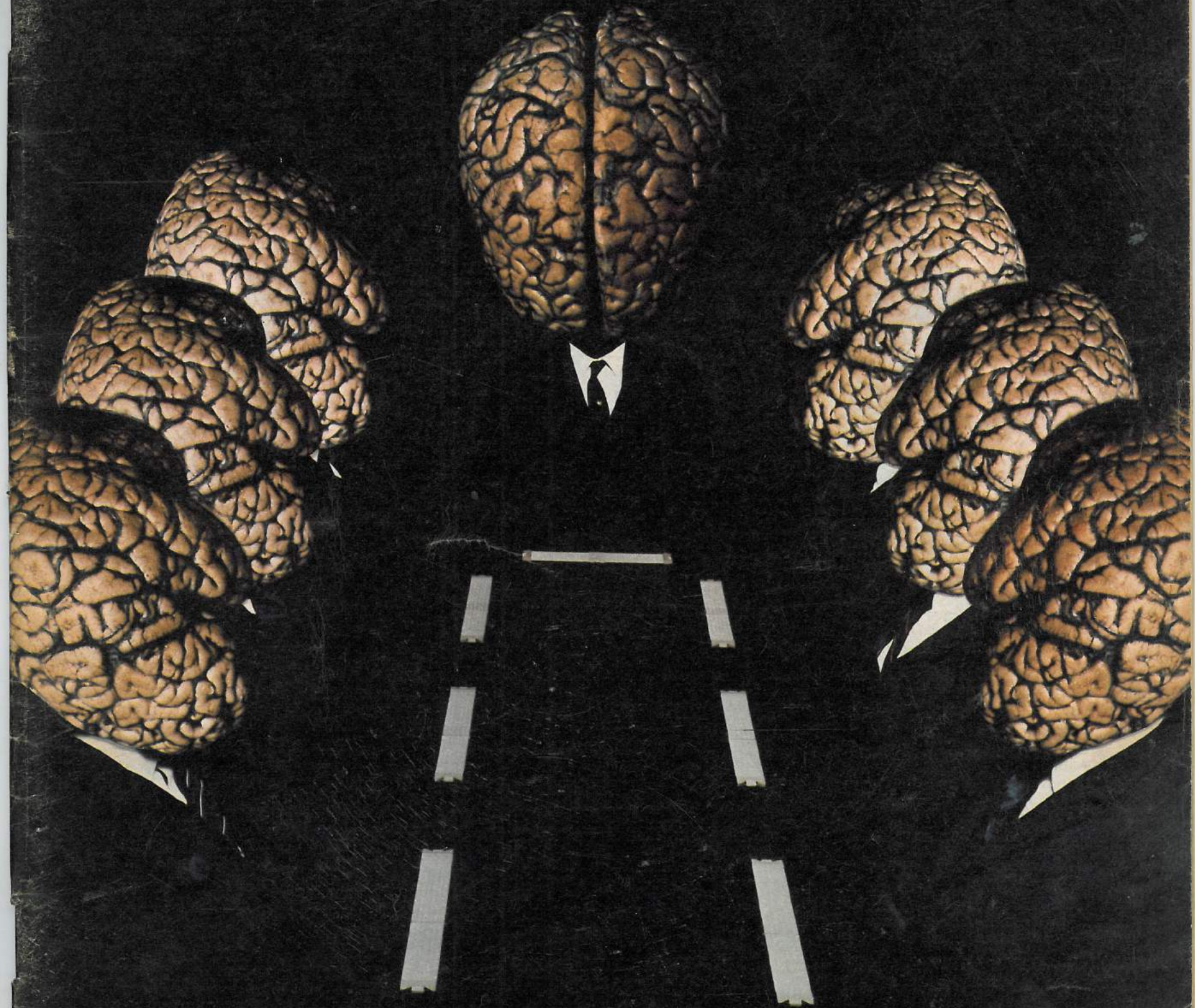


# THE SUNDAY TIMES *magazine*

MARCH 25, 1973



**The brains behind Heath**



## The brains behind the throne

Two years ago, Mr Heath announced the creation of a new element in the Whitehall power game – the Central Policy Review Staff, better known as Lord Rothschild's Think Tank. Formed to advise the Cabinet and keep an eye on Government strategy, its status and influence remain an enigma. *James Fox* investigates the power and influence of the think tank, with photographs by *David Montgomery*. Someone in Whitehall was describing how Lord Balogh – the head of Harold Wilson's Economic Unit in the Cabinet Office – had been "viciously neutralised" by the Civil Service machine during the early days of Labour's slim majority. My informant is a relative newcomer to Whitehall but, for professional reasons, he made it his business to find out what had happened. He discovered that Balogh simply stopped getting information: the flow of Cabinet papers dried up; he was either not told of crucial committee meetings or was asked to attend three at the same time. Decisions were being made elsewhere while everyone, in the meantime, was being unspeakably nice to him. After 1966 Balogh had frequent access to the P.M. and to his papers, so his influence grew. But he was never accepted into the machine as an equal.

Lord Rothschild, however, has been accepted on both fronts, thus straddling the ground where politicians and civil servants dispute the balance of power. It is a delicate operation.

Rothschild's success so ➡  
**The Central Policy Review Staff – the think tank – at their Monday morning session. Clockwise around the table, from foreground: Lord Rothschild, Dick Ross, Adam Ridley, Chris Sandars, Richard Crum, Peter Bowcock, Hector Hawkins, Madeleine Aston, John Mayne, William Waldegrave, William Plowden, Kate Mortimer, John Guinness, Robert Wade-Gery, John Burgh**





far - his survival - is the result of two things: firstly, his intellectual powers and his "degree of natural authority", which, it is said, have won him respect and tentative acceptance by the machine; secondly, his direct access to Heath. That was something not spelled out in the White Paper that set up the CPRS, but Rothschild saw from the outset that it was crucial to his effectiveness. And while any interpretations of the shifts and balances of power at the centre are necessarily subjective, this access has also seemed crucial to Heath's own concentration of power around the Prime Minister's office. Since he came to power, Heath, partly by reforming and using the machine in a particular way, has extended his control over Whitehall to a degree that had been achieved by no other Prime Minister since Attlee. Rothschild's access to Heath in this context can be seen as mutually reinforcing. Only a handful of senior officials have direct access.

