



Cole KK

cc hmt  
drs

10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

27 November 1989

Dear Keith,

Thank you very much for your letter of 17 November with which you enclosed a paper and other attachments on the possibility of a return to Child Tax Allowances. Your note raises some important issues about family policy and the implications for the tax system, and we will certainly be considering your comments and ideas seriously.

Yours ever  
Margaret

The Rt. Hon. The Lord Joseph, C.H.



File 81  
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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

27 November 1989

*Dear John,*

**LORD JOSEPH AND TAX ALLOWANCES**

I believe the Chancellor and the Secretary of State for Social Security have already received copies of the attached letter from Lord Joseph of 17 November.

The Prime Minister has now replied in the terms attached. She would like to discuss with the Chancellor and the Secretary of State for Social Security the case for reinstating child tax allowances after the 1990 Budget; and she would be grateful if preliminary work could be put in hand for such discussion next spring.

I should be grateful if you and Stuart Lord (Department of Social Security), to whom I am copying this letter, would ensure it is seen only by those with a strict need to know.

*Yours,  
Paul*

PAUL GRAY

John Gieve, Esq.,  
H. M. Treasury

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PRIME MINISTER

CORRESPONDENCE WITH LORD JOSEPH: CHILD TAX ALLOWANCES

Lord Joseph has sent you an interesting letter and attachments below in which he advocates serious consideration being given to the return to child tax allowances.

Much of what he says ties in very closely with comments you have made yourself. This approach also follows on the material from Frank Field which you saw recently. You have also mentioned your interest in such a change informally to John Major; and I have also passed the point on informally to Tony Newton's office.

The tentative arrangement we have already put in place is that you should talk to John Major and Tony Newton about this after the 1990 Budget. I still think that is the best timing. There seems no question of making such a change in time for 1990, although you will want to ensure that any measures in the 1990 Budget did not hinder or preempt such a possibility for the future.

I therefore suggest you should send a short reply to Lord Joseph in the terms attached; and that I should confirm with John Major's and Tony Newton's offices (who have already been sent Lord Joseph's letter) that you do want to have a discussion about this after the next Budget.

Content:

(i) to sign the attached reply?

Yes

(ii) for me to ask the Treasury and DSS to do some preliminary work for a discussion next spring, and indicate that in the meantime you hope no action is contemplated for the 1990 Budget that would preempt a subsequent return to child tax allowances?

Recd.

PAUL GRAY

23 November 1989

C:\economic\cta.kk

Yes not

FROM: The Rt Hon. [REDACTED]



.R1710  
ccw.

The Rt Hon. Mrs Margaret Thatcher MP 17 November 1989  
The Prime Minister  
10 Downing Street  
SW1A 2AA

PRIVATE AND  
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*Dear Margaret,*

You have been admirable and eloquent in connection with the environment in proclaiming our responsibility to future generations. Yet I believe that inadvertently we are damaging future generations by the financial squeeze we are imposing on parents with dependent children.

My paper attached argues that, I am sure without your full awareness, our family policy is perverse inasmuch as our tax system has virtually dismantled the recognition of the costs of rearing a child.

Although we have accepted that such costs exist

- (a) in the case of households with very low incomes, by extending Income Support and Family Credit (at the cost of increasing dependency and poverty traps)

and

- (b) by extra support for single parents,

we have penalised most families with dependent children by removing Child Tax Allowances. The result has been and is a large shift of taxation on to families with dependent children and in favour of the single and the childless.

The issue is, I believe, urgent in the interests of children - and politically. Unless we are seen to shift our ground the Opposition will surely soon attack us on our treatment of the family.

continued .....



I enclose a paper already published by Patricia Morgan: and a booklet by the National Family Trust - also mainly written by Patricia Morgan - called "Facing Up to Family Income". This booklet was published - very ineffectively in terms of press coverage - a month ago and is to be relaunched - more resonantly they hope - early next year.

The subject of this letter and enclosures is one I take seriously: it is the outcome of the several years of part-time study I have given to so-called "poverty" issues since I retired. If you, John Major and Tony Newton - to whom I am sending copies - think that I am utterly wrong, do please let me know - and give me the chance to see you for a talk. If, however, you and the others agree that we ought to start correcting the trend disclosed in the papers, please just send me word that the analysis is being taken seriously.

