand for a single point of contact ... bring service closer to the people they serve, simplify the government machinery and improve value for money' (Department of the Environment 1993a).

The aim was clearly an attempt to co-ordinate an increasingly fragmented central government organisational structure deemed to be less than effective for the delivery of many services at the regional level. This was specifically a challenge to the considerable difficulties the co-ordination of central government policies at regional level in England had witnessed so far. Lessons were being learnt from the Welsh, Scottish and Northern Ireland regions which were seen as benefiting from improved co-ordinated territorial management, devolved regional departments, block budgets and the ability to switch resources between budget heads and programmes. A Government Committee noted that the regional Secretaries of State valued this discretion enormously as 'it assists policy co-ordination and financial management ... it permits substantive policy differences and adjustment of UK policy measures in the light of different traditions and circumstances' (House of Commons 1989: 2).

Such an approach clearly challenges more traditional ways of working, both ministerially and in the civil service. Some six key objectives were established for new GOs (Department of the Environment, 1993b). These were:

1. to meet the operational requirements of departments and ministers;
2. to contribute local views and experience to the formation and communication of government policy;
3. to promote a coherent approach to competitiveness, sustainable economic development and regeneration using public and private resources and through the exercise of their statutory responsibilities;
4. to develop the skills of staff and methods of working to achieve these objectives and to demonstrate their success in doing so;
5. to develop partnerships with and between all the local interests to promote and secure these objectives; and
6. to provide a single point of contact for local people and deliver high quality services to Citizens' Charter principles.

Other governmental objectives, unspecified above, were for GOs to get a firmer grip for government on European funding, to cut the costs of the integrated GOs

through staff reductions and, to launch in parallel, a new Single Regeneration Budget (SRB) (Department of the Environment 1993c and 1993d). The SRB was to be managed by the new GOs. The programme drew together some 20 previously separate programmes from five Departments totalling some £1.4 billion in 1994/95. The purpose was one of providing flexible support for social and economic regeneration and was available through a competitive bidding system managed by GOs. Thus a key initial task for the GOs was to ensure the smooth and successful operation of this new SRB programme, itself being a co-ordinated package of previously disparate programmes. Bids were invited from various agencies of governance in partnership with others and local communities (Hogwood 1995; Mawson *et al.*, 1994; Stewart 1994).

The SRB programme was central to the early life of GOs and considerable attention was given by regions and Whitehall to ensure its success. Indeed the very positive response by government to the management of SRB by GOs was instrumental in the Labour government's build-up to the creation of Regional Development Agencies (RDAs) to be created in each English region on 1 April 1999 (though the London RDA was to follow one year later).

The ten GOs were located in each of the following English regions: North East; North West; Yorkshire and Humberside; Merseyside (to be later integrated with the North West); West Midlands; East Midlands; Eastern Region; South West; South East; London. Regional civil servants of the Departments of Employment (in 1995 Education and Employment), Environment (in 1997 Environment, Transport and the Regions), Transport, and Industry, all became accountable in a new GO managerial structure to one Senior Regional Director (later Regional Director). The Regional Director originally reported to all four Secretaries of State and was accountable for all staff and resources routed through GOs and also responsible for establishing cohesive and effective co-ordination. Links with other government departments were also developed, for example, with the Home Office; Culture, Media and Sport (partly in relation to the voluntary sector and lottery funding); Defence (in relation to over-capacity of military sites).

As part of the downsizing, or rightsizing, of the civil service, a senior management review was undertaken. Two civil service White Papers set out the approach. This review impinged upon the GOs almost from the moment they were beginning to find their ways. The White Papers required these reviews to aim for 'leaner, flatter management structures with less emphasis on working through hierarchies and more scope for talented individuals to make their mark' (Cabinet Office 1994: paragraph 4.15). The reviews were to prepare proposals for new senior management structures, including GOs, which would also 'ensure that Departments are organised to deliver the services they provide … as efficiently and effectively as possible; and to match the management structure to the needs of work, with clear lines of responsibility and accountability; and to reduce layers of management … based on a clear understanding of the added value of each layer of management' (Cabinet Office 1995: paragraph 4.7).

The outcome of the GOs review carried out by the Government Office Central Unit in Whitehall, was a reduction of some 32 per cent of the top posts in GOs graded in the ranges 2–6. One of the impacts of this review and of issues to do

with integrating terms and conditions, office location and personnel matters was to initially emphasise internal management issues in GOs at the expense of wider strategic considerations (Government Offices Central Unit 1995). However, one result of the staff reductions was to further encourage cross-departmental working by senior managers across GOs' activities simply because it was no longer possible simply to retain a second tier in each GO from the four merging departments. The outcome was that GOs were reasonably well placed structurally, at senior level, to consider complex, cross-cutting (or wicked) issues, as well as in developing co-ordinative mechanisms to assist more holistic government in the regions.

Despite GOs' attempts to integrate a more coherent package of policies regionally there remain many relevant policy fields outside the scope of GOs while there remains disquiet over some of the regional boundaries and whether people relate to local regions or not (Hogwood 1996; Harding *et al.*, 1996).

The management and accountability of the Government Offices

To oversee the GOs' initiative at Whitehall level a Central Management Board was created. This was chaired (in regular rotation) by a senior Whitehall civil servant grade 2 or 3. The Board meets with Regional Directors and is serviced by the Government Office Central Unit (GOCU). This unit is staffed by civil servants seconded from departments launching the initiative. The board, in collaboration with Regional Directors, sets overall objectives with operational detail left at regional level. Most GOs' are broadly similar in terms of functions (incorporating their original regional office functions plus new additions, for example, SRB, European Funding and lesser roles in education and safety). While many governmental and other functions lie outside the scope of the GOs, there is opportunity for informal influence. This can be quite powerful, given the Regional Directors' networks which include Whitehall and ministerial links. Regional Directors are directly responsible to ministers and through them to Parliament. They are not accountable regionally to any political body – though the introduction of Regional Chambers will mean that one of the tasks of Regional Directors will be to liaise with such indirectly elected chambers (including non-political party representatives of just less than one-third of the chambers' membership).

Regional Directors hold powerful positions in the Whitehall machinery and their status has been growing as a result of their roles, activities and significance to Whitehall and to government. They act as challengers of central uniformity. While functions, management structures and relationships broadly follow common patterns found elsewhere in Whitehall there are several major differences between GOs.

An important difference was that under the Conservatives the GO London serviced a Cabinet Sub-Committee on London and had direct access in this way to all London-wide government and Whitehall key players. Both GO London and GO Merseyside took over responsibilities for the Urban Development Corporations, while in Merseyside the GO inherited large-scale Objective One European

funding. Thus GO emphasis on policy often centred on regional interests. The rural brief was exemplified best by the Eastern Region and that of the South West. Both of these GOs were actively involved in preparing the Rural White Paper, for example.

Internal GO management structures differed. In the South West there was a split site, with the GO office located in Plymouth and in Bristol with a sub-office in St Ives. This was essentially to reflect local politics. In the South East the management of the GO was organised geographically rather than functionally with the evidence, to date, indicating this was successful as a regional managerial approach.

In most GOs the original home-based departmental functional structures were mixed at middle and senior management levels in order to assist integration and to help managers grow out of their historical departmental thinking. It was common for senior functional service managers in GOs to take on board some responsibilities for sub-regional co-ordination within the region. Such an approach also helped to break down departmental barriers and ensured regular contacts were made with local stakeholders and representative groups in these sub-regions. In aggregate, such styles of management have proved effective in helping senior managers to develop a wider GO perspective. Over time, as GO civil servants return to Whitehall and as others move for a period into the GOs, the developing ethos of Whitehall's functional structures will become more influenced by a territorial dimension concerned with questions of policy relevance to specific geographical regions and specific communities. This should, over the medium to longer term, contribute to more realistic and improved policy process management by Whitehall. It will sensitise civil servants more strongly to regional perspectives.

The roles of GOs as 'eyes and ears' should not be underestimated. It is clear that GO Regional Directors and other senior staff have been influential in challenging current thinking and in formulating policy and systems in Whitehall. There is still much progress to be made, but the regional dimension can now be said to be rolling in Whitehall. Indeed it can be argued that experience at senior management levels in GOs, alongside the new approaches to government thinking more holistically, places such regional civil servants at the cutting edge of cultural change within Whitehall itself.

GOs still need to forge effective management links with a variety of regional institutions. The move towards the quango state and its fragmentation readily identifies prime concerns, for example, Health bodies, the Housing Corporation, Higher and Further Education (Skelcher 1998). With a number of new government initiatives some of these linkages are now being forged – though sometimes on strong Whitehall departmentalist lines, for example, Health Action Zones, Education Action Zones, Employment Action Zones.

One of the important management issues which the Regional Directors had to accommodate was their original accountability to four separate departments of state. Each department set out memoranda or service agreements to prescribe the scope of GO discretion. Tensions emerged between the Whitehall 'head office'

emphasis on ensuring GOs delivered Whitehall's main programmes and priorities and the pressure on GOs to focus on more co-ordination, integration and developing a regional perspective in policies. Some Whitehall departments took a too-defensive position in ensuring that their own priorities dominated.

In terms of GO budgets, no regional dimension was build into negotiations between the Treasury and individual departments of state. Thus GOs depended upon the delegation of budgets from these central functional departments which operated different financial management systems. These were usually poor in information technology terms. This led to difficulties of coherence and co-ordination which had to be tackled regionally.

The GOs were involved in annual bid rounds for resources from their parent departments. The link was GO-MINIS, a system linked to the public expenditure round. GOs prepared activities and objectives for the next year which were negotiated with parent departments and with GOCU. Once approved, GO-MINIS documents were transformed into annual operational plans and budgets for specific divisions within each GO. This system also led through the operational plans into annual reports for ministers and for general public accountability. The 1998 change to a 3-year expenditure planning system should create more certainty in the medium term in the regions. Total proposed pay and other costs for running GOs (1996–97) varied between £4.324 million for Merseyside and £14.27 million for London. These figures exclude the resources available for allocation on government spending programmes in the regions themselves, for example, SRB, transport allocations, housing allocations. The average running costs of each GO excluding the extremes of the Merseyside and London figures was £8.8 million. The total running costs proposed for 1996–97 of all GOs and GOCU were £85.7 million (Government Offices for the Regions 1996).

The GOs established cross-office working groups linked to Whitehall staff (known as twinning) to examine regional issues in relation to a large number of policy areas. Some led to policy or priority changes – for example, road proposals, regional airports, the Rural White Paper, Ministry of Defence land, Careers Service, SRB, Business Link schemes, securing European Social Fund grants for government training programmes, encouraging Investors in People standards, producing new Regional Planning Guidance and developing the analysis of regional economies. Via the twinning approach, new networks were formed and new influences were placed on policy formulation and implementation. The voice of regional civil servants was heard more and was being more frequently acted upon.

Three key national themes were established by ministers as core co-ordinating themes for GOs. These were competitiveness of regional economies, regeneration and sustainability. The first two had tranches of government programme cash flowing through the GOs and therefore progress on these fronts was more rapid. The competitiveness agenda was seen as the principal driving force and pressure has subsequently been maintained on GOs to improve performance on their competitiveness indicators, including those relating to education and training (Government Office for the West Midlands 1998). Despite attempts to influence

policy in Whitehall it is still the case that Regional Directors and others feel that all too often the regional dimension is not considered appropriately or opportunely. It was also felt that parent Whitehall departments, as well as other departments, lacked understanding of the roles and opportunities presented by GOs. Clearly the GOs need a specific set of regional priorities, performance measures and guidelines in order to manage effectively. These are not always in place. However, GOs do have considerable discretion in the management and allocation of funding directed through their own offices. GOs are in a position to affect both inputs and outcomes of a variety of policy fields in both a formal and informal sense.

Large urban local authorities have a tendency to see GOs as an intermediate level and would often prefer to approach Whitehall and government direct. Other local authorities and many business concerns see the GOs as performing a useful regional role. However, it is clear that the GOs have not been about 'sweeping measures to shift power from Whitehall to local communities and make the government more responsive to local priorities', as was indicated by Mr Gummer's press statement announcing the new GOs (Department of the Environment 1993a).

There has been criticism of GOs aimed at Regional Directors having too much power, discretion, influence and choice in many policy areas and that there is too little scrutiny of their activities (Foster 1995). Such a position can emerge from the contradictions between varying perceptions of the nature of GOs and regional reform. Change brings critique, it also takes time to evolve and settle down. However, Regional Directors can readily point to successes (Ritchie 1966).

Under the Conservative government GOs were not required nor expected to produce regional strategies. Indeed they were actively and formally discouraged from doing so. In this vacuum it was not easy to consider in a fully rational manner the host of regional priorities affecting a range of initiatives which fell upon GOs – for example, regional planning guidance, EU structural funds, community support documents, land use, housing and economic development plans, and so on.

In the light of all of this, the House of Commons Trade and Industry Committee (1995) was able to argue that regions needed to be more proactive. They also needed to foster enhanced organisational capacity across key regional stakeholders. This was to be achieved through preparing regional and sub-regional plans to co-ordinate activities across agencies. However, the contradiction is that GOs were not given that role. The new Regional Development Agencies might be seen as an approach by the Labour government to stimulate the shift back to regional economic planning, using the business community as a main driving force. The danger is that the advances developed by GOs in relation to holistic government could get swept aside by the rush to a new Labour agenda around Regional Development Agencies and, to a lesser extent, Regional Chambers.

The Regional Directors

Regional Directors are pivotal to the GOs. They have played a central leadership role in the whole initiative together with the Management Board. Their roles, as

many Whitehall roles, have in-built tensions. They act as spokespersons for government policies in the regions; provide a regional dimension to central policy making; manage large departmental programmes; and fulfil a facilitating and networking function in promoting regional economic development. They attempt to ensure greater co-ordination, or at least less fragmentation, of previously disparate policies and their coherent implementation at regional level; they act as emergency fire fighters for sudden crises or issues affecting the region and they handle ministerial visits and questions.