The think tank, with its 15 versatile brains, was conceived as a monitoring unit with antennae all over Whitehall. It was designed to act for the Cabinet as a whole, to produce analyses to help Ministers make independent policy decisions and to keep a close watch on Government strategy, all of which it does. (Members of the CPRS insist on a formal distinction between Tory strategy and post-manifesto Government strategy.) But, by allowing Rothschild access, Heath has brought the unit directly into his orbit. To a large extent it is now he who approves their work programme - most recently by allocating them specific research projects for Phase Three. Unmistakeably it is a shift of power towards the Prime Minister, a subtle alteration that has made the think tank, in the view of many Whitehall observers, a Prime Minister's Department in all but name.

If this sounds alarming, it should be remembered that the Prime Minister has traditionally received worse advice than any other Western head of government, largely because he has never had his own direct source of information. Whitehall and Rothschild point to the constitution and the formal rules to disprove shifts in the balance of power. Others - Whitehall reporters, for instance - look at the personalities and alliances that make central government tick. It is a contentious area. Much of the



Lord Rothschild chairs a discussion on energy policy. They advised that the Government should act to halt the coal industry's decline

strengthening of the Prime Minister's power base and his use of the think tank, for example, is the direct result of Heath's own dominant personality, his quasi-autocratic style of government in Cabinet and his ascendancy over his colleagues - partly a legacy of his personal election victory. Indeed Mr Heath, to quote one of the Tory inventors of the think tank, has had to use "tremendous skill" and prudence to prevent the think tank being seen, in effect, as a Prime Minister's Department. But Ministers are already said to be showing signs of uneasiness. They would be the first to suffer a loss of power. "Ministers are suspicious of the think tank," said one Whitehall watcher, "because they can see that sooner or later this will actually turn into a Prime Minister's Department. It increases the power of the Prime Minister and they don't want him poking around in their departments."