*Yours as ever .*

*Kevin*

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FROM: The Rt Hon. The Lord Joseph CH PC



Prime Minister

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FAMILY FINANCES

Since retirement I have concerned myself with a few special interests, one of which is "poverty". I have seen successive Ministers - Michael Portillo, Peter Lloyd and John Moore - and had the help of them and their officials in improving my understanding of the deserving and the undeserving.

I'm not entering the Child Benefit argument, nor am I suggesting a demographic policy.

The conclusion I have reached is that - I suspect without your full awareness - we have discriminated sharply against families with dependent children: and, on the other hand, we have been too lax in our efforts to secure maintenance by fathers of the children of single mothers.

1. Conservative opinion on tax recognition of dependent children

Some Conservatives believe that since, under God, people procreate voluntarily, then children are matters of consumer choice: and that the costs of rearing them should be the responsibility of parents. Government should therefore, they say, phase down the recognition in the tax and other systems of the cost of child rearing. Free schools and free health care, they say, subsidy enough.

I do not agree - nor, I suspect, would most Conservatives.

Even if parents do procreate voluntarily children do not choose to be born. They come into existence involuntarily.

continued /Moreover



Moreover those who declare no interest in whether or not the population more or less renews itself seem to take it for granted that enough children will be born and will be well enough brought up in values and skills and behaviour to maintain the expected framework of life, the defence of the country and the support in old age of all, including those who are indifferent.

A nation must renew itself not just physically but socially and culturally. Though there are many exceptions child-rearing tends to be most successful when done by two parents jointly with the mother at home most of the time while the children are young. This is particularly relevant when as in recent years the two-parent family is threatened by so many destructive tendencies. We claim to be the "family party", but it isn't clear that our tax and welfare systems take enough account of the costs of parental responsibilities.

Parental care and education of the young is one of our most important national interests. The health of the family is an almost infallible touchstone of the cultural and material well-being of the people.

2. How has a squeeze on parents with dependent children arisen?

For generations some equity has been maintained between taxpayers with and without dependent children.

In a competitive wage-earning economy children represent a cost to parents. People with and without children earn the same wage so countries have developed arrangements to avoid penalising families. Child tax allowances and family allowances were such an arrangement here. West European countries have systems to secure "horizontal equity" - to ensure parity between living standards of families and their childless peers.



But here the notion of the "taxable surplus" - that income will be taxed in relation to the numbers dependent upon it - has been eroded: the standard of living drops sharply from the arrival of the first baby, the average family losing about £100 per week gross as the wife leaves work just when costs rise:-

- (a) child tax allowances have been withdrawn:
- (b) tax thresholds in real terms have fallen:
- (c) families now pay tax at much below Income Support levels:
- (d) National Insurance contributions have risen:
- (e) personal tax allowances climb while the only tax recognition of the costs of dependent children - tax-free Child Benefit - is frozen, so that the gap against the family and in favour of the childless mounts each time personal tax allowances are raised:
- (f) several subsidised or free services have been withdrawn:
- (g) parents who both work are taxed less than when one stops at home while the children are young:
- (h) the poll tax will penalise many couples as it makes a charge rather than an allowance for adult dependants.

All this has caused a sideways shift of net income from households with dependent children to the childless or whose children have become independent.

3. Our reaction to the squeeze - more on benefit

To mitigate the harm we have perceived to families on low income with dependent children we have extended Income Support and Family Credit. These do help but at the cost of spreading dependency and increasing





those subject to the poverty trap: evidenced by the astonishingly high rate of long-term unemployment among fathers of three or more children.

4. What is the squeeze?

It is families with dependent children who have, I'm sure unintentionally on our part, been the main losers from our policies. It is the childless who have gained.

Taxing incomes without regard to the number dependent on them impoverishes families with dependent children. The DSS provides relief for those worst hit via Family Credit and Income Support to make up for the depredations of the Inland Revenue, National Insurance and, soon, the Community Charge. Nearly half the families in the country will be entitled to means-tested-benefits of one sort or another - with all the dependency, the disincentive and the administration involved.