At the same time they are expected to work with local authorities and the Regional Local Authority Association, other public agencies, the business community and the voluntary sector (which, incidentally, is not normally organised at regional level). There are specific tensions between on the one hand the role of representing government in the region and co-ordinating its service delivery and policies and, on the other hand, reflecting regional views back to Whitehall (which may respond in a sensitive and highly critical manner).

The evidence indicates that, overall, it is easier for GOs to progress systems, procedures and structures in the region, often by encouraging others to play a leading role. Policy influence in Whitehall is slow to develop, though there have been a few relatively important successes. In some cases policy influence is wisely handled outside the formal decision-making structure. There is small, but growing, evidence that Whitehall civil servants have begun to acknowledge the regional dimension as sometimes an issue to be addressed in their own deliberations. Thus, the traditional cultures of Whitehall are shifting a little. The devolution debate and associated English Regional Chambers as well as new Regional Development Agencies are likely to continue to push for further change to long-established Whitehall cultures. English regions could well become more central to the transformation of Whitehall itself. The struggle has been joined. Back in 1970, Sir William Armstrong, then Head of the Civil Service, foresaw some of these pressures. He indicated that changes in society included the desire to find a unit of government larger than local authorities but smaller than the UK government. This was 'particularly associated with Nationalist feeling … but appears from time to time in relation to regions of England as well. All these things, of course, effect the Civil Service very closely and would do even more dramatically, if some of the more radical ideas were implemented' (Armstrong 1970).

Certainly GOs work in a far more integrated way than ever before; although there are some who are disappointed GOs have not yet opened up to more active involvement of local institutions in their work (Fell 1995; Association of District Councils 1995). Nonetheless, progress is being made, though not as speedily as some would wish. Independent Regional Chambers have been created in some regions with a strong local political representation. Such chambers can be created in regions which wish to establish them. They are not the creation of GOs but are independent. Regional Development Agencies have operated with boards consisting largely of business people since 1 April 1999. Thus the two key constituencies of criticism of their lack of involvement – local government and business – are finding themselves incorporated within the new developing aspects of

GOs' work. GOs are an evolving feature of a new Whitehall approach to the English regions. They have the potential to act as a significant element of government networking and influence as well as an arbitrator, with others, of regional concerns reflected back to Whitehall.

GOs have, since 1994, represented a significant development in the machinery of government at regional level. Despite criticisms, they are likely to evolve either as a growing powerful instrument of administrative decentralisation or potentially as a more regionally recognised form of devolved English regional democratic structure. Either way the change is a significant constitutional shift from the pattern of Whitehall as we knew it (Hennessy 1989; Gray 1994; Rhodes 1997; Skelcher 1998). GOs in England can play a crucial role in constitutional change with an enhanced capacity both administratively and politically.

Lessons from Government Office operations

A number of key lessons and findings have emerged from this study of GOs. Briefly summarised they include the following:

- The transformation to a more holistic, joined-up, governance will need to build on the skills and knowledge of senior civil servants in the English regions. Regional Directors could well be developing those skills most needed to provide twenty-first century government in England, which is both effective and integrated. Senior regional civil servants have been placed at the cutting edge of cultural change within Whitehall.
- There remains strong resistance in many parts of Whitehall to developing a policy focus for GOs, particularly beyond those government departments not formally involved in initiating GOs. Yet some of these departments are developing stronger links with GOs, for example, the Home Office; Culture, Media and Sport; Education and Employment; Defence and the Cabinet Office.
- GOs were highly successful in the co-ordination and management of new programmes which cut across traditional departmental boundaries, for example, SRB, European funding, challenge funding schemes, competitiveness policy development.
- GOs' relationships with local authorities, especially larger urban ones, and with other regional bodies, can be tense but are generally improving as networks and partnerships develop.
- GOs are seen by Whitehall as a co-ordinated regional administrative presence of government and also as a source of regional intelligence. Regionally they are seen as powerful, allocating significant resources with considerable discretion. Their Regional Directors are seen as not accountable regionally. This has led some regional groupings of local authorities to create Regional Chambers to help develop an interface, for example, North East, Yorkshire and Humberside. Others are following the example of the West Midlands and the North-West (West Midlands Local Government Association 1998).

- GOs have been used by the Labour government as a vehicle in resurrecting Regional Development Agencies. Much energy in 1998/99 has been expended in this direction by GOs. The great danger is that this could detract from the positive co-ordinating work which was being considerably enhanced across other key policy fields. The agencies may, however, give a clearer focus on the regional competitiveness agenda.
- GOs have been successfully active in prompting new regional networks and partnerships in order to assist policy development and intra-regional co-operation.
- The traditional vertical organisational structures of Whitehall sit uneasily alongside a regional, horizontal, integrated approach. Twenty-first-century government may require more of the latter rather than the former in dealing with fragmentation, the hollow state and in drawing wider participative interest in regional and sub-regional policy frameworks. Uniformity is giving way to tailored policy adaptation and an ability to tackle cross-cutting issues. GOs present a wider complementary opportunity for testing alternatives to existing Whitehall systems.
- GOs have enabled Whitehall to exercise a much firmer grip on the flow of European funding into the regions. However, the current review of EU structural funds is likely to result in a smaller share for the UK as a whole.
- In their short life-span thus far, GOs do operate in a more regionally integrated manner. They can be innovative, and an embryonic challenge to current departmental perspectives in Whitehall. The need for joined up or corporate policies from Whitehall is strongly pressed by Regional Directors along with others, including many in the Cabinet Office.

GOs are engaged in a wide variety of mechanisms to achieve their primary functions of policy cohesion and synergies. These include the approach of twinning (see above), the department-led Whitehall meeting to which Directors and senior staff of GOs were invited to discuss the management of departmental programmes, cross-Whitehall departmental groups overseeing major policy areas, for example, SRB and Europe. To these can be added the clear role of GOs in advancing the key regional co-ordination themes of competitiveness, regeneration and, to a lesser extent, sustainability. Other mechanisms have included the creation of regional networks to pull sectors and policies together at regional level, service level agreements with Whitehall departments, and the influence of GOs in Regional Planning Guidance. GOs have achieved greater co-ordination across traditional Whitehall departmental boundaries. The work of the Cabinet Committee for London, under the Conservative government, provided useful examples of co-ordinated approaches to policy and its implementation. Finally, co-ordination was pressed through the geographic dimension in regions, sub-regionally and locally.

The advent of Regional Chambers and Regional Development Agencies

Regional Chambers and Regional Development Agencies (RDAs) are new dimensions of the Labour government's approach to English regional administration.

Against this background of new regional governance structures GOs are in a key position. GOs have an ability and potential to achieve the following:

- ensure effective day-to-day contact between RDAs and central government departments;
- facilitate collaboration and co-operation between Regional Chambers and RDAs, as well as assisting the development of chamber activities and interests.
- act as a clear single voice of Whitehall and the regions for regional stakeholders;
- ensure the engagement of those government departments, not currently present in GOs in the work of chambers and RDAs;
- ensure the active participation of quangos' and Next Steps agencies in the new regional networks;
- foster and provide support to regional stakeholders in the workings of new regional structures, new policies and their implementation.

At the same time it will be necessary to both clarify and emphasise the pivotal role of the GOs in Whitehall. This will entail a clear and powerful point of entry into the Whitehall machinery of government. Perhaps this can be achieved through a strengthened Government Office Management Board, developing a more strategic approach, which would report directly to a Cabinet Committee.

A number of GO staff and functions will be transferred to RDAs, mainly from SRB roles and from those dealing with inward investment, innovation, technology transfer and regional competitiveness. Despite such transfers GOs remain key to the whole regional pattern of structural change in England. There will need to be cross-regional working by RDAs in relation to a number of competitiveness strategies and action plans.

Yet there are ambiguities built into the roles and responsibilities of Regional Chambers and RDAs. These can give rise to conflict and discord. RDAs are required to consider the views of properly constituted chambers, but they are not accountable to the chambers. RDAs can also consult independently with various stakeholder groups, including partnership networks in the region. The result could be that RDAs might play off one group of interests against another group. Certainly in the short term the GOs will need to assist the private sector-led RDAs to develop their communication and political skills in the complex world of public and private sector interaction.

How the roles develop in future will very much depend upon the skills of the Regional Directors, the Chairs of Chambers and the Chairs and Chief Executives of RDAs. The scene is set for a more powerful regional interaction with Whitehall – an interaction to which Whitehall will inevitably have to respond. Such responses will press Whitehall to adopt to a more regionally responsive mode and add to the many pressures for further cultural change in Whitehall. Pressures for English regional budgets for a range of services are likely to emerge. This will inevitably mean Whitehall and central government having to give up some of its power – no doubt reluctantly. It will be too easy for government to give away other people's power, for example, regional quangos', national agencies, local

government. The pressures, however, on government itself to release some of its own power will not diminish.

Conclusion

In the transformation of government urgent reforms are called for, especially if democracy is not to be further eroded (Foster and Plowden 1996). The development of GOs provides a building block in this direction. Others have argued that systems of regional government in Europe are not as central to economic innovation and competitiveness as is sometimes assumed (Harding *et al*. 1996). However, it is clear that regional economic partnerships and networks, plus the advent of Regional Development Agencies in April 1999, are all regarded regionally as useful driving forces. Nor is there the encumbered tradition of regional governance in the UK which exists in many other European countries.

A further key element of potential learning and transformation would be for GOs to extend their role in dialogue with the wide variety of regional quangos' (Skelcher 1998). The appointed state and its fragmentation can be drawn together at regional level probably more easily than centrally in Whitehall. There is scope for further development by GOs in this area to the advantage of regional stakeholders and service users.

Rhodes argues that 'Institutional differentiation and disaggregation contradict command and control by bureaucracy. Thriving functional representation contradicts territorial representation through local governments. These contradictions are keys to understanding recurrent policy failures, even disasters' (Rhodes 1997: 199). However, an attempt to introduce a territorial dimension into English regional outposts of Whitehall through GOs, which to some degree are bound to go native, is one way of beginning to explore where contradictions and where complementarity fit within Whitehall. In this context the potential of GOs, building on their successes to date, can be very significant for the next century of English government and governance.

GOs represent a key challenge to existing patterns of Whitehall working. Many people, including those in Whitehall, recognise that there does need to be change. In the typical traditions of Whitehall such change is usually seen as evolutionary (Butler 1993). GOs fit this model. Such change is not before its time (Eser 1996; Spencer 1988; Spencer e*t al*. 1986). They also have the potential to fit more radical models of English governance and an enlivened democratic nation.

After five years, an embryo challenge of regional administrative reform, on a new agenda of co-ordinated integration of policies across governmental departments, is leading to significant openings which challenge the fundamental nature of Whitehall decision-making. Allied to the wider debates on devolution and constitutional reform in the UK, the new English GOs and their associated regional structures are also providing important challenges to the judgements (Stewart 1998) about how the English are to be governed in the twenty-first century.

13

The Changing Central Government of Science and Technology*

Philip Gummett, Deborah Cox, Rebecca Boden and Katharine Barker

Introduction

This chapter examines the impact of administrative change in the 1980s and 1990s on the supply of science and technology services to British central government. Our concern is with the consequences of these changes for the operation of the supplying organisation, for its management for its customer department and for its relationship with its department. Hence, within our chosen policy domain, we explore the variety of organisational forms that have emerged during the late 1980s and 1990s. We seek to explain why they took the form that they did and we ask what effect these changes have had, in terms of the ostensible purposes of the reforms themselves.

To ask these questions of science and technology services is, we suggest, to add a relatively novel dimension to the emerging literature on administrative reform. We do not claim uniqueness for science and technology as a governmental activity. We do, however, suggest that, on a spectrum of complexity of activities that might have at one extreme such simple tasks as issuing vehicle licences or making routine benefit payments, the supply of science and technology services lies at the other extreme. And if the nature of the activity has a bearing on the appropriate organisational form for managing it (and here we are already questioning the universalist managerialism of the New Public Management), then, as a research site, science and technology services may raise some interesting questions.

Our study has drawn on extensive reviews of published government reports, Agency Framework Documents, annual reports of establishments, select committee hearings, secondary literature, and extensive detailed interviews with people at a variety of levels in the establishments and among their departmental customers, together with numerous other informed persons (such as trades union officials and retired officials). The resulting output is too large for a single chapter (but see also Boden, Gummett *et al*. 1998; Barker *et al*. 1998; Boden, Cox,

et al. 1998.) In this chapter, we choose to focus on the policy context and an outline of the process of change, together with the two issues of 'value for money' arising from the reforms, and the management of the customer side of the relationship between departments and their suppliers of science and technology services. We select the first of these two issues because it is perhaps the prime question to ask from a policy making perspective. The second issue is not only important from a practical policy making perspective but also raises a wider set of questions about the applicability of a particular model of administrative reform to this particular policy domain.

Policy context and review process

By the suppliers of science and technology services we refer to the range of organisations that have in the past been generically referred to as 'government research establishments'. The services that they provide, however, in some cases extend far beyond research, and in others do not actually include research at all. The spectrum covers:

- support to non-governmental users (e.g. farmers, or companies), where government is only a proxy customer;
- technical advice to departments on all manner of subjects (e.g. BSE, road safety, construction disasters, military threats, and defence contracts);
- representation of the UK in international bodies, such as the EU;
- authoritative quasi-judicial analysis of matters of interest to the courts and the police;
- maintenance of national measurement standards, long-term databases, and unique national research or testing facilities; and
- the performance of substantive research, either to underpin such tasks as those listed above, or as a mission in its own right.

It should be noted, too, that in contrast to the familiar coupling of 'research and development', these establishments nowadays are only rarely concerned with the development part, as, equally, we will be.

Prior to 1971, science and technology services were typically supplied to a ministry by research establishments which were an integral part of that ministry. Following the Rothschild Report of 1971, customers and contractors were to be differentiated: research was to be commissioned by a ministerial customer to meet specific needs and was to be supplied by a contractor, typically a research establishment or a research council (Williams 1973; Gummett 1980; Kogan and Henkel 1983).