Lord Rothschild denies these trends, and there is a school of thought which seeks to reduce alarm by saying that, in the cause of efficiency, the balance must shift towards No. 10, where the Prime Minister needs it badly. He, they say, is the only one who can take a grip on the machine, which is threatening to seize up with elephantiasis. Rothschild himself says that any moves towards Presidential government would be incompatible with the British Cabinet system. But Heath's concentration of power obviously gives the idea (and it is certainly the wish of some influential Tory planners) that presidential power is slowly creeping up on No. 10 with what a *Financial Times* reporter called "Grandmother's Footsteps". "Whenever anybody turns round to

challenge him, the Prime Minister is always standing virtuously still."

These days Rothschild can not only see the Prime Minister and brief him orally, bypassing Permanent Secretaries and Ministers alike, but he can also, at a pinch, report to the Prime Minister without first consulting Sir Burke Trend, Secretary to the Cabinet and the supreme Whitehall mandarin. What there was of a Prime Minister's brief used to be the responsibility of Sir Burke alone, but now Mr Heath gets briefs from Rothschild as well. Along with Sir Douglas Allen at the Treasury, Sir William Armstrong at the Civil Service Department and Trend himself, Rothschild has become one of the four top bureaucrats in Whitehall with access to Heath. For an outsider this is an extraordinary achievement. In addition, for reasons set out later, Rothschild and his staff have become the Treasury's direct rivals for the central policy position.

These are problems that concern the very nerve centre of parliamentary government, and in Whitehall it is almost a forbidden subject.

For two years officials have been saying quite bluntly that the CPRS is not attached directly to the Prime Minister but to the Cabinet as a whole. Answering my questions in his office in the Kent Treasury building in Whitehall, Lord Rothschild was especially cautious about the question of his access to the Prime Minister. "We are not the Prime Minister's men. We are the Cabinet's men," he said, "but you tend to have more discussion with the chairman of a committee than you do with its individual members. So although I would be very sad if I did not have access to the Prime

Minister - when he's not too busy - it is rather on that relationship than on a personal advisory basis." On Robin Day's *Talk-In* some months ago on BBC TV he said he saw Heath about once every five to seven weeks. In fact, it seems, there is scarcely a week in which the two men do not meet.

For Whitehall, the nerve centre has been invaded by what they call Lord Rothschild's "idiosyncratic" behaviour. It may be partly Rothschild's ability to ask "peculiarly direct questions - the kind that would embarrass seasoned civil servants"; or it could be to do with the framed headline in his office which proclaims: "Lord Rothschild stars in *Nude Pantomime*". The mandarins' reaction has been described by one informed observer as "a suppressed howl of rage and indignation". They are heard to complain that, while Whitehall respects personality and intellect, Lord Rothschild's method of work has left the original prospectus for the CPRS rather a long way behind. They mean, perhaps, that he has got too big for his boots.

It is all the more remarkable because of the unanimous predictions at the outset that the think tank would quickly be either absorbed or rejected by the Civil Service departments. The machine, in fact, has done neither, but has simply, to quote a source in Whitehall, "put up with it".

Much of the think tank's survival has undoubtedly been due to Rothschild's intellectual brilliance and the speed with which he has mastered the Whitehall game. But he was not the natural first choice as leader for the CPRS. Whitehall tried to find an insider - in fact they would have liked the whole thing kept internal, with additions made to the Cabinet Office which nobody would have found particularly remarkable. It was an idea which would have well suited Sir Burke Trend, who considers it unseemly for the Cabinet Office to be exposed to view. But it was denied him by the Tory manifesto, which made the plan public.

One possible candidate was definitely approached before Rothschild: Professor Hugh Ford, head of Mechanical Engineering at Imperial College and, like Lord Rothschild, a Fellow of the Royal Society, was offered the job and turned it down within 24 hours. Ford was definitely on the list of the "great and the good" for some time. Among

other things he was a member of the Science Research Council, and a Thomas Hawksley Gold Medallist for his research work on iron and steel. A technocrat par excellence, he was acceptable to the machine and to the planning group around David Howell, the smooth young Tory Junior Minister who had written the pamphlets for "managerial revolution". Another possibility was Dick Ross, now Rothschild's second-in-command at the tank, an economist who had worked at the OECD for seven years. He was put up, it is said, by Sir Burke Trend. The theory was that Ross, the academic, would work quietly away at blueprints for the future, out of the political limelight. However, he was never directly approached.