The extra Family Credit for poor families with children and the extra for single parents is being provided not by the population at large but by other parents through savings on Child Benefit.

There are many families with dependent children who are suffering the squeeze without qualifying for the help given to the poorest among them.

We cannot argue that real incomes have risen so much that families can look after themselves when we are supporting so many incomes precisely because we recognise how hard-pressed they are and when being parents of dependent children is by far the largest reason why people are hard-pressed or poor.

The 1986 Family Expenditure Survey shows that expenditure per person in families with dependent children was £63.50 per week when the mother was working and £46.92 per week when she was not: but in households without dependent children with a working wife the expenditure per person was £98.58



per week. It is not simply that in each income group families do badly compared with the childless because of the burden of dependents, but that families with children are concentrated in the lower income ranges - perhaps understandably - compared with households generally.

Unfortunately the increasing difficulties of parents are hitting families at a time when our child-rearing structure is at risk of falling apart under many pressures: separation: divorce: casual procreation: rising illegitimacy: adolescent mothers: contraceptive saturation that has neither made "every child a wanted child" nor cut the huge abortion rate: child abuse: "cycle of deprivation": family disorganisation linked to behaviour problems, violence, school failures, and such horrors as drugs and crime. The home in many cases may have ceased to be the humanising and civilising framework that it is meant to be.

As the family has weakened, the standard of living of parents compared with non-parents on the same income has toppled. There has been a large transfer of resources from families with dependent children to the single and the childless.

Since 1979 the income of the two-adult household has grown more than twice as fast as that of households of two adults plus two dependent children: and of retired couples four times as fast, by a massive 25%.

Our policies are systematically reducing the recognition of child-rearing costs in our tax system to the point when to be a responsible parent is being increasingly penalised. It is asking much of families to thrive in a hostile framework. Good-enough parenting needs time and money as well as motivation and understanding.



5. What I am **not** arguing and what I am arguing

I'm not arguing that relaxing the squeeze on families with dependent children will automatically lead to better parenting: but I am arguing that at the very least there will be less discouragement of it. After all, our policies indicate that we do think that the tax/benefit framework does have some influence on people's attitudes and behaviour.

I'm not arguing that we ought to raise the tax recognition of the costs of children high enough to encourage more child-birth.

I am arguing that we have - probably inadvertently - gone too far in penalising responsible child-rearing.

I am arguing that we should try to create conditions under which parents stay together: and policies and attitudes that provide approval, security, time and opportunity for child-rearing. This is a product of parental resources and resourcefulness where the quality of a child's environment is to a quite considerable extent determined by family income. Economics appear to have much to do with whether or not families are formed in the first place and maintain their cohesion.

6. What is a cure?

Our large and welcome tax reforms have done much good: but not to the family with dependent children.

The case against raising tax-free Child Benefit is that 20% goes to households earning well and that another 20% goes to families whose means-tested benefits would be cut by any increase in Child Benefit.

It is the group in between these two ends of the spectrum whose child-raising costs need to be recognised.



I suggest - though there may be better ways - that we re-introduce age-related Child Tax Allowances for dependent children - if necessary over several years: this would, I realise, reduce tax revenue. But many will be taken off means-tested benefits and even where they are not, the cost of means-tested benefits will be reduced. I do not suggest curtailing Child Benefit. Other countries have both the equivalents of Child Benefit and of Child Tax Allowances.

True, a wealthy minority with dependent children would receive a bonus. I do not know whether it would be practicable to cut CTAs off at a certain level of income. But I'm not convinced that a policy that would bring relief to millions should be inhibited by a windfall to a relatively small minority.

#### 7. Single parents

Already unmarried mothers receive special benefits - including tax-free, non-means-tested and disregarded One Parent Benefit: the same Family Credit entitlement as a married couple: and exemption from the need to be available for work when on Income Support so that the long-term rate is payable.

It is perhaps time to consider more help to 2-parent families during the difficult period of child-rearing.