The Rothschild customer–contractor principle was never really adopted in its pure form. It was superseded from 1979 by the general approach of the new Conservative government to a role for the state that was firmly rooted in classical liberal economic notions of a public sphere no larger than was absolutely necessary, to regulate the dysfunctional effects of private markets. Implicit in this were

two aims: the withdrawal of the state from several areas of economic activity (principally through the privatisation programme); and the introduction of market style customer–contractor principles in the remaining public sector in pursuit of economy, efficiency and effectiveness. This trend towards 'New Public Management' provided the impetus for the adoption of quasi-commercial policy making and management techniques which included 'hands-on professional management', explicit standards and measurements of performance, greater emphasis on output controls, a shift to disaggregation of units in the public sector, greater competition, and enhanced accountability by way of financial reporting techniques (Hood 1991). For science and technology services, the new public management went further than Rothschild in not only separating the customer and contractor roles, but also in questioning whether the ministry should continue to own the contractor, and whether the contractor should be a sole supplier or should compete with other suppliers (Nicholson *et al*. 1991; POST 1993).

These new principles of public management were relatively slow in reaching government science and technology. However, after the Next Steps review of 1988, they were pursued more energetically within various ministries with significant needs for science and technology, notably the Department of Trade and Industry (DTI) and Ministry of Defence (MoD). DTI's laboratories changed to Next Steps executive agencies between 1988 and 1990, and the defence establishments (other than nuclear, chemical and biological) in 1991. Nine other departmental laboratories and science and technology services were converted to agencies during 1990–92. This process was accompanied by increasing emphasis (encouraged by the Cabinet Office) on more efficient management of research, competitive tendering for scientific services and the strengthening of the customer role within ministries. The pace of change accelerated with the creation, after the 1992 election, of the Office of Science and Technology (OST) and its co-location with the Efficiency Unit in the Office of Public Service and Science. From then on there was a clear commitment to applying the new doctrines to the government's £5 billion or so (in the early 1990s) annual expenditure on science and technology.

The first fruits of this new momentum emerged in 1993, with two important reports. The Levene–Stewart, *Review of Allocation, Management and Use of Government Expenditure on Science and Technology* (1993) explored in detail the range of relationships which could be envisaged for the restructuring of science–government relations, and strongly influenced the simultaneously published *Realising our Potential* White Paper (Office of Science and Technology 1993). The review confirmed the uneven development of customer–contractor relations across government departments in this field, and argued that there should be 'a presumption in favour of competitive tendering' (paragraph 1.44). The 1993 White Paper confirmed this view, and announced that performance indicators on the extent of competitive tendering would be published as a measure of the strength of the customer–contractor differentiation. Subsequent scrutinies carried out by the Efficiency Unit examined the prospects for the privatisation of all

government laboratories, while the President of the Board of Trade (Mr Heseltine) went ahead with a separate review and plans for privatisation of DTI's laboratories.

The potential objections to privatisation of laboratories included: how to guarantee long-term research; the costs of competition and of setting up departmental 'intelligent customers'; how to maintain excellence in research and specialised facilities – access to independent advice for governments, and access to expertise in a crisis. They were dismissed by Levene–Stewart as unconvincing (paragraph 1.46). Thus, after a period of relative autonomy in their relations with government laboratories, departments came under increasing pressure to treat scientific and technical support in the same way as many other services, and the laboratories began radically to change their orientations and modes of operation.

To spell it out more precisely, the reform process went through three distinct phases from 1992.

1.   *A Review of Allocation, Management and Use of Government Expenditure on Science and Technology* (the Levene–Stewart review), conducted by the Prime Minister's Adviser on Efficiency, Sir Peter Levene, and the then Chief Scientific Adviser, Sir William Stewart, and published in 1993. This criticised the perceived slow progress that had been made towards the creation of a contract culture in science and technology services, advocated privatisation, and called for the reduction of government involvement in science and technology to the absolute minimum, principles which also fed into the simultaneously published Science and Technology White Paper, *Realising Our Potential* (Cm 2550);

2.   The Multi-Departmental Scrutiny of Public Sector Research Establishments, conducted in 1994 by a team of officials seconded to the Efficiency Unit, which tried to provide a basis for implementation of the science and technology White Paper. This review excited much concern, not least because, in common with normal Efficiency Unit practice, it sought to complete its work in the standard 90 days, even though it was reviewing around 30 establishments, with staffs ranging from 48 to 8000;

3.   A series of Prior Options Reviews of those organisations within the scrutiny which had not already been privatised, these reviews being announced in late September 1995 and performed in three tranches, all initially due for completion in 1996, and actually completed in early 1997. A significant difference between these reviews and the earlier ones is that, whereas the first two were led from the Efficiency Unit, and staffed by a combination of seconded officials and 'irregulars', the Prior Options Reviews were steered by committees comprising a mixture of officials from central and operating departments and research councils, together with at least one independent member, and hence had a more detailed knowledge of the organisations concerned, and a greater prospective sense of 'ownership' by departments of the recommendations. The Steering Committees were also set up on functional grounds, each looking at a set of institutions falling within its field (for example, Fisheries, Physical Sciences, Animal Science and Health).

In a further round, some of the establishments examined in the first tranche of Prior Options Reviews were referred, in a step that provoked considerable parliamentary and other concern (House of Common 1996; see also House of Commons 1994 and House of Lords 1994 for commentary on the earlier stages), to yet another review by a committee chaired by Sir Peter Levene.[1] This meant that some of the organisations concerned were under repeated review from at least 1992 until the final round of reviews concluded that none of the 28 laboratories still under scrutiny should be moved into the private sector. This final apparent reversal of policy was widely attributed to the difficulties faced in finding the cash to create adequate pension funds for staff transferred into the private sector (House of Commons 1996: paragraph 12; and *New Scientist* 1997).

Altogether, over 50 science and technology organisations, ranging in size from the 40 staff of the National Weights and Measures Laboratory to over 10 000 at the Defence Evaluation and Research Agency, have been involved in these reviews, across an extremely wide range of activities.

Successive phases of the review process found that the agenda was not simply to sort out a rather rambling and perhaps over-supplied set of research establishments, as some had initially thought, but actually to reform a much wider range of science and technology services. This realisation has had mundane effects; for example, about whether it was appropriate for one review exercise, the Multi-Departmental Scrutiny of Public Sector Research Establishments, to look at establishments that did not actually do research, or at the non-research activities of those that did. It also provoked complex debates about the most appropriate organisational and ownership form for any given establishment.

Moreover, even before any of the recent changes, the number, functions, and affiliations (organisational and scientific) of these establishments made for bewildering complexity. To illustrate, an attempt by one of the government reviews to classify them simply in terms of mission areas led to the diagram shown in Appendix 13.1. Rather than explain the initials of the organisations, we would simply draw attention to the complexity of the picture, and point out that it is based on only one of the dimensions (scientific mission area) upon which one could seek to construct a taxonomy for these organisations (cf. McLean 1996). It does not begin, for example, to address the functional differences between the establishments (that is, differences in the nature of the services they provide), nor the departments to which they relate, nor their scale, nor the degree to which they are more or less monopoly suppliers within their fields of competence, nor the breadth of their customer base (actual or potential) beyond government.

The organisational diversity represented by these organisations is huge. So, too, is the variety in the degree to which they have associations with each other or with such other bodies as neighbouring universities (with joint appointments, or co-location, for example). Attempts at root and branch reform, to reduce their size and to introduce liberal regulatory regimes, were bound, therefore, to encounter considerable difficulties at a number of levels. Some would be common to any change in government organisations: issues of staff morale, inertia, historical ties, and so on. Others would be more specific to the nature of the activities performed by these particular organisations, such as the assured

supply of high quality, independent, technical advice; the maintenance of key elements of the national science and technology base; and the capacity of officials in departments to specify what they wanted from these organisations in ways that could fit into market rather than traditional bureaucratic relationships.

The new organisational forms adopted can be divided into four main types, as shown in Table 13.1, below. In addition, the majority of publicly-funded science and technology organisations remain in the public sector, as institutes of research councils, or as departmental laboratories. Inevitably there is some doubt as to the durability of these arrangements, the commitment of the Labour government elected in May 1997 to drop plans for further privatisation notwithstanding.

In particular, there has been extensive discussion since that date over the future of the largest of the science and technology agencies, the Defence Evaluation and Research Agency (DERA). There had already been some concern within DERA and MoD that DERA's efforts to increase its commercial revenues through contract research and technology exploitation might weaken its core mission to support the MoD through the provision of impartial scientific and technical advice. Industry had also been concerned about issues of potential conflict of interest, arising from DERA's privileged access to the details of many tenders and contracts. As DERA's Chief Executive commented in 1996, with reference to the first of these points:

Table 13.1   Examples of new organisational forms adopted by science and technology suppliers

Type	*Example*
Next Steps executive agencies (initially without, and later with, Trading Fund status)	Defence Evaluation and Research Agency Meteorological Office, National Weights and Measures Laboratory
Government-owned company-operated entity (essentially, a private contractor running a government establishment)	National Physical Laboratory
Companies limited by guarantee (private organisations, but with certain constraints on behaviour, in order to safeguard the public interest or guarantee standards of integrity appropriate to a quasi-judicial function)	Building Research Establishment, Transport Research Laboratory
Fully privatised companies	Laboratory of the Government Chemist, Agricultural Development and Advisory Service, (ADAS), AEA Technology, National Engineering Laboratory
In-house 'agency'	Health and Safety Laboratory

Our special characteristics derive from the challenge of addressing military problems that will materialise in up to twenty years time. The necessary research is consequently at the forefront of knowledge and genuinely world class. As the balance of our activities swings towards the application of that knowledge it will be necessary to be vigilant that the source of knowledge does not dry up. (DERA 1996: 5)

And, on the second point, DERA noted:

the evidence from our surveys is that there is deep unease at the working level in UK defence industry about DERA and its objectives. (DERA 1996: 7)

Such concerns were heightened, at least in parliamentary circles, by the announcement in 1998 in the Strategic Defence Review (Ministry of Defence 1998) of plans to shift DERA towards a public–private partnership arrangement with much greater private sector involvement in the affairs of the organisation. In a report issued just before the publication of the SDR, the House of Commons Defence Committee commented:

[W]e would regard the risks to DERA's impartiality and critical mass of even partial privatisation, in the shape of Public Private Partnerships, as unacceptable and against the public interest. (House of Commons, Defence Committee 1998: paragraph 35)

What emerges from this initial discussion is that certain features of the provision of science and technology services to government renders them, *prima facie*, problematic for management in the same terms as does the management of organisations with relatively simple functions, such as issuing licences. Scientific and technological support and advice take a variety of forms, require sophisticated, often highly expensive, instruments and expertise, can involve complex inter-disciplinary and inter-institutional relations, and depend upon the application of specialised skills and knowledge to both routine testing and non-routine advice and investigation. This is true whether the substance of policy be international negotiations over product standards, provision of an appropriate infrastructure for industry and services, participation in the international environmental debate, evaluation of military threats, or assessment of the safety of medical technologies or agricultural practices. It also depends for its effectiveness upon close mutual understanding, between customer and contractor, of governmental needs, and this in a context where these may be difficult to specify in advance in what we might normally think of as a contractually rigorous way.

It would not, for example, be regarded as helpful if the Defence Evaluation and Research Agency, when asked to assess the gravity of the threat posed by a new chemical or biological agent, were to say that it would be able to answer the question only after a 3-year research programme. Clearly, in a field such as chemical and biological defence, a great deal of anticipatory work, of which much, indeed most, may lead in the end to no tangible application, is essential (Carter

and Balmer, 1999). Two consequences follow: that it will therefore be intrinsically difficult to assess value for money *ex post*; and that the task for the customer, in specifying what it wants from its supplier, is non-trivial.

Before we develop those two themes in slightly greater detail, we conclude this survey of the policy context and review process with a word about the organisational outcomes of the reforms.

We first observe that the sheer variety of organisational forms adopted for the scientific and technological services raises questions about the relations between function and form which are critical to any assessment of the effects of the reforms, and also for the explanatory value of theories of public administration. This variety, as well as the problem of how to manage through a contractual relationship which is often cognitively uncertain and therefore difficult to specify in advance, distinguish the science and technology policy domain from many other policy domains reformed in the 1980s and 1990s, thus providing useful material for comparative analysis.

Our summary account of developments, which space does not allow us to elaborate, is a story ostensibly of simple ministerial goals for public sector reform (allied with some official concern that the science and technology system had become too large and incoherent) which in practice gradually had to cope with the complexity of the system itself, and of the overlapping roles of its component parts. If the logic of New Public Management (NPM) played a role at the start of the reform process, we would argue that to a large extent it disappeared later, under the weight of specific organisational requirements.

More mundane political forces have also intervened, principally in Scotland, where organised resistance to London-led reforms has not gone unrewarded. Indeed, in terms of dogs that haven't barked, it is not evident that the science and technology community, despite representations to the various parliamentary enquiries to which we have already referred, have in practice been very effective at defending their interests, except perhaps where, as in Scotland, they have been able to ride on the back of strong regional forces.

The market, too, has played a part, biting the hand that sought to feed it. That is to say, attempts to privatise certain government laboratories encountered, as we shall see, an adverse market reaction concerning their attractiveness. This had the ironic effect of ministers having to give longer-term guarantees of future work than under the old regime in order to find buyers.

Finally, we suggest that other drivers were later added to the original sources of energy for the reform process (initially a combination of NPM plus ideology, allied to a sense of a sprawling science and technology system). Officials in the Office of Science and Technology, having been formally charged with implementing the revolution, pursued the task with vigour. Establishment directors (in particular, the original incumbents rather than new appointees, who did not need convincing of this point) began to see advantages in change, not least as a means of 'moving forward' with their establishment at a time of restricted public spending. Even the scientists' trade union, the Institute of Professionals, Managers and Specialists, began in time to wonder whether it ought not to have

embraced rather than resisted one of the earliest reform proposals, for amalgamation of all the civil establishments into a Civil Research Agency (Levene–Stewart: paragraph 1.51), as perhaps being a less unattractive option to them than some which followed later.