Finally, through the good offices of, it is thought, both Lord Jellicoe and Sir William Armstrong, Rothschild got the job.

Ross included, the 15 members of the think tank were chosen with great care from a very specialised pool, which turns out to have a fairly narrow social base of Oxbridge, stars from the Civil Service, and Rothschild's own acquaintances. Many are young, hence the slightly unfair epithet "the teenage Old Etonians". They dine at the Mirabelle with Rothschild (he pays). They go to Chequers with their strategy charts. With their considerable potential to question the entrenched views of the great departments and throw grit into the machine, they are seen either as brash outsiders or stimulating new arrivals, depending on whether or not they support what you are doing. "We are just a few friends between the enormous Leviathan," said one member wistfully.

The outsiders in the tank were said to be impressed by Whitehall and the brain-power they encountered, but were amazed that they had to lock their soap and towels in their desks so they would not be filched from the Cabinet Office conveniences.

The think tank is vulnerable to suggestions that the future of society is being mapped out by a group of elitist intellectuals. Still, with the help of selected outsiders, they are finding out about job alienation and about how irreversible the shake-out of labour in British industry really is. They are helping to plan Phase Three, for which they are, for example, trying to discover whether the wage demand spiral is due to grievances against the basic unfair-

ness of society. Do the Tory backbenchers know that? Is the think tank getting out on a limb politically?

In fact the secrecy of the think tank's operations angers some M.P.s. They would like Rothschild's unit to be investigated regularly by a Select Committee. Rothschild argues that the Cabinet Office never reveals its secrets. But the M.P.s have a point, since this is the first time the Cabinet Office has been involved in policy-making like this. If it is working on blueprints for the future of society, M.P.s want a say.

Rothschild's (published) report on the scientific research councils sent shudders through Whitehall with its suggestions that money for the councils' research should be allocated on a contractor-consumer basis and that control should move towards different executive departments of government. It put up a great many backs, which was the last thing Whitehall's barons wanted.

One failure was thought to be the think tank's suggestion that Heath should impose a pay and prices freeze long before it was finally adopted. Rothschild denies he suggested it, but the story had currency to show how he lacked at the beginning the subtlety needed to master Whitehall politics.

There was also hostile feedback from the departments and criticism in the House of Commons about the unit's proposals for regional policy. As a short term project it also looked at Concorde, a study which some Whitehall-watchers saw as a tactical mistake - everyone in Whitehall believes the project is hopeless but nobody can get it killed.

On the future of the British computer industry, it reversed the recommendations of the Select Committee, which proposed a £60 million investment, and said the industry would have to wait until its corporate structure was stronger - i.e. backed by European or U.S. money. On energy, it played a key part in the decision to resuscitate the coal industry, or at least to halt its decline. There it seems to have imposed its view on Whitehall, which, said Lord Robens, "had been mesmerised by nuclear power".

The think tank has commissioned a study from outside on how the Government should relate to the City. It is studying the crucial question of population, which industries will decline in the next 10 years,

what to do about roads and transport. More immediately, it was largely the think tank which persuaded Heath to open the tri-partite talks with the TUC and the CBI and has since been closely involved with Heath's counter-inflation policies in general.

Every Monday morning the think tank assembles in Rothschild's office for its weekly meeting. "What? Get them all together?" he said when I asked for a photograph. "Impossible. You don't seem to realise. This is a bunch of 15 anarchists." The atmosphere, clouded by Rothschild's extraordinary consumption of cigarettes, is democratic - except, that is, for Rothschild himself, who can be fearsome and autocratic with all his wit and charm.

I had 45 minutes of his time straight after one of these sessions. "We had rather a good Monday morning meeting this morning," he said. "Most of us were there, and Adam didn't pretend to go to sleep, which he usually does just to get a rise out of me. William says, 'I know what you're going to say next.' Rather putting off. Adam usually lies on that sofa. Very unruly lot."