An unfair burden on taxpayers and an encouragement to irresponsibility is the escape of many fathers of children born to single mothers from any liability for maintenance.

#### 8. Mothers at home (at least while children are young)

If child-rearing by families is to be encouraged there is a case for giving mothers more choice and enabling them not to go out to work and certainly not full-time. Parents should not have, because of



taxation, to choose between low income or working non-social hours - with one parent going to work as the other comes home.

The feminist lobby and the EOC constantly seek to diminish the respect given to women as mothers. And employers will be avid to recruit married women. To offset these pressures I suggest that we should:-

- (a) emphasise the service women perform with their husbands in rearing children:
- (b) not provide taxpayers' money for crèches where parents leave their children in the care of third parties:
- (c) treat one-earner couples with dependent children at least as well as we treat single parents:

and

- (d) reconsider the transferable tax allowance enthusiastically praised in the Government's 1986 White Paper "The Reform of Personal Taxation" but rejected by Nigel Lawson in his 1988 budget. Such a transferable system would increase the tax allowances available to one-earner couples to the level of those for two-earner couples, lifting many out of means-testing and poverty traps. To reject the transferable allowance because of the privacy of the wife's earnings seems an inadequate reason for rejecting what would transform the option of parents.

#### 9. Conclusion

I suggest that our "family policy" appears at best piecemeal and half-hearted and must seem a mockery to those who are squeezed by present policies.

There is no way in which we can guarantee good-enough parenting, but we can ease the present fiscal discouragement of it. If we did, we might have less juvenile crime, better school motivation and smaller cycles of disadvantage.

KJ.

# The erosion of the family

by Patricia Morgan

**THE Government is currently in a self-congratulatory mood about the economic performance of the UK in relation to America and the rest of the developed world. However, if we look at ourselves as an anthropologist might — as a people who cannot reproduce themselves, and whose child-rearing structure is falling apart, we ought to be deeply troubled.**

For, all indicators suggest an accelerating decay of the traditional family unit and a relative paucity of children. On present showing, about 20% of children in Britain will experience family break-up by the age of 16, and one in eight before the age of 10. Children are involved in divorce at progressively earlier ages with the tendency for the duration of marriages to decline. As the divorce rate rises, the marriage rate has fallen. Moreover, at the same time as legitimate births have decreased by nearly a third in 20 years, illegitimate births have risen rapidly, so that one in five babies is now born out of wedlock. A majority of children born to under 20s are now illegitimate.

Overall, fertility rates have remained well below replacement level (of about 2.1) for more than a decade, and look like declining further. The fertility rate fluctuates around 1.7, but is down to 1.4 for younger age groups, where greater proportions of women intend to remain childless.

## Illegitimacy rise

Of course, the number of joint registrations of illegitimate children has grown, giving rise to official optimism that they are born into 'stable unions' and all is right with the world. However, this ignores the fact that two parent families based on cohabitation are far less enduring than those based on marriage and, by age ten, 40% of 'informal' fathers have dropped out of children's lives.

Interestingly, as birth rates fall, increasing proportions of conceptions are aborted. 'Contraceptive saturation' has done nothing to depress the abortion rate and neither has it fulfilled the promise of 'making every child a wanted child'. Indeed, it seems that children have never been more unwanted, whether before conception, during gestation and after birth. The decreasing numbers of British children are beset with more problems, as they commit more crimes, get more abused, sniff more glue, take more drugs, drink more alcohol; are more likely to go into care in their early years and onto the streets as 'single-homeless' in their teens.

As literally hundreds of investigations testify, the almost omnipresent overriding factor accompanying all manner of behaviour disorders, intellectual failure and social pathology, is family disorganisation. There is both a steady decrease in the numbers of adults involved with children, or available to care for them, and a general decline in all spheres of interaction between parent and child. With one in three or more 'families' in the inner cities having only one parent, commentators are not far from the truth when they report that working class family life has more or less collapsed in some areas, with the consequent "loss of regular contact with caring adults, family culture and tradition" and the demise of the home as a "humanising and socialising unit" (Liverpool Priority Area Project). In contrast, other societies around the world, where there are fewer broken families and even fewer broken children, have managed to preserve the cohesion of small groups like the family.