In the remainder of this chapter we address two questions:

- have these reforms improved value for money for taxpayers?
- how have departments learned to manage the customer end of the relationship with their science and technology supplier?

Value for money

Implementation of the reforms has raised a series of issues concerning the internal dynamics of the establishments. We refer to such matters as monitoring, performance indicators, effects on morale, and questions about what has been achieved in performance terms as a result of their new status as such. The answer is generally given in terms of the tauter relationship with the customer; greater freedom from various constraints (annuality; gross costs regime; ability to commit funds to rationalisation); and the discipline that comes from having to compare prices against other suppliers (via competition and market testing – even if limited in scope) – together with the advantages of being able to use cheaper non-civil service support services. Less clear, we shall suggest, have been the advantages of privatisation.

There are intrinsic difficulties in assessing Value for Money in relation to scientific and technological services. These derive especially from the variety, as previously explained, of these services, the particular intangibility of one of them, namely, advice, and the matter of how to judge quality. On the other hand, mechanisms exist in other domains for judging advice from, for example, consultants; and judging the quality of science is the stock in trade of such bodies as Research Councils and Research Assessment Exercise panels.

In the case of the reformed science and technology suppliers, the main approach to the assessment of efficiency has centred on performance measurement. Particular use has been made of scientific advisory panels to assess quality – DERA, for example, collect and report scores from independent peer review panels of research proposals and subsequent progress (NAO 1997: 35–6). Customer satisfaction surveys have also been widely employed (for example, at DERA, the Meteorological Office, the Health and Safety Laboratory) to try to capture in a less technically-based sense the degree to which departmental customers have been satisfied with such things as the responsiveness of the service supplier to customer needs, and their capacity to deliver on time and budget.

There are, of course, familiar difficulties with the use of such approaches. The measures used need to be consistent over time, but in practice rarely survive more than a couple of years before improvements are made; the validation of the performance measurements should be independent. In this respect, it is noteworthy that the National Audit Office (NAO) has to date undertaken only

two comprehensive audits of the science and technology agencies, namely, the Meteorological Office and DERA (for a more detailed discussion see Boden, Cox *et al.* 1998).

In 1995, the NAO reported inconsistencies in the reporting of performance at the Meteorological Office (NAO 1995). It found that annual sales targets had not been set on a consistent basis and that, in two years out of four, reported performance was calculated on a different basis from that used in setting the target, which was judged to give a misleading view of performance.

The report on DERA is particularly interesting, because DERA has a very highly developed system of performance indicators, on which it reports annually, and has been under a management regime which puts enormous emphasis on

Table 13.2   DERA definition of performance attributes

Attribute	Definition
Understanding of customer's requirements	The ability to analyse and interpret the customer's needs and to present and produce technical programmes of work which convince the customer that those needs are being assessed.
Staff reputation	The customer's perceptions of the scientific and management qualification of the Agency staff undertaking the work, and their reputation amongst their peer groups in the world.
Technology	The extent to which the level of technology development or innovation meets the customer's expectations.
Facilities	The customer's views on the exploitation, relevance and cost of technical and experimental facilities that are being used in support of work for the customer.
Quality Assurance	The Agency's progress towards formal quality accreditation.
Responsiveness	The ability to provide the customer with what is required within the customer's timescales. It is a measure of the closeness of the working relationship between the Agency and customer, and of the timeliness and flexibility that the Agency displays in reacting to the customer's requests and requirements during progress of the work.
Project management	The way the Agency manages the technical element of their tasks, such as performance in delivery against formal milestones and effective management and deployment of technical staff.
Value for money	The customer's overall impression of the Agency top-level performance in terms of the perceived value and contribution to the customer's decision making on the procurement programmes of concern.

Source: NAO (1997): 86.

bringing about performance improvements. In assessing customer satisfaction, for example, DERA operates according to the formula shown in Table 13.2.

It also reports in terms of performance against a range of targets, which include:

- return on capital employed (as required by the Framework Agreement);
- overall utilisation (i.e., percentage of time of staff and facilities charged to customers);
- overall milestone delivery;
- customer satisfaction (based on data as in Table 13.2, above);
- non-MoD income.

Against this elaborate background, the NAO reported that there was indeed evidence of improvements in customer satisfaction and efficiency, and that these testified to the benefits of a customer–supplier relationship. But it also observed that there was scope for further development in respect of such matters as the following:

> a significant proportion of Departmental customers have no choice but to use the Agency, and little ability to gauge the competitiveness of the individual projects;

> the Department needs to ensure that their role in defining research and project support requirements, appraising proposals and specifications and monitoring progress is carried out to uniformly high standards, to ensure that the Agency is stretched on individual projects; customers believe that the contractual relationship between the Department and the Agency does not provide the degree of cost control that they would wish. The Department should explore the scope for greater use of firm price or incentivised contracts and raise customers' awareness of existing provisions for withholding payment in the event of non-delivery to time or specification;

> without the scope to conduct even strictly limited and targeted competition within the research programmes, it may [be] difficult in practice to obtain useful project cost and performance benchmarks. (NAO 1997: 24)

Particularly noteworthy in that list are the implications (to be returned to below) that in the relations between customers and contractors in a field such as this, certain advantages lie with the contractor.

Some other details are worth brief reference in this discussion of Value for Money issues. First, in all our case studies, we found – unsurprisingly – that the introduction of underpinning accounting regimes (such as very detailed time sheets), was less favourably perceived the lower one went in the hierarchy. At the lower levels, the bureaucratic burden was perceived to outweigh the managerial advantages of detailed attribution of costs to accounts, in sharp contrast to the view that obtained at the upper levels.

Second, in order to overcome the difficulties (referred to in the discussion of DERA above) over fixing prices for scientific services, some ingenious incentive

devices have been introduced. The DTI, for example, applies an incentive structure to contracts with the National Physical Laboratory (NPL) whereby, if tasks are completed under budget, a substantial part of the funds saved is spent on additional scientific work at the Laboratory, over which the Laboratory itself has a greater degree of control. It also retained the right to retain a percentage of payments due, if it judged (through a procedure involving advisory committees and surveys of departmental customers) that the quality of performance was inadequate.

Customers in a range of departments also spoke of a new responsiveness from the suppliers, in terms of keeping to deadlines and flexibility. Interviews in general also confirmed that there was much less slack under the new arrangements, across the board. Supplier interviewees spoke of the care with which they now prepare presentations to customers – that is, they reveal a conscious concern to demonstrate that the labourers are worthy of their hire, and a desire to present their conclusions in terms that are accessible to officials in departments (in contrast to the simple filing of a technical report, as in earlier days).

Not all the conclusions are so positive, however. For example, it was also evident from interviews that much administrative work had been pushed down to the scientists to do themselves, so that indicators showing reductions in administrative staff concealed the true extent of remaining administrative effort.

Moreover, in terms of a wider perspective on value for money, current tighter accounting procedures meant that scope for 'Friday afternoon projects' (small-scale explorations of potentially interesting ideas, conducted in the margins of officially tasked work) had been substantially reduced. In one sense, this may be unexceptionable, since it implies that effort is focused on work that is required by customers, rather than being driven by the interests of the scientists. (Even in the mid-1970s, NPL was sometimes referred to as the Free University of Teddington). On the other hand, there is significant anecdotal evidence (cf. the stories of the laser, and of thermal imaging by Mills (1999) and Spinardi (1999)) that excessive constraints on the freedom of manoeuvre of scientists can block early work on ideas that may in time prove extremely important. Here lies a crucial dilemma for managers of science and technology services.

Beyond all these issues, moreover, looms the critical matter of 'attribution', the *post hoc, ergo propter hoc* problem (Pollitt 1995). We do not discuss this further here, save to note that at a certain point in almost all our interviews, when the advantages of the reforms were being sung, we asked our interviewees to attribute the reasons for these improvements to the relative impacts of new organisational structures, new management, and generally downward budgetary pressure. The pause for reflection that followed this question was invariably eloquent.

A further dimension to the value for money issue concerns the merits of taking the step from Agency operating under a Trading Fund, to privatisation.

The first issue that arises in making an assessment is that detailed information about the activities of the enterprise may be reduced by privatisation. In the case of NPL, for example (not a complete privatisation, but very close in practice), there is a sharp contrast between the level of detail in the accounts published in

1995 (including the cessation accounts) and those for the first period of private sector trading to 31 March 1996 (Boden, Cox *et al.* 1998).

Second, it is clear that the benefits to the public purse, at least in the short term, can be hard to find. In the case of the Laboratory of the Government Chemist (LGC), accounting complexities make it difficult to establish the value of the business at the time of sale. We do know, however, that the DTI ended up paying £329,000 to LGC for the 'sale' of the business – a net cost to the Exchequer, after taking into account other previously agreed provision, of £689 000. On top of this was the expenditure of £666,000 on employing consultants and advisers to the sale, and the laboratory's costs of £290,000 for the same. In addition, the Laboratory was given guarantees of work from the DTI for five years of over £6 million per annum. In the case of the National Engineering Laboratory (NEL), which was transferred in late 1995 to Assessment Services Ltd., a subsidiary of the German electronics group Siemens, DTI paid Siemens £1.95 million to take over the ownership of the laboratory. This reflected, in part, the fact that NEL had run up an operating deficit of £216,000 in the year to 31 March 1995. In addition, DTI committed itself to requiring £30 million worth of work from the establishment over the next five years, a level of commitment that is probably larger than it would have been without the sale (Boden, Cox et al. 1998; Boden, Gummett *et al.* 1998).

Third, it is not evident what benefits have arisen for departments from privatisation, beyond the admittedly important one of being potentially able to wash their hands in future of the establishments concerned (though it is easier to see how this could be so in the cases of NEL and LGC, where a number of alternative suppliers could cover much of their provision, but much less so in the case of NPL, for whom government is inevitably going to be a key customer for standards and metrology services). When asked, interviewees said the key step in changing attitudes within establishments had been the move to Trading Fund status. The further step to privatisation had sharpened their sense of the bottom line, since bankruptcy became a more real possibility, but little else had changed.

Even in this respect, however, the jury must remain out until we enter the period of renewal of the initial 5-year agreements struck at the time of privatisation. On the one hand, the suppliers face a financial 'cliff edge' in the sense that the major source of their income will be at risk. In the case of the Transport Research Laboratory, for example, a recent report suggested that two-thirds of its £34 million turnover still comes from government, and that, although the Laboratory has grown post-privatisation from 430 to 530 staff (compared, however, with a peak of about 1200 not many years earlier), there is significant competition for parts of its business from overseas counterparts, software and engineering consultants, and even university departments (*Financial Times* 1998). On the other hand, and assuming that a competitive process continues to apply, much will depend on whether any other bidders emerge to try to win the core business away from the current incumbent. At the time of the initial privatisations, there was a significant degree of competition to take over the Agencies that were being put on the market. Whether the defeated contenders, or indeed

newcomers, will judge it worth the candle next time, or will reason that the present incumbents are so well established that bidding would be an expensive waste of effort, remains to be seen. If, however, the present incumbents continue into a second round, as must be the most likely outcome, it will remain to be seen how successfully departments can use the threat of competition to hold down charges.

Intelligent customers

Issues also arise for the 'parent' departments of Agencies over the department's roles as owner and customer. We have no space here to discuss this ownership role. That is to say, the designated link person (or 'Fraser Figure') role of taking a long-term view of the future of the Agency as an asset of the department rather than simply as one supplier of services among others, and with supporting that view adequately both in internal debates and in dealings with the Treasury. Suffice it to note that we observed variations in the status attached to the role of owner. In some cases, we received the distinct sense that the role was not seen as important: in the case of one very sizeable Agency, the effective (but not the formal) responsibility was left in the hands of a grade 7 official.

As customer, the role of a department is also problematic. As indicated in our earlier reference to the NAO report on DERA, where matters of some technical complexity are in play, customers may find themselves in difficulty vis-à-vis managing their contractors; or may so mishandle the task of specifying requirements (for example, by being too short-term in their perspective) that they may undermine the long-term value of their supplier. Thus, in an earlier round in the history of implementing a customer–contractor approach, that following the Rothschild Report in the 1970s, the Health Ministry signally failed to get to grips with the problem of specifying requirements for the Medical Research Council (MRC). Consequently, the responsibility for that part of the research activity of MRC that had been transferred to the ministry, reverted before long to the Research Council (Kogan and Henkel 1983).

We must not, however, exaggerate this problem. One interviewee urged us to regard this issue as a specific case of a more general problem with two dimensions: (a) specifying what he called 'soft tasks', that is, tasks whose successful performance depends on the expertise of the contractor; and (b) monitoring and motivating performance. He offered for comparison the reform of the NHS, and the problem of motivating and monitoring professional service deliverers, such as social workers, teachers, and university staff. We note also abundant evidence that the complexity and/or uncertainty of the tasks to be performed does not necessarily preclude the drawing up of a tight contract (be it to manage the production and dismantling of Britain's atomic weapons, or the commissioning of an opera house).

What emerges from our study is the variety of organisational solutions to this problem. At the same time, these have in common a process of transition from an initial period of sharp confrontation between customer and supplier, based on

a misperception of how the contract mechanism works in the industrial market-place, to a model of partnership, akin to the industrial practice of identifying and then working closely with 'preferred suppliers'. Noteworthy in this respect is the experience of the Chief Scientist at the Health and Safety Executive. He used a period of industrial secondment to work within Royal Dutch-Shell (the company from which Rothschild had drawn the customer–contractor principle in the 1970s), spending his time interviewing managers on how they implemented the principle. His conclusion pointed to a sharp contrast between Shell and Whitehall: 'Shell saw the research contractor as a partner. Whitehall saw the research contractor as subservient' (Fishlock 1998: 2). To put the point another way, we are looking here at the policy analogue of the distinction between competition red in tooth and claw, as in ideal-type neo-classical economic theory, and transaction cost theory, which points to the burdens faced by customers who engage in undue recourse to competition, with accompanying frequent changes of contractor.