Adam is Adam Ridley, an Old Etonian economist who came from the Department of Economic Affairs, was at Oxford with Emma, one of Victor Rothschild's three daughters, and married an Asquith. He is in his early thirties. William is William Waldegrave, who is much talked about as a bright and ambitious young Tory. His engagement to Victoria, youngest of Lord Rothschild's daughters, was the subject of congratulations in the House of Lords - much to their embarrassment. (His father is the 12th Earl Waldegrave.) Waldegrave is 26 years old and has the reputation of having known the control panel of the Tory Party from an early age - in fact he is used by Rothschild as the link-man with the Party, as a policy-acceptability tester. He is a good friend of Peter Walker, and is said to be in his element at Chequers. He has all the attributes of excellence of a classically Bright Young Man: from Eton he got a scholarship to Oxford, where he obtained a Classics First. Since then he has become a Fellow of All Souls. At a loose end, in a manner of speaking, he wrote to Lord Jellicoe, now Lord Privy Seal, to ask what a bright young man should do now. Lunch with Rothschild secured him the job. They found themselves thinking along similar lines.

In the interview Rothschild had been saying that nobody knew the political views of civil servants. "But I know what you are, William," he said turning to Waldegrave. "You're a radical." "Thank you," said Waldegrave, who in fact is thought to stand politically in the centre of the Tory Party.

Among the first members of the tank, hired at the end of 1971, were two former personal assistants of Heath, William Plowden and Peter Carey (ex-Ministry of Technology, who has since gone to the DTI). There was Robin Butler, who has gone to No. 10. Later on, in 1972, Brian Reading, Heath's closest economic adviser in Opposition, architect of the "At-a-Stroke Programme", joined the think tank. William Waldegrave, climbing the Tory ladder, joined early on. The first, if unofficial, member, even before Rothschild, was John Mayne. Formerly Healey's Private Secretary in the Ministry of Defence, he had worked closely with Trend on the CPRS's *modus operandi*, and on the White Paper that created it. It was Mayne who knew how it should work. (He is still linked with Trend's office and is teased by Rothschild for being Trend's "spy".) From the Foreign Office, where he was a star, came Robert Wade-Gery, Wykhamist and All Souls Fellow. He is key figure in Rothschild's diplomatic front with Whitehall.

Among the early arrivals were Chris Sanders, from the Ministry of Defence - originally appointed as Rothschild's personal assistant; Adam Ridley and Hector Hawkins. Ross also put up Richard Crum, economist, who he had known from East Anglia University. There was Madeleine Aston and, from Shell, Tony Fish, who has since left. Later additions picked by Lord Rothschild include Kate Mortimer, daughter of the Bishop of Exeter, and Peter Bowcock, ex-Tory Central Office, both of whom came from the World Bank. There was Jean Rosenfeld, also from Shell, who has also left; John Burgh, originally at the Board of Trade, then on the Community Relations Commission; John Guinness, of the Guinness family, formerly at the Foreign and Commonwealth Office. New additions are John Crawley, from the Inland Revenue, and Ian Read, from Shell.

"We looked around," said Rothschild. "I sometimes go to the Barbados, and since Dick Ross told me he knew a very good man



on one of these sugar boards called Hector Hawkins, I made it my business to have a rum punch with him – perhaps two – and I thought Hector was very nice and very good so I asked if he would make a sacrifice and join me in the Cabinet Office. [Hawkins had been in the Department of Overseas Development under Barbara Castle.] Well, then Peter Bowcock was recommended to me by Lord Jellicoe. Kate Mortimer I knew because she was a contemporary of my daughter Emma's at Oxford, so I knew her quite well.

"Madeleine [Aston] I think Peter Carey recommended." A scientist and an economist, Madeleine Aston was at first the only woman in the think tank, and when Lord Rothschild took all of them to the Mirabelle, London's very posh restaurant, for an annual celebration, Madeleine was chivalrously placed on his right. But not for long. The seating, masterminded by William Waldegrave, changed no fewer than three times during the meal.

"Adam we all knew was a very clever fellow," says Rothschild of Ridley. "I think I got hold of William [Plowden] because his father's rather a friend of mine and I asked his father

if he might like it. I knew quite a lot about William because I knew him from his Cambridge days.

"I'm afraid," says Rothschild, "that the selection in some people's eyes might be considered rather random." Or rather personal? "Personal, perhaps, except some of them were very strongly recommended by departments."

