



Duty Clerk
19/3

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science

18 March 1983

New Secretary of State,

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STUDENT LOANS

Your letter of 16 March about student loans bothers me a lot.

Under your new scheme, as I understand it,

- the student would receive not a penny less in grant from public funds than he does now; but
- to the extent that his full award was abated to take account of his parents' resources, he would no longer be expected to receive the balance from his parents or to make it up in other ways (eg holiday earnings). Instead he would have access to a State, or State-backed loan;

so the extent of Government responsibility for student support would increase.

I have compared this with the scheme originally proposed in your paper for H Committee:-

- You thought the first scheme would reduce the dependence of students on the State. Your new scheme would do the reverse.
- You thought it right that those who enjoy the benefits of higher education should bear part of the present cost of supporting them. Your new scheme would not achieve this.
- You suggested that it would reduce the PSBR by some £250 million a year in the longer term (less administrative costs). Your new scheme would, I suppose, marginally increase it (by the amount of the administrative costs).
- And you argued that placing some financial responsibility on students would accelerate maturity and improve the quality of their choices and motivation; which would

/in turn stimulate



in turn stimulate institutions better to serve the demands of students and employers, and encourage more cost-effective forms of provision such as shorter, more intensive courses. I can't see how the new scheme would do any of these things.

There is one further consideration. Detailed and largely accurate accounts of your original scheme have appeared in the educational press. How would you explain a reversion to a scheme which seems to have little going for it, in terms either of educational principle or of our efforts to roll back the frontiers of the State and encourage self-reliance?

Is it really sensible to press ahead with a loan scheme at all on the basis you discussed last weekend? It seems to me that it neither offers the long-term expenditure savings we first had in mind - indeed, it involves a modest increase in spending - nor does it mark any significant move towards fulfilling our original political objectives. I suspect that if we were to proceed there would be a real danger of our motives being misunderstood, with our opponents presenting the scheme as "the thin end of the wedge", for the sake of no solid gain at all, either economic or political.

It follows that I would not wish William Waldegrave to start discussions on modalities with the banks. Surely it would be wise if we were first to have a further discussion amongst ourselves?

Copies of this letter go to the Prime Minister, the Lord President, the Chief Secretary and the Paymaster General.

Yours sincerely

J. H. Kew

PP.

GEOFFREY HOWE

(Approved by the Chancellor:
Signed in his absence.)