In the case of the DTI, the approach initially adopted was to engage consultants to advise on programmes. The consultants worked in terms of 'measurement mapping' (of requirements and needs), combined with economic impact analysis. However, the approach was soon dropped, having been found not to be satisfactory in that the consultants were unable to act without detailed briefing from NPL staff. It has been replaced by a system described as a 'partnership', which recognises the need for close understanding between customer and supplier. Under this scheme, NPL itself receives a contract to advise the DTI on the work programme that the DTI should commission from NPL.

This is not, however, quite as Alice-in-Wonderlandish as it may seem; nor is it a simple reversion to the old cosiness so criticised in the Levene–Stewart report, because the structure of controls within which it operates is significantly different from that of the *ancien régime*. The proposed programme is rigorously examined through an extensive array of advisory groups, containing independent members. Departmental customers still have the opportunity to express views, within a process of continuous dialogue with their contractor, as to the direction of events. The profit-sharing structure within contracts acts as an incentive to effectiveness (though does not necessarily bear on the overall direction of programmes). Payment is made against milestones achieved. And the capacity remains to withhold a percentage of payments if overall performance is deemed to be inadequate. The clear conclusion offered from within DTI is that they get better value for money, and greater responsiveness to needs, from their supplier. NPL similarly reports that the relationship is much more tightly managed than in the old days.

In the case of the MoD and DERA, an initial political requirement to adopt an aggressively commercial-style approach on the part of the establishment generated resentment of DERA in industry, to the potential detriment of its mission. As we saw above, this perception still lingers, even though much effort has been expended to dispel it.

In terms of relations between DERA and MoD, the combination of long lead times in defence procurement (routinely, 10–15 years from inception to initial

operation of a major new equipment, with a lifetime thereafter of up to 30 years) and frequent need for a close understanding by suppliers of information of high security classification and sensitivity, both make it difficult to operate according to a simple view of customer–contractor relations. Indeed, and at the urging of the chief executive of DERA, there has been a marked shift, as at DTI, to a position of partnership, more commonly described in MoD circles as 'shared vision'. Again, just as at DTI, it is argued that this is not a case of a return to old cosy relations, but a sensible way of building a relationship in those cases where there is overwhelmingly one customer for the Agency.

Beyond this, however, the MoD is uniquely well placed among Whitehall departments to manage the technical dimension of functioning as an intelligent customer. In addition to having technically qualified members of the armed services, able to specify operational requirements, it also continues the time-honoured practice of circulating staff from DERA through the ministry's headquarters, and the Procurement Executive, to play the customer role. Thus, the MoD desk officer responsible for managing the longer term aspects of the research programme at Porton Down is a scientist drawn from Porton Down. Located in London, he or she is responsible for liaising with the armed services and other actors, and mediating their requirements into the Chemical and Biological Defence Establishment's research programme. It is noteworthy also how the MoD, realising that the strict application of its contract system threatened the longer-term research programmes of the defence laboratories (and therefore their capacity to anticipate future problems), were moved to act so the MoD altered the categories within which it defines its research programme so as to create a larger category for the active support of longer-term research, under the control of the chief scientist rather than operational or major project oriented customers, whose time horizons would inevitably be closer.

There remains, however, a problem of focus of customer perspective. This arises from the scale and diversity of MoD's research programme, which is divided into:

- Corporate Research: longer term; customer is the Chief Scientist;
- Applied Research: supporting operational requirements in the medium term; customer is Deputy Chief of Defence Staff (Systems);
- Project Support: supporting major equipment projects that are imminent or underway; customer is Deputy Chief of Defence Procurement (Operations).

However, under these high level customers are found about another 80 'real' customers – the budget holders who manage the major programmes under each heading – plus another 100 or so minor customers from various parts of the ministry.

Consequently, there is a sense in which DERA has a better idea of what MoD is asking from it than MoD does itself. In recognition of this possibility, with its evident repercussions for management of the customer end of the relationship, a customer focus group was established, comprising the three principal customers

listed above. Added complexity for this group arises from the requirement that has been placed upon the Agency to earn a certain fraction of its income from non-MoD sources. The importance attached to the formal targets for non-MoD income generation, coupled with a drive within DERA to establish a cushion against potential reductions in MoD expenditure, means that tensions can arise over the availability to MoD of key DERA staff.

Conclusions

As with the broader changes in machinery of central government of the 1980s and early 1990s, so also the changes in the management of science and technology services were part of both a wider international trend in public administration and the specific ideological climate in the UK at the time. The 'public bad, private good' cliché was applied as firmly in this area as many others. The use of small, fast-working teams of officials and irregulars from outside the normal Whitehall committee structures was also intended to facilitate recommendations that would avoid becoming the prisoners of tradition.

Initial aspirations were soon tempered, however, by various factors. These included the saleability of individual establishments, itself linked to the degree to which other suppliers and/or other customers existed; the varying needs of departments to maintain reliable access to certain science and technology services; the sheer difficulty of sorting out some very complex provision; and political resistance, especially in Scotland.

On the question of what value for money has been won for the taxpayer by these reforms, the jury, in one sense, has necessarily still to be out. In many cases, short-term gains can indeed be identified, although a full balance sheet, especially in the case of the privatised organisations, is hard to draw up. But science and technology suppliers, like university departments, are complex organisations, which take a long time to develop successfully, yet are easily weakened, though not always obviously so at the outset. The perturbation caused by repeated rounds of reviews should not be under-estimated. It remains a real question as to how we will judge these reforms, in terms of the quality of science and technology services available to UK government, in 10 or so years time.

In the shorter term, however, one conclusion would be that there is now within the establishments a generally sharper attitude towards their activities. There is more cost consciousness, in terms both of core mission and site support services; more customer responsiveness; more emphasis on performance as a criterion for maintaining jobs; and a greater capacity, and willingness, to invest in the future.

It is less clear, however, what has been gained by the step from Agencies, operating under Trading Fund terms, to privatised entities. It is true that there is a sharper sense of the 'bottom line', and of the possibility of financial failure, above all in the minds of the chief executives. But it seems equally true that the privatised establishments could have gone a long way, as Agencies, in the direction of producing organisations that would have been both efficient and publicly

accountable. One official observed to us that the development of a new organisational form, such as that of Agencies, requires time for a process of maturation. It takes time for an established culture to change but, in his view, in some cases that time had not been allowed to elapse before decisions were taken to press on to privatisation. Despite the fact that these decisions were politically driven, it is, however, also important to record that, with the passage of time, support for the step to privatisation grew among the affected organisations, at least at the level of senior management.

Our final conclusion is that changing the behaviour of staff within the establishments, while difficult, is the lesser, and more short-term, part of the problem. For the longer term, the effective performance of the customer role remains critical. That is to say, Whitehall departments have to organise so as to know what is wanted from the suppliers, how to work with bodies that are inevitably technically more expert than themselves, and how to balance short-term demands for advice and support against the longer term provision that enables that advice to be available when wanted. These are not new problems, but the history of the customer–contractor relationship in science and technology services over 20 or more years suggests also that their difficulty remains undiminished, as does the need for a good corporate memory of attempted solutions.

Notes

1. The Commons Science and Technology Committee reported a widespread concern that, 'whatever the Government's motives, the series of reviews has been seen as driven by the Government's preference for private ownership'. It quoted the Institute of Biology as saying that 'whenever the Government does not get the right result it wants from a review, it sets up a further one with the apparent intention of privatising and cutting back on science' (House of Commons 1996: paragraph 15).

FISHERIES
ENVIRONMENT
HUMAN HEALTH
IVEM*
FOOD
Reproductive Biology*
ITE*
FRESHWATER
IFE*
IFR*
NIBSC
MARINE
PHLS
FRS
Dunn*
DFR
LGC
DML*
PML
Hannah*
POL*
RLSD
Virology Unit*
CSL
IVEM*
MLURI*
ADAS*
IGER*
Rowett*
NRPB
BGS*
IH*
AEA
Radiobiology Unit
FC
SASA
Babraham*
Roslin*
IAH*
Toxicology Unit*
SCRI*
IACR*
HORI
NIAB
JIC
NRI
MRI*
CVL
PHYSICAL SCIENCES
PLANT
ANIMAL
NPL
NWML
NEL
SRI*
LGC
TRL
BRE
AGRICULTURE
PSDB
DRAL*
ENGINEERING
FSS
FORENSIC

Notes:
* = Research Council Institute/Unit or Scottish Agricultural Research Institute.
LGC and IVEM appear twice

Appendix 13.1   Establishment mission areas
Source: Efficiency Unit (1994), *Multi-Departmental Scrutiny of Public Sector Research Establishments*, London: HMSO.

14

Conclusion: Understanding the British Governmental Tradition: an Anti-Foundational Approach

R. A. W. Rhodes

Introduction

In Volume 1, Chapter 14, I draw together the evidence for the governance interpretation of British government. In this chapter, I cast a critical eye on that interpretation, explore the limits to the Whitehall Programme's research findings, and speculate on where we go from here. I employ an anti-foundational approach. Here, I do not discuss my approach in detail.[1] I simply want to stress that the study of traditions is an integral part of an anti-foundational approach. I use the approach to analyse three features of British government: public sector reform, Thatcherism and governance. I use each of these illustrations to raise issues about the study of traditions.

The discussion moves from the general to the specific. I start with a broad characterisation of the British governmental tradition. I describe it by comparing it to other governmental traditions. By so comparing traditions, we can identify and highlight the defining characteristics of the British governmental tradition. The next step is to unpack the broad idea of tradition into its constituent traditions. I identify the Tory, Liberal, Whig and Socialist traditions and show how each tradition produces distinct analyses of Thatcherism. Finally, I unpack the Socialist tradition by comparing Old and New Labour's conception of governance. I progressively unpack the idea of tradition to show there is no one monolithic or invariant definition of a tradition which is suitable for answering all questions. Also, I discuss where we go from here by examining the issues raised by each illustration. These include hypostatising traditions, essentialism, defining traditions and the processes which create traditions.

An anti-foundational approach

Anti-foundationalism provides an alternative epistemology to the positivism which pervades so much British political science. Sympathetic to the historical and philosophical approach of Beer (1965) and Birch (1964) my criticisms focus primarily on the positivism informing much of the Westminster model and its family.[2] Anti-foundationalists explicitly reject the idea of given truths whether

based on pure reason or pure experience. As a result, they typically look sus-
piciously on any claim to describe neutrally an external reality. They emphasise
the constructed nature of our claims to knowledge (Rorty 1980).

'Constructivist' theories of the human sciences also suggest there is an
'irreducible and inexpungeable element of interpretation' (White 1978: 51 and
82). For example, Collingwood (1939 and 1993) argues that historians ask ques-
tions and answer them with stories to make sense out of 'facts' which in their
raw form make no sense at all. He summarises his position as follows:

> history should be (a) … an answering of questions; (b) concerned with human
> action in the past; (c) pursued by interpretation of evidence; and (d) for the
> sake of human self-knowledge. (1993: 10–11)

And Collingwood insists knowledge is '*Created*, not *discovered*, because evidence
is not evidence until it makes something evident' (Collingwood 1965: 99, italics
in original). This does not mean there are no 'facts', only that historians con-
struct them. The human sciences are constructed and shaped by the concepts
and theories used. The resulting interpretation is always incomplete, always open
to challenge. Such a view of the human sciences contrasts markedly with those
commonly found in political science where the influence of natural science
models is great (Kavanagh 1991).

Crucially, an anti-foundational epistemology in the human sciences still allows
for the possibility of our judging competing theories or narratives by agreed stan-
dards of comparison. Objectivity arises from criticising and comparing rival webs
of interpretation about agreed facts using rules of intellectual honesty. The key
rules are accuracy and openness. Accuracy means using established standards of
evidence and reason; so, we will prefer one theory over another if it is more accur-
ate, comprehensive and consistent. Openness means taking criticism seriously
and preferring positive speculative theories which open new avenues of research
and make new predictions supported by agreed facts. These rules provide the cri-
teria for comparing webs of beliefs. The clear difference between this approach
and conventional approaches to studying government is that all interpretations
are provisional. We cannot appeal to a logic of vindication or refutation.
Objectivity rests on criteria of comparison. The interpretation we select will not
be one which reveals itself as a given truth. Rather, we will select the 'best' inter-
pretation by a process of gradual comparison.[3]

Anti-foundationalism has implications beyond the epistemological domain.
Neither scholars nor their subjects have pure perceptions or pure reason. Those
we study do not have pure experiences or interests. So, we cannot read off their
beliefs, desires or actions from allegedly objective social facts about them. Rather,
we must allow that individuals construct their beliefs against the background of a
tradition (or episteme or paradigm) and often in response to dilemmas (or prob-
lems, or anomalies). Anti-foundationalism encourages us, therefore, to under-
stand explanation in the human sciences through such notions as traditions,
narratives, beliefs and dilemmas (Bevir 1999a).[4]

Traditions

A tradition is a set of theories or narratives, and associated practices, that people inherit and that form the background against which they form beliefs and perform actions. Traditions are contingent, constantly evolving, and necessarily located in a historical context. Traditions emerge out of specific instances and the relations between them where the instances that make up a tradition are handed on from generation to generation, whether from parent to child in families or elder to apprentice in organisations and networks. Traditions must be composed of beliefs and practices relayed from teacher to pupil and so on. Moreover, because traditions are not fixed or static, it is not possible to identify or construct their particular instances by comparing them with the key features of the tradition. Rather, we can only identify the particular instances that compose any given tradition by tracing the appropriate historical connections back through time (and for a more detailed treatment see Bevir 2000).

Narratives

Narratives are the form theories take in the human sciences; they are to the human sciences what theories are to the natural sciences. The point I want to make by evoking narratives is that the human sciences do not offer us causal explanations that evoke physically necessary relationships between phenomena. Rather, they offer us explanations of human affairs that work by relating beliefs, actions and institutions to one another through the appropriate conditional and volitional connections. Although narratives may follow a chronological order and contain such elements as setting, character, actions and happenings, their defining characteristic is that they explain actions by reference to beliefs and preferences. The human sciences rely, therefore, on narrative structures akin to those found in works of fiction. However, the stories told by the human sciences are not fiction. The difference between the two lies not in the use of narrative, but in the relationship of the narrative structures to our objective knowledge of the world.