There is a Whitehall version of Rothschild's own appointment which says that the cardinals of the bureaucracy (to use Lord Rothschild's phrase) were taken by surprise when he was paraded as a Socialist, and Waldegrave, it is said, owes part of his job to the need to "get some Tories". Rothschild is not a Socialist in any way that is discernible. He has not taken the Labour Whip for 11 years, is known to spit with rage at the mention of Harold Wilson, and moves most easily in Tory aristocratic circles. He is ill at ease outside this circle and embarrassed in the company of middle-class Socialists. "Victor," said a friend, "is an aristocrat. He is a Socialist because he thinks Socialists are nicer people. For a Jew of his generation, remember, Tories were notable for their lack of opposition to Fascism and will say that

Mussolini's trains ran on time and so on."

Rothschild and Heath get along well, despite Rothschild's description of their first meeting. "The P.M. is a man of few words. He said: 'I don't think we've met before?' After my reply that, no, we had not, there was a long, rather wintry pause. I then said are you sure you don't want an economist in this position, to which he replied with a rather characteristic, monosyllabic, 'No'.

"Another wintry pause, and the interview came to an end." (It was, in fact, not the only interview. They met several times in the early stages when the tank was being set up.) "But he's rather an unusual man, the P.M.," said Lord Rothschild. "Why do I find him unusual? Because I find that he listens very carefully to what I say and he absorbs it and thinks about it. I also think he's unusual because he's very resolute and, as he himself says, 'my enemies say that I'm obstinate, my supporters say that I'm resolute'. I find him resolute – the few occasions that I meet him – and I think he's very good at his job."

Rothschild is 62, and earns £14,000 as head of the CPRS. His background is academic, with forays

during the war into espionage and bomb disposal. For 10 years, before joining the tank, he ran the research department at Shell.

He has, say his friends, "led an extraordinarily autocratic life and couldn't really be a politician in a democracy because of having to be liked and be likeable".

There is an arrogant – even outrageous – side to him, and he can bully lesser men than himself; but, in Whitehall, if he has met his match it is first and foremost with Sir Burke Trend. "I happen to work in the same building as him," said Rothschild on BBC TV. "I greatly admire him." Pause. "With his penetrating intellect." Rothschild, whose intellectual standards are high, is said to admire Trend as the only man in Britain who can dictate a White Paper orally within three hours. On paper, however, the two men would seem to be on a collision course and that is irresistibly translated by newspapers into a clash of personalities.

Sir Burke's often indefinable power derives from organising the smooth flow of papers in and out of the Cabinet, making up the Cabinet agenda, deciding who sits

on what committee and, most important, he plays the co-ordinating role where more than one ministry is involved. He can control who sees who – which amounts to an ability to actually direct policy.

A quiet word in Sir Burke's ear and problems can melt away. For 10 years he has been the incorruptible master of the Cabinet's business. Rothschild's role, however, is to put up reports to the Cabinet untainted by the normal give-and-take of Whitehall policy-making. The think tank's role is undeniably to produce "creative tension", to make people think a little harder which, in effect, means throwing grit into the machine. Mostly it submits reports which are discussed early on in the policy-making process, but it can and does send reports straight to the Cabinet, or even the Prime Minister, and this is where the working of Burke Trend's operation may be disrupted.

The CPRS was designed to help ministers penetrate the gloss which departments tend to wrap their policies in. All too often ministers making collective decisions in the Cabinet have neither the time, the power, nor – except in rare cases – the acumen to do it themselves. In Cabinet they were often badly informed by their own department heads about the policies of their colleagues, by which time many valuable opinions had been buried. "We should get in on the bottom," say members of the think tank, "sit on inter-departmental committees and detect the line which isn't put forward. This is very difficult to do with a neatly-worded Cabinet Paper. This is a very skilful and professional document and when it comes round 48 hours in advance of the Cabinet meeting, most Ministers won't know about it. Our job is to try and give them more resources to ask intelligent questions. If, for example, you asked the Department of Health and Social Security if you can raise pensions, they might say you can't do it for five or six months.

