2 The Machinery of Government

The object of this chapter is to explain the basic workings of government and administration, placing some emphasis on the bodies concerned with energy policy and expenditure. The Department of Energy will be considered at greater length in the following chapter, so only the machinery for controlling expenditure of government departments and the overall policy-making context will be described here. Expenditure and policy-making are two sides of the same coin, and the Treasury, though small in actual numbers of staff, exerts a great degree of control over departmental spending and policies. Several detailed accounts of the Treasury have been published, as befits its place at the centre of British government, thus it is not necessary to go into its history and development here. For greater background information see Heclo and Wildavsky (1974), Bridges (1964), or Brittan (1969).

According to the Civil Service Year Book (Civil Service Department, 1977, vol. 671), ‘The Treasury is responsible for the overall management of the economy.’ The Treasury staff, for this mammoth task of controlling over £56 billion expenditure per year (Guardian, 13 January 1978, p. 4), numbers approximately 1000 (Brittan, 1969, p. 4), with only 150 of those actually involved in policy-making. The total size of the Home Civil Service in October 1977 was 485,900 (CSO Monthly Digest of Statistics, No. 383, p. 20) and spending departments – such as Environment with 59,200 staff or Health and Social Security with 99,100 – outnumber the tiny Departmental Treasury. The size of the Treasury in comparison to its responsibility is one of the factors defining its method of working; clearly, with such a small staff it cannot literally direct every penny of public spending; it must concentrate on general policies and forms of expenditure, preferring, for example, programmes with inbuilt cash limits to those which might begin at a low level but eventually cost a department a great deal. Its role is to negotiate continually constraints on departmental spending.
The Departmental Treasury is headed by its Permanent Secretary, Sir Douglas Wass, a career civil servant who has worked his way up through the Treasury, having entered as an assistant principal in 1946. Apart from the occasional year abroad at the Brookings Institute or with the International Monetary Fund, Sir Douglas progressed steadily through the Treasury, finally being promoted to Permanent Secretary in 1974. The Treasury has undergone some structural reorganization recently, in common with the rest of the Civil Service, as a result of the Fulton Committee report of 1968. The Treasury lost its responsibility for the general supervision of the Civil Service, which went to the newly created Civil Service Department, and was slightly reorganized internally. The current structure consists of four main sectors, three with their own second permanent secretary — overseas finance, domestic economy, public services — and the chief economic adviser’s sector, which takes care of short and medium term forecasting and gives specialist advice to the other three sectors.

The domestic economy sector is the one which has responsibility for the nationalized energy industries. The overseas finance sector is also involved through its interest in overseas aspects of oil policy, but the domestic economy sector under its second permanent secretary, Lawrence Airey, is the one most directly involved with energy policy. Airey has been in the Civil Service since 1949, and had two years in the Cabinet Office before moving to the Treasury in 1958, where his promotion has been quite rapid. He was an ex-officio member of the board of the British National Oil Corporation in 1976–7, by virtue of his position as Deputy Secretary for Industry. The domestic economy sector is divided into two parts, Counter Inflation and Public Finance, and Industry, each with its own deputy secretary. Fred Jones, an economist who originally worked for the TUC and was a tutor at Ruskin College before joining the Civil Service, is the deputy secretary concerned with Industry. He represents the Treasury on the BNOC board. He oversees three groups; Industrial Policy (IP), Industry and Agriculture (IA), and Public Enterprises (PE). PE is the group which takes care of administration of the energy industries, and its under-secretary is N. J. Monck. He was previously principal private secretary to the Chancellor of the Exchequer, Denis Healey, until his promotion to under-secretary in 1977. Sheriff (1976) found that career success for higher civil servants was associated with service in the private office of a senior minister, so it is quite probable that Monck will stay in this post no longer than the previous incumbent, who held the post