Beliefs

To focus on beliefs is to explore the way institutions are created, sustained or modified through the ideas and actions of individuals. Such actor-centered accounts are essential because we cannot read-off the ideas and actions of individuals from knowledge of objective social facts about them. Although historians of ideas increasingly emphasise both how social discourses inform individual utterances and how social discourses are embedded in practices and institutions, it remains the case that individuals can exercise their particular reason in given social contexts. This approach will produce a radical emphasis on the capacity of an individual subject to imbue his or her actions with meaning and to redefine that meaning in, for example, organisational dialogue.

Dilemmas

A dilemma arises for an individual or institution when a new idea stands in opposition to an existing idea and so forces a reconsideration. We understand

how their beliefs and actions, and social practices, change by exploring the ways in which they conceive of, and respond to, dilemmas. Thus, an analysis of change and developments in British government must take place through a study of the relevant dilemmas. For example, to understand Thatcherism one needs to understand not only that Britain suffered from severe inflation in the 1970s but also the ways in which libertarians, conservatives, Whigs and Socialists conceived the origins, nature and solution to such inflation (see Bevir and Rhodes 1998a). Political scientists should be prepared to explore the ways individuals have developed intellectual traditions to bring about change in the institutions of which they are a part.

Three illustrations

Comparing governmental traditions[5]

A governmental tradition is a set of inherited beliefs about the institutions and history of government. Loughlin and Peters (1997: 46) distinguish between the Anglo-Saxon (no state) tradition; the Germanic *rechtsstaat* tradition; the French (Napoleonic) tradition; and the Scandinavian tradition which mixes the Anglo-Saxon and Germanic. Thus, in the Germanic tradition state and civil society are part of one organic whole; the state is a transcendent entity. The Anglo-Saxon pluralist tradition draws a more distinct boundary between state and civil society with contract rather than natural law as the basis to the state. Civil servants have no constitutional position. The Napoleonic tradition sees the French state as the one and indivisible republic, exercising strong central authority to contain the hostile relations between state and civil society. The Scandinavian tradition is also 'organicist', influenced by the ideas of the *rechtsstaat* tradition, but differs from the Germanic tradition in being a decentralised unitary state with a strong

Table 14.1   Governmental traditions: Britain and Denmark

Tradition	Britain	Denmark
Beliefs about the constitution	(i) Strong executive underpinned by two-party system	(i) Negotiated consensus underpinned by multi-party coalitions
	(ii) Parliamentary sovereignty	(ii) Constitutional State
Beliefs about the bureaucracy	(i) Generalists	(i) Specialists with professional autonomy
	(ii) Individual and collective accountability	(ii) Ministerial autonomy
	(iii) Freedom to manage	(iii) Political control
Beliefs about state–civil society relations	(i) Allegiant-deferential	(i) Participation
	(ii) Exclusive networks	(ii) Inclusive networks
	(iii) Citizen as consumer	(iii) Active citizen

participation ethic. By comparing these traditions we can identify the distinctive characteristics of any one tradition. So, in this section, I paraphrase Rhodes 1999 to compare briefly British and Danish governmental traditions to show not only their distinctive features but also how they interpret public sector reform differently and, as a result, the reforms have different aims, measures and outcomes. Table 14. 1 summarises these differences.

I distinguish between beliefs about central constitutional structures; political–bureaucratic relations; and state–civil society relations, especially government–interest group links (adapted from Christensen 1995). Administrative reform in Britain and Denmark differs because of significant differences in these beliefs.

Strong executive versus negotiated consensus

The point is obvious. The British tradition of majority party government underpinning a strong executive means the government can drive through its reforms whereas such reforms have to be agreed by a multi-party coalition in Denmark and then negotiated with other affected parties. Privatisation illustrates the difference. Britain had a comprehensive, ideologically driven programme of reform designed to create the minimalist state. Privatisation was the flagship policy. Privatisation is a pragmatic policy in Denmark. Multiplying state owned enterprises (SOEs) may be distinctive but it is an intermediate solution to changing the boundaries of the public and private sector; a means of preserving the state (Jensen 1998: 60).

Parliamentary sovereignty versus constitutional state

Although parliamentary sovereignty is a shared constitutional principle, Britain's uncodified constitution means there are few if any constraints on Britain's strong executive. In Denmark, the historical strength of local government, entrenched in the constitution, means it can effectively resist central government and its powers have increased. The opposite is true in Britain where parliamentary sovereignty meant local authorities were subjected to ever more stringent central controls. Contracting-out is one obvious example; it was imposed. In Denmark, the national associations of local government defended local government against this policy. It was not imposed. The centre had to rely on example and persuasion. There was little or no increase in contracting for goods and services in local government. The Danish approach is non-ideological and contracting is an invitation to negotiate, although it can still stir the political emotions of both Left and Right. In Britain contracting was a central belief of New Right ideology for two decades; a tool for creating the minimal state.

Party versus minister

British ministers are powerful. As in Denmark, they are individually accountable to Parliament. But they are always subject to party discipline and collective Cabinet accountability. Public sector reform was not at the discretion of individual ministers. It was an ideological, party driven, co-ordinated change. There is

no equivalent to the Danish tradition of independent ministers. The Danish system of ministerial government means effective public sector reform depends on political co-operation between ministers. Each minister can decide on the preferred reforms for her or his ministry. There is no overall control of the reform process. No political–bureaucratic system can work without trust and pragmatism but they are the essential currency of co-ordination in Denmark.

Generalists versus professional autonomy

Generalist civil servants in Britain are political-administrators. They fire-fight for ministers to keep them out of trouble in Parliament and elsewhere. They draw together and interpret specialist advice for ministers who are rarely experts in their field of responsibility. By tradition they are a source of 'institutional scepticism' about policies but, once the decision is made, their job is to give ministers what they want; nowadays they are described as 'can do' civil servants. So, they delivered public sector reform.

There are no generalist civil servants in Denmark. All are specialists, whether lawyers or the professional experts of the welfare state, and they play a key role in policy formulation and design as well as implementation, providing 'integrated advice' (Ministry of Finance 1998 cited in Jensen and others 1999). So, public sector reform in Denmark is characterised by a 'pragmatic tool orientation' (Greve and Jespersen 1998: 14), a 'technocratic–rational' conception of the reforms (Jensen 1998: 60); and driven by bureaucrats, not politicians, most notably the Ministry of Finance. So, SOEs reflect the pragmatic, technocratic Danish tradition because they are an intermediate reform; neither privatised nor state run.

Freedom to manage versus political control

Analysing traditions can also identify similarities. Thus, parliamentary sovereignty and ministerial accountability mean both governments face a problem; bureaucratic accountability.

Politicians and top bureaucrats in both countries distinguish between policy and management, justifying the reforms with the argument that it gives managers the freedom to manage and deliver public services efficiently. Ostensibly, there is an obvious contrast between British agencification and Danish de-agencification. So, British reforms sought to increase the freedom to manage whereas Danish reforms sought to enhance political control, a course of action which appears to undermine the rationale of the reforms. Any such conclusion is misleading. Agency reform in both countries seeks to increase political control of the bureaucracy. New public management (NPM) is sometimes said to dismantle hierarchy. But several strands clearly aim to reinforce hierarchical control. De-agencification is one example; it is an attempt to make hierarchy work. And Britain faces the same tension between deconcentration and political control. The (then) Conservative Home Secretary, Michael Howard, sacked Derek Lewis, chief executive of the Prison Service, who complained bitterly about the Home Secretary's extensive interference in operational matters. He alleged that Howard

'invented a new definition of the word "operational" which meant "difficult"'. He commented that Howard's attempt to 'use the distinction between policy and operation was no more than a political fig leaf which was so small as to be grossly indecent' (cited in Barker 1998). Control is an objective common to politicians in both countries whether direct as with de-agencification or indirect as with agency framework documents and contract steering.

Allegiant-deferential versus participation

At the most general level, the difference between Britain and Denmark is between an allegiant-deferential or passive political tradition and a participative tradition characterised by associational politics. This difference obviously underpins the distinctive decentralising strand in Danish public sector reform.

Exclusive versus inclusive

Public sector reform in Britain was an attack on collectivism and a reassertion of the libertarian strand in the British governmental tradition. It attacked policy networks which it castigated as examples of producer and trade union power. Thus, Henney (1984: 380–1) sees networks as an example of the corporate state; 'the institutionalised exercise of political and economic power' by the various types of local authority, government, the unions and to a lesser extent business. Each network builds a 'cultural cocoon' rationalising their interests with the public interest. Producers' interests rule, and it is not OK. Privatisation and marketisation aimed to destroy the cocoons. Union participation was curbed but many British networks are based on professional interests concerned with the allocation of resources by networks in welfare state services. They persist and, because of service fragmentation, have multiplied and grown stronger in a localised form. In Denmark, formal institutionalised participation remains a characteristic of Danish democracy and does not systematically seek to exclude important interests.

Consumer versus citizen

Danish reforms to strengthen user and citizen roles in public sector service delivery are distinctive. The description 'self-organising' is apt and the consumer reforms in Britain are no parallel. Such reforms are distinctively Scandinavian and there is no reason to associate them with NPM which never envisaged democratisation as a means of delivering services let alone improving efficiency. If other reforms were 'interpreted' through the lens of Danish political traditions, the citizen reforms are a product of that tradition.

So, there are marked differences in the aims, measures and outcomes of public sector reforms in Britain and Denmark; differences which can be explained by the different governmental traditions of the two countries.

Traditions, narratives and 'Thatcherism'

Table 14.2 identifies four traditions and their account of Thatcherism. I do not provide a comprehensive historical review of each tradition but seek to show that

Table 14.2   Traditions and Thatcherism

	Tory	Liberal	Whig	Socialist
Traditions	Preserving traditional authority	Restoring the markets undermined by state intervention	Evolutionary change	Role of the state in resolving the crises of capitalism.
'Thatcherisms'	Party and electoral survival	Reversing Britain's decline	Strong leadership and distinct ideology give new policy agenda	Failure of the developmental state

there are several political traditions each of which constructs 'Thatcherism' differently. So, I provide a brief summary of each tradition and provide an example of one its narratives of 'Thatcherism' (this section paraphrases Bevir and Rhodes 1998a).

The Tory tradition

The Tory tradition is elusive and relentlessly inconsistent. All too often the Tory tradition is defined more by what it isn't. Gilmour (1978: 121–43) argues that the Conservative party is not averse to change (*ibid*.: 121), not a pressure group (*ibid*. 130), and not ideological (*ibid*.: 132). More positively, 'the fundamental concern of Toryism is the preservation of the nation's unity, of the national institutions, of political and civil liberty' (*ibid*.: 143). Gamble (1988: 170–1) describes the British state as the Tory state with the defining characteristics of: racial and national superiority; deferential attitude towards authority; secrecy surrounding the practice of high politics; an anti-egalitarian ethos and a status hierarchy.

   Some strands recur in the Tory tradition. For example, Michael Oakeshott provides the philosophical underpinnings for several raconteurs of Tory narratives. Ian Gilmour (1978: 92–100; and 1992: 272–3) adopts Oakeshott's distinction between the state as a civil and an enterprise association. An enterprise association is 'human beings joined in pursuing some common substantive interest, in seeking the satisfaction of some common want or in promoting some common substantive interest'. Persons in a civil association 'are not joined in any undertaking to promote a common interest … but in recognition of non-instrumental rules indifferent to any interest'; that is, a set of common rules and a common government in pursuing their diverse purposes (Gilmour 1978: 98). So a free society has 'no preconceived purpose, but finds its guide in a principle of continuity … and in a principle of consensus' (Gilmour 1978: 97). The Tory tradition favours civil association and only accepts the state as an enterprise association 'when individuals are able to contract out of it when it suits them' (Gilmour

1992: 272). None the less Gilmour (1978: 236) accepts that some state intervention will often be expedient, practical politics, essential to preserving the legitimacy of the state.

One Nation Toryism is one narrative of 'Thatcherism' in the Tory tradition. It sees Thatcherism as a threat to both the Conservative Party and to national unity. Gilmour (1992) is scathing about the 'dogma' of 'Thatcherism'. He argues 'Thatcherism' is based on 'a simplistic view of human nature'. He disputes that 'everyone is driven by selfish motives' and that 'everyone pursues his selfish interests in a rational manner' (*ibid*.: 271). Thatcher is not a 'true Conservative ruler' because she bullied people into conformity with her view of Britain as an enterprise association (*ibid*.: 273). The economy was not transformed. Markets are not always right. 'The state cannot desert the economic front' (*ibid*.: 276). 'Much social damage was also done'. 'British society became coarser and more selfish' (*ibid*.: 278). His brand of 'One Nation Toryism' holds that if the state is not interested in its people, they have no reason to be interested in the state (Gilmour 1978: 118). So, the government should 'conserve' the fabric of society and avoid the shocks of violent upheavals' and 'look to the contentment of all our fellow countrymen' (Gilmour 1992: 278).

The Liberal tradition

The narrative of 'Thatcherism' as the revival of nineteenth-century liberalism, with its faith in free markets, determined to slay the dragon of collectivism, and reverse Britain's decline, both economic and international, was one the clichés of British government in the late twentieth century. But like so many clichés, it did not become one without containing a large grain of truth. This narrative has its roots in the Liberal tradition's stories about markets.

'New Conservatism' revived the Liberal tradition by stressing freedom, applying the principles of freedom to the economy, and accepting the welfare state on sound Conservative grounds. Thus, Willetts (1992) finds the roots of the 'New Conservatism' in the One Nation Group's (1954) arguments against government intervention and in such philosophers as Friedrich Hayek and Michael Oakeshott.

