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The Rt Hon Sir Keith Joseph Bt MP  
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*cc ok*  
*CF*  
 The Chancellor's  
 letter on this  
 (mentioned in Oliver  
 Letwin's minute)  
 is in the file.

*Answering letter*  
*from [unclear]*

10 October 1985

*Keith*

#### REVIEW OF STUDENT SUPPORT

Thank you for your letter of 25 September and the enclosed Draft Consultative Document. I have also seen Norman Tebbit's response of 3 October.

You know from this Summer's discussion how strongly I feel on this issue and I appreciate the very difficult position you are in given the decision not to consider student loans in this review. But, like Norman, I do wonder about the wisdom of publishing a document at all. In the first place both Kenneth Clarke and I have some fairly basic reservations about the graduate tax proposal which runs into many of the disadvantages of a student loan scheme and in addition would involve levying a tax from graduates who had received no maintenance grant at all. I think we would want to press you to drop the proposal and that would of course leave the consultative paper looking rather thin. But over and above that, I fear that to publish now would be to put a very final seal on all the options not in your draft. I would much prefer the kind of more open debate which Norman Tebbit suggests.

In the event that you do proceed with publication, perhaps I could ask you to look again at the suggestion that maintenance grants should only be available for non-vocational subjects. This runs counter to our general intention of trying to ensure that the output of the training and education system is in line with what is demanded by the economy. Giving grants to non-vocational subjects could easily be interpreted as

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favouring subjects where a surplus of graduates has been produced and penalising subjects where shortages have appeared.

Finally, I have some reservations about the treatment in the paper of the issue of benefits for students in the short vacations. If the paper goes ahead, perhaps this is one of the issues on which my officials can be in touch with yours.

I am copying this letter to the Prime Minister, Quintin Hailsham, Nigel Lawson, George Younger, Nick Edwards, Norman Fowler, Norman Tebbit, Tom King, John Wakeham, and to Sir Robert Armstrong.

*Yours,*  
*David*

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EDUCATION

STUDENT LOANS

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