"And that answer is based on information from a computer in Newcastle, and the view is that it was always impossible in the past and it's impossible now. The department will bang on and, when it comes to the Cabinet, the ministers will have to rely on the heads of their departments. If you can apply just a little informed criticism, just to make the department think rather hard, you might make it find a way to a better solution. It's cultivating the skills of

the intelligent outsider and pursuing them far enough so that they have validity."

But Rothschild might come up against Trend when, as often happens, the tank itself only gets to hear of the policy 48 hours in advance – the time lapse between the announcement of the agenda and the actual Cabinet meeting. That is when it needs the patronage of Heath. If it doesn't have time to get an agreement or to insert an untainted report, it sends a minute to Heath. Trend is therefore faced with problems. Throwing a conflicting view into the ring at a late stage makes discussion longer and agreement more difficult. If it is an unorthodox view it makes the task of getting it implemented more difficult.

How much political influence, then, has Lord Rothschild acquired? He himself says: "Politics, in the normal sense of the word, don't enter into the lives of civil servants." That is also meant to embrace the think tank.

But the subject causes alarm in Whitehall. Civil servants are bound to become involved in party politics, especially when they are concerned with keeping Government strategy on the rails – the think tank's main function. Whitehall is so nervous about constitutional improprieties being levelled against it that it won't even discuss the think tank. A Treasury Press Officer said it was "too political" a matter to be discussed – there he slipped up badly. Appealing to 10 Downing Street – which, more and more, becomes the only place you can get information – to see two members of the Treasury who had been connected with the beginnings of the think tank, I was told that the two gentlemen would "not necessarily be backward in coming forward". They never broke cover.

Rothschild also subscribes to the mythology that there is a distinction between party politics and Government policy. In fact, he dismisses the argument as 'semantics', and when Richard Crossman in a TV interview said of the strategy meetings: "This is the most political activity a civil servant could indulge in," Rothschild replied: "Of course, the Government's strategy is political, but the consequences of a political input are not necessarily political in themselves."

"What the P.M. wants is analysis," he told me, "a logical analysis of the situation, and that's what he

gets. If he wants some political advice he certainly wouldn't come to us – he would go through his political advisers. If our analysis is politically unacceptable, then it's politically unacceptable. And we have told the Government some pretty unpopular things."

But set against that are the views of some members of the think tank themselves. "To be effective," said one, "you must be political." Another said that the tank took over where the civil service became apolitical. And a third said: "Whether we're political or not can simply be judged by whether we're controversial. The nearer you get to final decision-making, the nearer you are to Parliament and controversy. The stuff of our everyday work is, 'What should we do?' Often the best advice would make us look foolish, and one wouldn't suggest things obviously against the P.M.'s prejudices."

But the monitoring of Government strategy is surely a role where the charges of "political" activity stick. The think tank's advice on strategy was said to have been very useful in finally persuading ministers that the Government was right to go back on the Tory manifesto and introduce a Prices and Incomes policy.

The whole argument comes to the crunch at the six-monthly strategy meetings at Chequers, when members of the think tank meet the Tory ministers. Soon after the Chequers session they meet the middle and junior ministers at No. 10. It turns out therefore that the think tank is talking political strategy to no fewer than 80 Tory ministers, a third of the Parliamentary party, and thus a large section of the Tory Party grass roots. Some see this as simply a glorious P.R. operation for managerial efficiency by Heath – a day out at Chequers. But there the think tank meets and mingles with the Tories, reports on the Government's performance and thrashes out strategy. If that is not political, Rothschild is right in dismissing the whole thing as semantics.

"I don't think we'd say in these meetings that a minister had shortcomings," said Rothschild. "We might say a little more effort could be put into something, like those school reports. Quite a good term's work but a little more effort on the Greek is indicated. Seems curiously uninterested in algebra."

This, however, is no neutered strategy. It is based on the manifesto on which the election was won, and on deliberate alterations to the manifesto. The think tank, by explaining and interpreting Conservative strategy and keeping it in the minds of ministers, is undoubtedly being partisan to that manifesto. More important, strategy concerns the future, and especially how to win the next election – on which all other strategy depends. Does Rothschild, among his charts, have one that shows on a graph the optimum time to call a General Election? Members of the think tank, after all, are asking ministers at Chequers questions like, "You can't win the next election unless you bring inflation down to 2½ per cent. and halve unemployment. What are you going to do about it?" But there is growing talk inside and outside Whitehall that this function should be put back in the party political headquarters. There is even talk of creating a Department of the Opposition.

