



*Why Work - R.H.*  
cc: Mr A J White  
Mr Ridley  
Mr Butler  
Mrs Islam - SS1

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

Sir Frank Taylor  
Founder and President  
Taylor Woodrow Group  
10 Park Street  
LONDON  
W1Y 4DD

16 July 1981

*Sir Frank*

I am sorry that you had to remind me that I had not replied to your letter of 2 June.

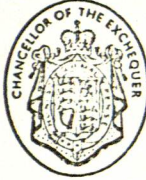
You sent me a copy of Ralph Howell's pamphlet "Why Work? - A radical solution" suggesting that the Government should implement his ideas at once.

I know Ralph's views on this subject. Treasury Ministers have had a number of meetings with him to discuss his proposals in the past few months and I have corresponded with him. We are acutely aware of the Why Work? and poverty trap problems to which his proposals are a radical solution. A great deal of work has been done by my officials in conjunction with other departments and this work is continuing. The Government's policy is to try to ensure that, when taking decisions which have an impact on incentives, that impact is taken into account. We have not so far been able to make the progress we should like towards solving the problem, a fact I personally regret.

There is however one huge drawback to Ralph's proposals, enlightened and attractive though they are. He sees them as a radical single package - not something to be introduced piecemeal. That is quite understandable. It would not for example be sensible to introduce a minimum wage without corresponding action affecting benefits. But, on his own reckoning, the total cost of this package would be £15 billion. In present circumstances, given our present economic difficulties, I do not think we can afford anything like these sums.

The most hopeful development for improving incentives is for the Government's economic policies to work. Lasting improvements in incentives will only come if there are sufficient jobs with adequate rewards. That can only come through an increase in national prosperity based on sustained economic growth. We can only hope to achieve that by a reduction in the rate

/of inflation



of inflation through controlling the rate of increase in the money supply and reducing the Government's borrowing. This means that we cannot, with the best will in the world, inject sums of the kind Ralph Howell has in mind into the economy in the hope of buying our way to a short-term improvement in the incentives problem. We should be once more on the merry-go-round of inflation, wage demands, increased social security benefits and the familiar why work and poverty trap.

This does not mean that we have given up any hope of finding a solution to the work incentives problem. But it does mean that we have to think in terms of a sustained and long drawn out campaign, rather than a sudden attack.

*(It was good to see you again at ACBS  
splendid occasion (and building!).*

GEOFFREY HOWE

*With very good wishes*

*G*  
*John*

Howell  
71P

Ralph Howell Esq MP  
Wendling Grange  
Dereham  
Norfolk

26th August 1981

Why Work?

We spoke on the telephone this morning, and this is just a line to confirm that the Prime Minister is looking forward to seeing you here at 12.15 p.m. on Tuesday, 1st September.

I have asked Geoffrey whether he could be present at the meeting as well, but I am not sure whether or not this will be possible.

With best wishes.

IAN GOW

PERSONAL

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
11 Downing Street  
London SW1

26th August 1981

A rather irrate Ralph Howell telephoned this morning and complained about your recent letter to Frank Taylor in which you suggested (I use Ralph Howell's words) that he wanted "to inject £15 million into the Economy".

Ralph Howell has been wanting to see the Prime Minister for some time, and I have been seeking to put this off, since the Prime Minister is only too well aware, as I know you are, of the extent to which the "Why Work?" problem is being aggravated.

However, Ralph is coming to see the Prime Minister here at 12.15 p.m. on Tuesday, 1st September.

Could you possibly come to that meeting, please?

IAN GOW