For Willetts (1992: Ch. 6) Adam Smith's 'system of natural liberty' provides the intellectual justification for free markets. Markets tap 'two fundamental human instincts'; the instinct to better oneself and the instinct to exchange. These instincts, when 'protected by a legal order which ensures contracts are kept and property is respected' are 'the source of the wealth of nations'. Big government cannot deliver prosperity, undermines markets and erodes communities. But 'rampant individualism without the ties of duty, loyalty and affiliation is only checked by powerful and intrusive government'. So, Conservatism stands between collectivism and individualism and 'Conservative thought at its best conveys the mutual dependence between the community and the free market. Each is enriched by the other' (Willetts 1992: 182). The Conservative Party's achievement is to reconcile Toryism and individualism. It was also Thatcher's achievement.

'Thatcherism' is not the antithesis of conservatism because it too recognises there is more to life than free markets; it too sought to reconcile 'economic calculation with our moral obligations to our fellow citizens' (*ibid*.: 47). Also its distinctiveness does not lie in 'Mrs Thatcher's actual political beliefs – very little of what she said could not have been found in a typical One Nation Group pamphlet of the 1950s' (*ibid*.: 52). It is distinctive because of Thatcher's 'political qualities'; her energy and conviction; her ability to move between general principles and the practical; and her judgement about which issues to fight (*ibid*.: 52–3).

So, the 'Thatcherism' narrative in the Liberal tradition restores markets to their rightful place in Conservatism: it 'is within the mainstream of conservative philosophy' (*ibid*.: 54). It also shows great political skill. The government stuck to its principles and showed that the commitment to freedom meets people's aspirations and made them prosperous (*ibid*.: 61). State intervention stultifies. Competition improves performance: 'Free markets are ... the route to prosperity' (*ibid*.: 136).

So the narratives in the Liberal tradition stress markets and its story-line is to reverse Britain's economic decline through free markets sustained by an enterprise culture.

The Whig tradition

The Westminster narrative fits well within the Whig tradition (for a guide and references see Bevir and Rhodes 1999; Tivey 1988). This narrative focuses on Britain as a unitary state characterised by: parliamentary sovereignty; strong Cabinet government; accountability through elections; majority party control of the executive (that is, prime minister, Cabinet and the civil service); elaborate conventions for the conduct of parliamentary business; institutionalised opposition, and the rules of debate (Gamble 1990: 407). It is also closely linked with the Whig tradition with its idealist strand, seeing 'institutions as the expression of human purpose' and focusing, therefore, on the interaction between ideas and institutions (see Rhodes 1997a: Chapter 4; Gamble 1990: 409; Johnson 1975: 276–7). It highlights 'how institutions and ideas react and co-operate with one another' (Greenleaf 1983: xi); gradualism; and the capacity of British institutions to evolve and cope with crisis. Indeed, Whig historiography comes perilously close to telling the story of a single, unilinear, progressive idea, reason or spirit underlying the evolution of the British political system. Institutions provide the 'capacity for independent action, leadership and decision' while remaining 'flexible and responsive'. As important, the political science profession esteemed this tradition; they 'were largely sympathetic' (Gamble 1990: 411); 'convinced that change needed to be evolutionary'; and celebrated 'the practical wisdom embodied in England's constitutional arrangements' (Gamble 1990: 409). The values of representative democracy, and the belief in the practical wisdom of the British constitution still lie at the heart of the Westminster narrative (see, for example, Hennessy 1995; Norton 1996).

Although there is almost no discussion of power, the Whig tradition also makes some important if implicit assumptions. As Smith (1998) argues, it focuses

on behaviour, motivations and individuals. Power is an object which belongs to the prime minister, cabinet or civil service. So, 'power relationships are a zero-sum game where there is a winner and a loser' and power is 'ascribed to an institution or person and fixed to that person regardless of the issue or the context'. Personality is a key part of any explanation of an actor's power; personalisation. The Whig tradition's narratives of 'Thatcherism' contain these characteristics and I illustrate the point by looking at the 'end of consensus' thesis.

Much of mainstream social science literature assesses the extent of change in British politics under the Thatcher government. Thus, Kavanagh (1990) uses the theme of 'the end of consensus', and an analysis of the interplay between events, ideas and actors, to argue the political agenda of British government has been substantially rewritten. Consensus refers to agreement between political parties and governing élites about the substance of public policy; the rules of the political game; and the political style for resolving policy differences (Kavanagh 1990: 6). Thatcher had a distinctive set of New Right inspired policies: using monetary policy to contain inflation; reducing the public sector; freeing the labour market through trade union reform; and restoring the government's authority. These policies would free markets and create the enterprise society. He concludes that the government was 'radical and successful' (*ibid*.: 241); 'reversed the direction of previous postwar administrations' (*ibid*.: 209); and that its policies, which appeared far-fetched in 1978, such as privatisation, are no longer exceptional (*ibid*.: 281). In typical balanced, not to say Whig style, Kavanagh opines 'talk of permanent or irreversible changes may be too bold' but 'the Thatcher government has created a new agenda, one which a successor government will find difficult to reverse' (*ibid*.: 302).

This narrative accommodates 'Thatcherism' to the Whig tradition in two ways. First, it identifies the constraints on political action and the continuities in policy to domesticate the political convulsions of the 1980s. Thus, Kavanagh (1990: 18, 238–41 and 15) treats 'events' as a constraint on political leadership; recognises the changes had many causes; and muses how 'disappointment has been a fact of life for British … governments'. None the less there has been change and Thatcher is central to his explanation. So, second, this Whig narrative explains change by appeal to the personal power of Thatcher. Kavanagh repeatedly describes her as the 'dominant figure'; and 'a remarkable figure' (*ibid*.: 243, 272, 276, 318). Of course, 'I am not claiming that personal leadership is all important but Mrs Thatcher's personality and policies enabled her to take advantage of the constellation of events and ideas'. None the less, the story-line of this narrative assigns great explanatory power to Thatcher's personal qualities and her distinctive policies. Above all, it is part of the Whig tradition. Kavanagh (1990: 209) makes the point succinctly: 'Over the long term continuity is more apparent than discontinuity'.

The Socialist tradition

The Socialist tradition, with its structural explanations focused on economic factors and class and its critique of capitalism, mounted a prominent challenge

to Whig historiography. It disputes the factual accuracy of the Westminster narrative and challenges specific theoretical interpretations, although it is more likely to use the language of 'counterfactuals' than 'falsification' and 'refutation'. The historical story is anti-Whig. For example, Marquand (1988: 198) comments: 'The old Whig historians were not wrong in thinking that Britain's peaceful passage to democracy owed much to the hazy compromises'. However, 'once these compromises cease to be taken for granted', then 'respect for the rules of the game will ebb away'. So, the Whig tradition collapses because it confronts a heterogeneous, pluralistic society in which authority has been de-mystified, cultural values have changed, the political system has lost legitimacy, and territorial politics is in disarray (*ibid*.: 199–204). However, the Whig tradition is still a common starting point and it exerts a pervasive influence. The Socialist narratives of 'Thatcherism' come in many guises with many differences of emphasis. I provide one brief illustration: Marquand's account of the failure of the developmental state.

Marquand (1988) tries to answer two overlapping questions. Why did the Keynesian social democratic governing philosophy collapse? What are the main economic and political problems which a successor philosophy must address? He argues the collapse took place because Britain failed to become a developmental state. Britain failed 'to adapt to the waves of technological and institutional innovation sweeping through the world economy' and 'Britain's political authorities … repeatedly failed to promote more adaptive behaviour' (*ibid*.: 145). Britain failed to become an adaptive, developmental state because of a: 'political culture suffused with the values and assumptions of whiggery'. 'The whole notion of public power, standing apart from private interests, was … alien' and so a developmental state could not exist (*ibid*.: 154).

The Westminster narrative also inhibited an adaptive response. The basis of this narrative is parliamentary sovereignty which 'inhibits the open and explicit power sharing on which negotiated adjustment depends' (*ibid*.: 176). The British crisis is a crisis of maladaptation. But it is coupled with: a loss of consent and growing distrust between governments and governed; possessive individualism or sectional interests dominating the common interest; and 'mechanical reform' or change through command, not persuasion (*ibid*.: 211–12). In short, Britain failed to adapt because its political culture was rooted in reductionist individualism.

Marquand's account of 'Thatcherism' stresses the congruence between its market liberalism and British political culture of possessive individualism and the inability of both to deal with the crisis of maladaptation (*ibid*.: 72–81). In short, the liberal solution deals with the consequences of state intervention, political overload and bureaucratic oversupply, not with the dynamics or causes of these processes. Since possessive individualism is the cause of Britain's maladaptation, it cannot provide the solution; this lies in common, not individual, purposes and the developmental, not minimal, state. As a result, 'Thatcherism' contains three paradoxes (*ibid*.: 81–8 and 1989). First, the policies for a free economy conflict with the need for a strong, interventionist state to engineer the cultural change needed to sustain that free economy. Second, the wish to arrest national decline

conflicts with the free trade imperatives of liberalism because of the weakness of the British economy. Third, the attack on intermediate institutions – the BBC, local government, the universities – undermines the Tory tradition which sees them as bastions of freedom; markets conflict with community.

In short, the socialist narratives interpret the 'end of consensus' as part of the crisis of British capitalism stemming from its inability to become a developmental state. 'Thatcherism' is a local response to this crisis and is beset by internal contradictions. Free markets are a transitional solution for the open economy of a medium-sized industrial country operating in a global economy.

In brief, there are several overlapping but competing constructions of Thatcherism each rooted in a distinct and distinctive tradition.

Governance in Britain

New Labour has invoked a succession of visions, from the stakeholder society to 'the third way', all of which denote its distinctive response to dilemmas such as state-overload. Blair (1998) declares the Labour Party under his leadership to be 'new in our means, but Labour in our aims'; a theme also picked-up by Gordon Brown, Chancellor of the Exchequer, and Tony Wright, a Labour Member of Parliament, when they express their continuing faith in 'fundamental socialist values' that possess 'an enduring quality' even though particular policies have to 'change in the light of new problems, knowledge and circumstances' (Brown and Wright 1995: 13 and 29). The third way represents an attempt to keep many strands of the social democratic vision while accepting a need for new policies. Far from simply copying the neo-liberal doctrines of the New Right, it draws on traditional social democratic ideas to condemn them. I illustrate this point by examining New Labour's construction of joined-up governance and the ways in which it differs from both traditional social democratic policies and those associated with the New Right (this section paraphrases Bevir 1999c).

The New Right argued the minimal state required marketisation, and the new public management. These changes are not given as brute facts. They are ideas that people construct as they experience the world, where their experiences of the world depend on their existing beliefs, or tradition, as well as on what is objectively out there. So, the social democrats of New Labour see the dilemma of state-overload significantly differently from the New Right. Whereas social

Table 14.3   New Labour and governance

	New Labour	*Old Labour*	*New Right*
Public philosophy	Stakeholding	Fellowship	Individualism
Service delivery: (i) Characteristic organisation	Network	Bureaucracy	Market
(ii) Characteristic relationship	Trust	Command	Competition

democrats traditionally believed in a fellowship enshrined in a bureaucratic state providing universal welfare, whereas the New Right promoted an individualism with social relations being based predominantly on contracts and the market, New Labour advocates a society of stakeholders enabled by a state that forms with them partnerships and networks based on trust (see Table 14.3).

In response to concerns highlighted by the New Right, but interpreted and responded to from within the socialist tradition, New Labour has modified the Party's attitude to the delivery of public services. The Old Labour model resembled a top-down, command-style bureaucracy based on centralised rules. The Party became associated with hierarchic organisation in which co-ordination was secured by administrative orders. The New Right rejected this model, arguing that it was both inefficient and corrosive of individual freedom. The Thatcher governments attempted to make public services more efficient through privatisation, marketisation, and the new public management. Citizens appeared as consumers who should be able to choose between an array of available services. Although command bureaucracy remains a major way of delivering public services, privatisation, the purchaser–provider split, and management techniques from the private sector have become an integral part of British governance.

New Labour's third way embodies a critique of the New Right's model of public service delivery. It suggests the New Right's exaggerated faith in markets fails to recognise the socially embedded nature of our being. New Labour believes individuals are not just competitive and self-interested but more importantly cooperative and concerned for the welfare of others. Public services should reflect this fact by encouraging an ethic of mutual co-operation, even as when appropriate they use market mechanisms to increase choice and promote responsibility. So David Clark, then Minister for Public Services, explained that policies such as market testing 'will not be pursued blindly as an article of faith' but they 'will continue where they offer best value for money' (Clark 1997). Although New Labour accepts that markets can be an apt means of service delivery, it insists that markets are not always the best way to deliver public services since they can go against the public interest, reinforce inequalities, and entrench privilege. Besides, much of the public sector simply is not amenable to a properly competitive market. Indeed trust and partnership are particularly important here, for to ensure quality in the absence of a proper market one has either to rely on honest co-operation or specify standards in absurd detail. Far from promoting efficiency, therefore, marketisation can undermine standards of service.

Yet New Labour does not defend the command bureaucracy associated with Old Labour. Once again, it marks a shift within the social democratic tradition inspired in part by the New Right's concerns with market efficiency and choice. Thus, Mandelson and Liddle (1996: 27) explicitly reject the 'municipal socialism' and 'centralised nationalism' of the past when they insist that New Labour 'does not seek to provide centralised "statist" solutions to every social and economic problem'. Instead New Labour has begun to promote the idea of networks of institutions and individuals acting in partnership and held together by relations of trust. New Labour's concern with networks based on relations of trust does not

exclude either command bureaucracy or quasi-market competition. Rather, New Labour proposes a mix of hierarchies, markets and networks, with the choice between them depending on the nature of the particular service under consideration. The government explains that 'services should be provided through the sector best placed to provide those services most effectively', where 'this can be the public, private or voluntary sector, or partnerships between these sectors' (Cm 4011 1998). Even a simple service is liable to display a mix of structures, strategies and relationships.