***The way in which family fortunes have toppled the whole length of the income scale has radically altered the population on means tested benefits ... More than a quarter of our children are now living in families that are below, on, or near supplementary benefit level.***

As the family has fragmented, so there has also been a marked decline in the standard of living of parents compared with non-parents. While it can be traced back several decades, this has accelerated tremendously in the last ten years, during which there has been an enormous transfer of resources from families with children to the single and childless. Between 1979 and 1985, the income of two adult households has grown *twice as fast* on average as that of households of two adults and two children. That of retired couples has grown *five times as fast* (by a massive 25%).

One of the reasons for this is that tax thresholds have been outstripped by inflation and any compensatory adjustments which have occurred have been absorbed by higher national insurance contributions (particularly at lower wage levels). Currently, a two child family is likely to have a standard of living half that of a single person on the same wage. In short, it is families who have been the

primary losers from the welfare state. They would now be far better off if the pre-war relativities were restored.

More households pay tax for the first time, but this vertical shift has been unequal since there has been a horizontal shift of taxation onto those responsible for rearing a new generation. Child tax allowances were abolished by the Callaghan Government, and the Child Benefit which replaced these (*and Family Allowances*), is now worth less than at any time since it was introduced. It is the only remaining vestige of attempts which go back to the days of Peel to maintain some equity between taxpayers with and without children. It was based on the notion of the *taxable surplus* — that incomes should be taxed in relation to the numbers dependent upon them, partly with the very practical end in mind of keeping people with dependents off poor relief. As such, it was one of many adjustments which were made to protect the family in a competitive wage-earning economy where, unlike peasant societies, children represent a tremendous cost, rather than an economic asset, to their parents. Otherwise, since a bachelor and the man with a wife and children both receive the same wage, married couples face a drastic 'standard of living' penalty' which militates against the formation of homes.

## Wrong move

However, the present Government has now frozen Child Benefit, with an eye to its abolition, as it has moved from the principle of *family equity*, or the *taxable surplus*, to that of *individual equity*, which dictates that every individual with the same income be treated alike. This means 'across the board' tax cuts rather than adjustments for individual responsibilities — on the premise that it is irrelevant whether a man 'chooses' to spend his money on holidays, compact discs, his wardrobe or supporting a family of children. Yet, parents are already the biggest losers from transfers and taxes, paying more than the value of the services they receive. (Even if we wanted to reduce the total tax payments to their 1979 level, the Budget would have to have cut the basic rate by about 2.1 for a single person, but 5.1 for a married man with children.)

The way in which family fortunes have toppled the whole length of the income scale has radically altered the population on means-tested benefits. This has grown considerably and is now dominated by working and unemployed families with children. *More than a quarter of our*

*Freedom Today, June 1988*

# *Freedom Today*

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*Encouraging the family should appeal to Mrs Thatcher.*

children are now living in families that are below, on, or near supplementary benefit level. Many low paid workers on means-tested benefits pay tax, and it is principally one-earner families that are caught in the poverty and unemployment traps which arise when all or a large part of any gains in earnings are confiscated through increased taxation. Cutting the tax rate does nothing to lift poor families out of tax, since it is unrelated to responsibilities and maintains the relative advantage of non-parents.

If incomes are increasingly unadapted to the numbers dependent upon them, families are inevitably going to be massively pauperised, with the DHSS charged with the task of making up the depredations of the Inland Revenue, National Insurance and now, the poll tax (or community charge). Another problem is that poor families have been assisted, not by the population at large, or those without the present charge of children, but other parents. Thus, Child Benefit money is increasingly diverted or 'targeted' into poor relief — to counteract the poverty that would not have arisen if family support in this and other forms had not been withdrawn or restricted in the first place, and a plethora of charges imposed on parents.

Along with the development of means-tested relief for those at the bottom, Government policy on the family has also been to 'target' resources onto its 'casualties' — e.g. one parent families, which have been even more decisively underwritten since the Fowler shake-up of benefits. Thus at all income levels, the single wage two parent family obtains

fewer compensatory adjustments in terms of tax relief and benefits to keep more people.