It is worth remembering the plans the Tories had for the think tank, and the reform of central government at the outset. They wanted their unit to be a large and powerful agency to "manage the machinery of government", and saw it working "in a much more personal way" for the Prime Minister, to quote one of its planners. "We underestimated the collective role it plays for the Cabinet," he said. But the argument with Whitehall centred on the problem central to all politics – the allocation of resources, which meant choosing priorities. Alarmingly, no-one was planning expenditure more than five years ahead.

The Tories wanted to take public expenditure responsibility out of the Treasury altogether and lodge it with the new unit. Their major instrument for this was PAR (Programme Analysis and Review), a monitoring unit in each department which would analyse and challenge all public expenditure. When a team of eight businessmen was brought into Whitehall to improve managerial efficiency (all but one have since left), they seized on the task of launching PAR. Rothschild, however, was said to have held them in such contempt that he refused to have anything to do with PAR for a whole year, so it developed in the Treasury – "not without an ulterior motive", to quote a Treasury source. For this Rothschild is criticised by the

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machine. PAR, however, has not developed into what the planners hoped would be "a major instrument of political power".

In the final analysis the think tank is vulnerable—despite Prime Ministerial patronage—because it depends on Whitehall for information, and therefore on its tolerance. Rothschild says: "So far they've been very good to us." But it is the life-blood that could dry up if the think tank began seriously to obstruct the machine. Rothschild has said that he can't know for certain whether he is getting all the information. "We've got to know what they know to do battle with them and argue on equal terms," said one think tank member. "Departments have to decide whether to give it to us or risk that we report with incorrect information. But departments are not monoliths. At every point in policy-making you find some guy who doesn't agree. Therefore there is always erratic support for our activities. And we do have the threat that we can use our access to the Prime Minister, and make rude remarks. That is really why we can operate."

Still the Whitehall barons and the Treasury knights are complaining that Rothschild doesn't take enough account of how the machine works, that he is not patient enough to get his ideas accepted before sending his reports in writing to Cabinet committees and the Prime Minister himself.

Although the think tank or some central unit may be a permanent part of a Prime Minister's armoury, it is still, in the mind of its members, somewhat insecure. "The trouble is," said one think tank member, "that people don't really know how to live with this organism. I can't say we're established." Professor Robert Neild, Cambridge economist, was a member of the Fulton Committee and an early advocate of a central advisory unit. He was also thought to be on the list of probables to head it. "Maybe," he says, "we need to try a more open approach, something like French planning, where you have more quasi-autonomous agencies which go in for long-run analysis of policy options."

"It needs to be done as publicly as possible because these are very important political decisions. They dictate the nature of society in the future, and a well-ordered society is one that debates these matters and

has information before it, and not gathered away and scrutinised in dark gloomy rooms in Whitehall.

"The whole of British Government is excessively cagey, which is a great pity."

It is more likely, however, that the think tank will eventually be merged into a new Prime Minister's Department, run perhaps by Sir William Armstrong, after the retirement of Sir Burke Trend this year. (Sir William was made a Privy Councillor in the New Year's Honours.) The question remains of whether there will be adequate checks and balances on Prime Ministerial power under

this arrangement—or whether the Cabinet system will suffer. Alternatively there are two plans, spelled out by Sir Richard Clarke in his lectures on central government: either there will be a single department of Treasury, Civil Service Department and think tank—a giant monolith of power; or there will be two departments at the centre: a Ministry of National Economy and Finance—which would be the Treasury minus control of public expenditure—and a Central Management Department, which would deal with the public sector and incorporate the CPRS and the Civil Service Department in a

kind of U.S.-style Budget Bureau. This might also be under the direct control of the Prime Minister.

Whatever does happen, it is rumoured that the next head of the think tank will come from inside the machine, the official reason being that a replacement for Rothschild's brilliance will be hard to find on the outside. Rothschild, by sheer force of personality, has secured what was generally thought to be an impossible position even to hold. He won't go down as long as Heath's patronage lasts, and as long as the grandmother's footsteps keep on coming.



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