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Treasury Chambers, Parliament Street, SW1P 3AG
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18 October 1985

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

A handwritten signature in dark ink, appearing to read 'Sir Keith'.

REVIEW OF STUDENT SUPPORT

Thank you for your letter of 25 September. I have also seen the responses which you have had from Quintin Hailsham, Norman Tebbit, and David Young.

I very much agree with them in seeing no advantage in publishing a consultative document on these lines. Indeed, I see considerable political disadvantage in issuing any such document on student support at the present time.

As regards the specific proposal for a graduate tax, I see no merit in introducing an income tax surcharge to finance additional expenditure on student support. Such a tax would be contrary to our wider policy of reducing the burden of taxation, especially on incomes. And if the tax were confined to those starting degree courses in the future, the yield would only build up very gradually. Meanwhile, we would have to contend with a good deal of immediate hostility. There would also be considerable practical problems to be overcome.

I am also concerned that the draft paper would tend to stimulate interest in ways of increasing student support, and I see no merit in that either. Indeed I know from the public expenditure survey discussions, as from the earlier discussions on student loans, that you are anxious to make savings in this area if acceptable means can be found. A consultative document on these lines could easily lead to our spending more money rather than less.

We have of course decided not to undertake further work on student loans this Parliament. I would nevertheless hope that we could

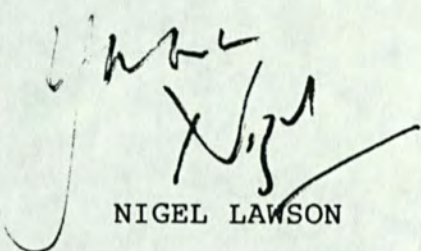
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reconsider the idea in the next Parliament. If an acceptable loans scheme could be devised, we could publish a consultative document then. But I think that we should recognise that our decision on student loans has removed any real basis for publishing a consultative document on student support now.

Finally, on removing students from entitlement to social security benefits, I understand that DHSS plan to announce shortly the package of measures to deal with the short vacations problem. I very much welcome this. On the long vacations, as you say, there are some knotty problems to be overcome and I look forward to seeing officials' recommended solutions.

I am copying this letter to the Prime Minister, Quintin Hailsham, George Younger, Nick Edwards, Norman Fowler, Norman Tebbit, Tom King, David Young, and John Wakeham.


NIGEL LAWSON

Education: Student Loans

March 1981