The 1988 Budget does nothing to alter this, even if it ends many of the glaring advantages of cohabitation vis-a-vis marriage — which meant cohabittees with children drawing two marriage allowances as well as two helpings of mortgage tax relief, while the children were entitled to full personal tax allowances against their father's income. But, most important, nothing has been done for the one-earner couple. Independent taxation for married women simply changes the title of the Married Man's Allowance to the Married Couple's Allowance — maintaining the hefty tax discrimination against one-earner couples, who only get 1½ tax allowances as against the two-earner couple's 2½.

*... recent changes in family law have ... largely emptied marriage of significance.*

Originally, the Government's *Green Paper on the Reform of Personal Taxation* had proposed fully transferable personal tax allowances. These, it emphasised, would be a tremendous help to couples just at the time when their expenses were highest and earning capacities restricted by the care of children. They would also do much to lift parents off means-tested benefits and out of the poverty and unemployment traps. But, sadly, help for child rearing and family life has been overridden by a powerful alliance of market imperatives

with feminism (funded by the Government — particularly in the shape of the Equal Opportunities Commission), to drive mothers out to work. That wives will no longer be taxed on the first penny of any investment income (which will be set against their personal allowance, rather than their husband's income), is a long overdue measure which may do something to enhance the battered status of marriage. But, at the same time, it underlines how much this was a DINKS (double income: no kids) budget, which encourages couples to combine in marriage to accumulate wealth, not raise children. The discount on that — in a year in which the Government has raised taxation for parents, but lowered it everywhere else — could not be clearer.

In contrast, the single mother on benefit enjoys the special high 'client' rate which also absolves her from having to be available for work. With the Fowler reforms, single mothers under 25 also draw higher benefits than their age peers. When the cost of a man's keep is taken into account, then it is obvious that it is particularly women in areas of low male wages and unemployment who are best placed to make a net gain by not having a man (officially) around. In all this, the welfare system obviates and deters male provision for families. **Imposing double charges on couples, the poll tax will also bring a negative dowry to any man whose partner might leave work to raise children.**

At the same time, of course, recent changes in family law have casualised men's relationships to children, removed social support from parenthood and

*Continued on page 8*



# Patricia Morgan

continued from page 7

largely emptied marriage of significance. In hard-line feminist terms, the family has been 'deconstructed'. Thus, last year's Family Law Reform Act removed the rule of legitimacy which, in all times and places, has decreed that the human family is a social unit which includes a male as well as a female. In turn, the Matrimonial and Family Proceedings Act of 1984 allowed divorce after one year of marriage, with 'clean breaks' from financial responsibility for former homes. In 1985, the important Matrimonial Causes Procedure (Booth) Committee emphasised that 'irretrievable breakdown' must be understood simply as the desire of either party for a divorce, which must be furthered as "expeditiously and inexpensively" as possible. The "major mischief" of divorce was identified as the "delays and difficulties in achieving finality".

The decay of the family, to which all these measures have contributed, needs to be considered in a wider political and philosophical context.

It is typically socialist command economies, where there is extensive intrusion of the state into the market, or its replacement by centralised planning, that make public provision for individual welfare. In contrast, market economies, where the state has a far more limited role, have tended to emphasise self and mutual help as the source of welfare. *But, in this, the minimal state depends upon the viability of secondary social institutions, like the family, if widespread problems of order and dependency are not going to be left on its doorstep. Yet, while market economies are associated with personal*

Would sanctions help to get rid of apartheid in South Africa? I don't think so. Nor do black South African miners. Seventy per cent are against the economic boycott, according to a major survey.

Three quarters of the miners thought that a boycott would hit them hard personally. \* \* \*

One frank speaker is Ray Whitney MP, former Health Minister who, in his Foreign Office days, stood up to the Chinese Cultural Revolution mobs with great courage. At one time, the Chinese allowed their Communist foreigners to assault the British Embassy.

Ray Whitney had to watch while the paintings were smashed and a Hampstead-style Mrs. Dutt-Pauker chanted, 'Down with the British Imperialists', in a strangulated upper-class voice.