The Labour government uses networks to institutionalise its ideals of partnership and an enabling state. The Service First programme, in particular, promotes Quality Networks comprised of locally organised groups of people from all areas and levels of the public sector who work together in partnerships based on trust. Their purposes include developing and spreading best practice, sharing troubleshooting skills, and building new partnerships between relevant organisations. Blair (1998) stated the aims succinctly: 'joined-up problems need joined-up solutions' and this theme runs through the *Modernising Government* White Paper with its frequent references to 'joined-up' government and 'holistic governance' (Cm 4130 1999: 6, 7, 32 and 40). So services must be effective and co-ordinated and the principles of joined-up government apply also to voluntary and private sector organisations. A Cabinet Office publication (1998) announces that 'we will work in partnership with the private sector, extending the circle of those involved in public service'. So 'action zones' proliferate (29 in health, 25 in education) linking central and local government, health authorities, the private sector and voluntary organisations. The state is thought of as an enabling partner that joins and steers flexible networks. More broadly, the citizen acts as a partner who participates in the delivery of services through an active involvement in various networks, which offer a range of services in various ways so that individuals have choices.

New Labour's emphasis on individual choice and involvement overlaps with themes found in the New Right. In promoting customer-focused services, moreover, New Labour adopts features of the new public management when it considers them appropriate. However, New Labour's model of service delivery does not follow the New Right's vision of the new public management. On the contrary, New Labour argues that many features of this new public management, such as quasi-markets and contracting-out, maintained an unhealthy dichotomy between the public and private sectors: public bodies did not work with private companies but merely contracted services out to them. This argument is used, for example, to justify abolishing the internal market within the National Health Service. The third way, in contrast, is supposed to develop networks that enable public and private organisations to collaborate. We can see this idea at work in the government's resurrection of Private Finance Initiatives designed to provide various mechanisms by which public and private organisations can form partnerships to finance projects. Typical projects include constructing and repairing schools, hospitals and transport infrastructures. The National Health Service (Private Finance) Act, 1997, for example, allows NHS Trusts to draw on private finance to build new hospitals.

New Labour's networks for public service delivery are supposed to be based on trust. Blair describes such trust as 'the recognition of a mutual purpose for which

we work together and in which we all benefit' (Blair 1996: 292). Trust matters as we are interdependent social beings who achieve more by working together than by competing. Quality public services are best achieved through co-operative relations based on trust. Blair talks of building relationships of trust between all actors in society. Trust is promoted between organisations through the Quality Networks programme: organisations should exchange information about their practices to ease co-operation. Trust is promoted inside organisations by allowing individual responsibility and discretion to replace rigid hierarchical structures. Individuals should be trusted to decide and implement policies without following strict procedures. Trust is promoted between organisations and individuals through the Service First programme: citizens should trust organisations to provide appropriate services, and organisations should trust citizens to use services properly.

The Labour government bases the delivery of public services on networks embodying trust between providers and users. The Cabinet Office (1998) tells us, moreover, that such networks depend on 'balancing rights and responsibilities': it sees the Service First programme as a moral partnership between users and providers. The rights of the users of services include those to clear information about what is on offer, well-defined procedures for complaint, and fair treatment. Service providers have a responsibility to ensure such rights are honoured. The responsibilities of the users of services include extending courtesy to staff and promptly providing accurate information when required. Service providers have a right to expect such things from users.

The New Right portrays governance as composed of policies, such as marketisation and the new public management, that allegedly are the inevitable outcomes of global economic pressures. But such pressures are not given as brute facts but constructed as different dilemmas from within various traditions. It suggests also the policies a state adopts are not necessary responses to given pressures, but rather perceived solutions to one particular conception of these dilemmas, where adopting a set of solutions is a contingent outcome of a political contest.

In Britain, New Labour constructed the dilemma of state-overload significantly differently from the New Right. These pressures do not have a given, inevitable content. They are identified, understood, and explained differently by people from within various traditions. New Labour has a different conception of the problems facing the British state, it has devised a set of administrative reforms different to those promoted by the Thatcher government. The New Right's concern to roll back the state has been replaced by a concern to transform the state into an enabling partner. And the New Right's belief in markets and competition within the public sector has been replaced by a broader emphasis on networks based on trust. Finally, Blair's vision of New Labour represents the outcome of a contingent, political struggle.

Where do we go from here?

This chapter has no general conclusions. Rather I use each illustration to identify where we go from here. However, there is one general point I wish to emphasise. In a deliberately tendentious manner, Cowling (1963: 209) argued that 'political

explanation exists as philosophy and history' and 'political science, … and comparative government, when looked at critically dissolve into these two disciplines: and if they do not, they have not been looked at critically enough'. I am being wayward in agreeing with him. This chapter does indeed seek to return political science to its historical and philosophical roots, but with a twist. I draw on constructivist history and anti-foundational philosophy to support the case; two schools of thought Cowling would probably detest. I do not want to return to the institutional-legal descriptive legacy of yesteryear. But I am convinced there are better ways of doing political science than the mildly apologetic positivism which pervades the study of British government.

Returning now to the three illustrations, the comparison of public sector reform in Britain and Denmark poses questions about the danger of reifying or hypostatising traditions when comparing them at this level of generality. For example, Greenleaf (1983: 15–20) describes the British political tradition as a dialectic between two opposing tendencies: libertarianism and collectivism (see also Beer 1965). Libertarianism stresses four things: the basic importance of the individual; the limited role of government; the dangers of concentrating power; and the rule of law. Its antithesis, collectivism, stresses: the public good; social justice; and the idea of positive government. These strains exist in both political parties. They set the boundaries to political debate. My view of tradition differs. His opposing tendencies are ahistorical. Although they come into being in the nineteenth century, they remain static, acting as fixed categories, ideal types, into which he forces individual thinkers and texts, even different parts of the one text or different utterances by the one thinker. Tradition is a starting point, not a destination, and instances cannot be constructed by comparison with the features of a tradition. Traditions do not constitute the beliefs that people come to hold or the actions they perform.

The explanatory value of traditions also lies in how they account for the processes by which people acquire beliefs and practices. The broader the definition of a tradition, the less it can explain. Thus, for any country, we need to move beyond broad comparisons to explore the multiple traditions and who articulates which tradition. Thus, for Denmark, such notions as *rechtsstaat*, parliamentary sovereignty, welfare state professionalism and ministerial accountability are open to many interpretation. And the story of public sector reform can be told several ways. In Denmark, there is the Ministry of Finance's NPM reform strategy; a coherent narrative of orderly change where the key dilemma is weak central co-ordination versus ministerial autonomy. So, the reforms provide 'a simple, coherent narrative that reinforces human belief that change can be domesticated and controlled' (Jensen 1998: 65). There is the 'slow revolution' narrative which sees change continuously translated through the beliefs and actions of actors socialised into the traditions of Danish government (Olsen 1983). There is the democratic revolution narrative built around the active citizen. An understanding of change starts with conflicting beliefs. So, beliefs about parliamentary sovereignty conflict with beliefs about professional expertise and autonomy which in turn conflict with beliefs about ministerial accounta-

bility. The beliefs about the freedom to manage in the public sector reforms simply point up these conflicts because they bump into beliefs about professional autonomy and ministerial accountability. Even the distinctive user reforms create dilemmas as the active citizen confronts beliefs in representative democracy, especially the role of the elected representatives as spokespersons for the citizen. Individuals set out from within a tradition but they can extend, modify and at times reject that tradition. The different stories, the collision of ideas and the dilemmas posed by conflicting ideas, become the catalyst for yet more change.

In short, the idea of tradition can be defined so broadly, can become so abstract, that it becomes indistinguishable from the idea of an institution. There is a potential conflict between an idea of tradition which permits cross-national comparison and one which allows us to unpack institutions and explore the beliefs and practices that construct them. My preferred point of entry for analysing traditions is the individual and her or his beliefs.

Thatcherism illustrated the variety of traditions and narratives in British government and my account raises the issues of essentialism and how to define traditions. Essentialists equate traditions with an unchanging core idea or ideas and then explore variations. But there is no such core to Thatcherism. There are a variety of ideas and although some of these ideas were widely shared, none were shared by all. So, there is no essentialist account of 'Thatcherism'. Even the search for a multi-dimensional explanation is doomed. It is not a question of identifying the several political, economic and ideological variables and determining their relative importance. It is not a question of levels of analysis. It is more fundamental. The maps, questions and language of each narrative prefigure and encode different historical stories in distinctive ways. Historical stories as different as preserving traditional authority, restoring markets, gradualism and resolving the crises of capitalism construct the phenomenon of 'Thatcherism' in radically different ways. There is no single notion to be explained. 'Thatcherism' as statecraft, as economic liberalism, as leadership and as hegemonic project are different notions evoking different explanations. 'Thatcherism', then, was not an objective, given, social phenomenon with a single clear identity, but rather several overlapping but different entities constructed within overlapping but different traditions.

Traditions are neither hypostatised entities nor essentialist. So, any individual can be placed in many traditions depending on the purposes of any study. The content of any tradition will vary with the instances we want to explain. We will trace those temporal and conceptual connections relevant to the question we seek to answer. We define traditions according to our own purposes, selecting one from the many because it best explains the actions and beliefs of the individual we are studying. The choice of tradition depends on what we are trying to explain. We can pick from a plurality of traditions at many levels of generality.

Finally, as I explored the traditions in the socialist tradition, it should have become clear that we need to explore the processes through which patterns of governance are created. There is no ineluctable, inevitable process behind the

new patterns; no abstract model of natural selection about capital mobility and competition between states. We need to highlight the political contests, including the use of coercion, that surround choosing and implementing policy. This shift of concern and emphasis would alter the research agenda, replacing the straightforward New Right assumption of convergence between states with a recognition of the possibility of continuing diversity. New Right writers typically understate variations in styles of governance because they see them as less important than the shared characteristics imposed by global economic forces. My approach asks whether similar diversity does not appear in the aims, methods and outputs. Are the public sectors of different states becoming more and more similar, or are they becoming more similar in some respects but more diverse in others, or are they even becoming more diverse? Or, and despite my emphasis on diversity, are there dominant traditions? Unpacking the idea of traditions and their associated practices in several countries should not blind us to the use of force, whether overt or sedimented in institutional practices.

So, the key question posed by an anti-foundational approach is 'whose story within which tradition'. Its distinctive approach is to answer this question by constructing narratives. It is an exercise in political ethnography: the study of individual behaviour in everyday contexts; gathering data from many sources; adopting an 'unstructured' approach focusing on one group or locale; and, in analysing the data, stressing the 'interpretation of the meanings and functions of human action' (paraphrased from Hammersley 1990: 1–2; see also Geertz 1973: 20–1). The reference to 'everyday contexts' does imply micro-analysis but it does not imply necessarily a bottom-up approach. The analysis is not restricted to any one category of actor. Thus, we can explore the rules of statecraft, or operating code, of central political élites. The key aims of statecraft are to achieve governing competence and to preserve the centre's autonomy in 'High Politics' (for example, foreign, defence and trade policy, although increasingly the term also covers macro-economic policy). The approach invites the historical analysis of the beliefs and actions of élite actors. Equally, we know street-level bureaucrats can make and re-make policy. We know that users' experience of services can differ markedly from the expectations of the service provider. And yet, after over a decade of public sector reforms, there is no study of the beliefs and actions of employees (or even middle-level managers) in response to these (allegedly) dramatic changes. The political ethnography of government invites us to build a multifaceted picture of how the several actors understood such changes as public sector reform and 'Thatcherism'. Ideally, we should tell the story through the eyes of the political and administrative élite and show how the various constructions of reform or Thatcherism arise out of the multiple narratives legislators, bureaucrats and others have come to adopt through a process of modifying traditions to meet specific dilemmas. Their version of the story is only available to us as part of the historical record and not through academic accounts. To explore traditions we need to move beyond academic accounts to create historical 'constructions of other people's constructions of what they were up to' (modified from Geertz 1973: 9). So, whose

account of governmental traditions drawing on which texts will be the entry point to the analysis of governance?

In Volume 1, Chapter 14, I argued that recent changes in British government could be summarised as 'the governance narrative'. The analysis in this chapter challenges that conclusion. By emphasising the diversity of traditions and, therefore, diverse interpretations of governance, it is possible the notion runs through our fingers like fine sand. If governance is not a shared set of aims, methods and outcomes and the result of common economic and technological developments since about 1970, then we may have a case of governance being everything and, therefore, nothing. We should be wary, first, of any straightforward dichotomy between governance and government, and, second, of any attempt to use the abstract idea of governance as an ideal type to account for particular developments in various states. So, whether any idea of governance is relevant will depend on empirical studies that explore the ways in which different states have constructed their public sectors. How similar are their conceptions of the relevant dilemmas, the policies they have adopted, and the consequences of these policies? How far have different state traditions fed through into diverse aims, methods and outcomes?

To answer these questions, we need to provide historical accounts of the public sectors of different states. We must highlight the ways in which different traditions prompt people to construct these processes and their implications differently both within and between states. For example, belief in a powerful executive is a long-standing feature of the British governmental tradition. Why did Britain develop the tradition of a strong executive when other north European monarchies did not? We need to ask why this tradition is dominant, why in this country, and why today? We have to open up the black-box of an institution to see how it and its effects arise out of complex political contests over meanings. The study of governance should become sensitive to the continuing struggles between different traditions as they are modified in response to various dilemmas.

Notes

1. This chapter draws on my joint work with Mark Bevir. The case for an anti-foundational approach is developed most fully in Bevir 1999a. The application of that approach to British government is discussed in Bevir and Rhodes 1998a, 1998b and 1999 and Rhodes 1997a. The three illustrations are taken from Rhodes 1999c; Bevir and Rhodes 1998a; and Bevir 2000 respectively.
2. I draw here on Wittgenstein's (1972) view that concepts often cover diverse contents connected by family resemblance rather than a single, essential idea.
3. This approach is not relativist but I do not have the space to develop the argument. See Bevir 1999a: Chapter 3.
4. For an historical and philosophical defence of this choice of concepts compared to other anti-foundationalists see Bevir 1997 and 1999b.
5. This section also illustrates the joint work with the University of Copenhagen (see Volume 2, Chapter 1, note 5). Other products of the collaborations in Denmark and Australia include: Weller, Bakvis and Rhodes 1997; and Rhodes and Weller 2000.

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