Whitney has now produced a sharp and stimulating book on the NHS (*National Health Crisis . . . a modern solution; Shephard Walwyn, £4.95*). He argues for a National Health Authority, independent of the Government,

*provision, the arrangements which enable people to care competently for themselves and others are not, as seems to be assumed by many devotees of the free market, simply the spontaneous outcome of competing equals in the marketplace. People can provide for their own, but if they are to have the capacity and motivation to do so, numerous adaptations and allowances have to be made which encourage mutual assistance, and the institutions in which this takes place have to receive special protection.* In other words, there has to be 'affirmative action' to ensure that it is both possible and worthwhile to care for one another in ways which are self-sustaining and self-perpetuating.

## A challenge

The refusal of the Government to recognise that its actions have an impact on the family is combined with an obliviousness to the far reaching economic costs involved in the loosening and breaking of relationships, which extend from policing to education. There is a failure to understand the role that institutions like the family have to play in any 'cost effectiveness' or 'rolling back of the state'. All questions have been avoided about the circumstances in which people provide for each other, as distinct from those which foster reliance on public provision of all kinds.

**This means that there is no appreciation of the fact that the bulk of welfare and order — is provided by the family, and thus no inkling that family stability might be a public good.**

Human beings, especially the more vulnerable members of society, were hardly meant to live alone and sooner or later they have to rely on the help of others. "Man" as Adam Smith announced ". . . can subsist only in society . . . All the members of human society stand in need of each other's assistance and are likewise exposed to mutual injuries". But, if that help is not provided by those we know, it has to come from expensive professional

services. It is therefore more rational to provide incentives to stay together, instead of imposing extra costs on households as they absorb more people.

The tendency for more people to live alone, without children, creates extra demand for housing and also makes it less likely that they can deal with their own or their aged parents' crises. Similarly, the disruption of children's obligations towards parents caused by divorce will increase the dependence of the elderly on non-family providers of care. It is also inevitable that any increase in one-person households and one parent families means more children at risk of poor care and more demand for institutional provision. Since it costs upwards of £250 a week to keep a child in care, a reduction in the rates of marital breakdown and the numbers of children born out of wedlock would be economically beneficial by reducing the numbers coming into care. All in all, marriage and parental investment are bargains for the state, since they are the most inexpensive and efficient way of providing for the support of children and those looking after them.

Fortunately, leading Tories are now unambiguously insisting that crime is a matter of values and that a revival of moral constraints is essential to halt its inexorable climb. But there is a failure to progress to the second stage and to see that the reassertion of what Mr Hurd calls those "normal restraints and shared values that bind society together" requires that those institutions, like the family, which transmit and uphold them, are not weakened. Necessary changes in behaviour require the consolidation and rebuilding of the relationships through which law-abiding habits are inculcated and maintained, yet policies in the fields of family law and local and national taxation, place ever more emphasis on atomisation and the severance of ties. In so doing, they massively affirm — not just family — but social, dissolution.

Patricia Morgan is the author of *Delinquent Fantasies & other works*.

## YORICK

which could bring the medical, nursing and related professions together.

He points out that NHS, local authority and DHSS budgets overlap expensively. And yet, in some services, there is a gap, especially for the chronic sick and elderly.

Ray Whitney is a voucher man. So far I'm not convinced. I think that the bulk of the public would dislike or be confused by it — including me.

\* \* \*

News about the Soviet domination of Afghanistan has tended to shut out the story of the Soviet domination of Ethiopia. Here again, it is delightful to find people who have the courage to fight back against overwhelming odds in the cause of freedom.

In recent months, a secret radio has been beaming loud and clear into Addis Abbaba. It has been critical of the Marxist regime and has been

thoroughly upsetting them.

The Government has been trying to eliminate the service — but without success. It is being run by the Ethiopian People's Democratic Alliance, which is represented in London.

**They badly need money for the secret radio service and for other things. Anyone who wants to help with cash can send it to the Ethiopian People's Democratic Alliance; PO Box. 4025, London WC1N 3XX.**

\* \* \*

It was good to see the end of the highly corrupt boss of Unesco, Mr. M'Bow. His successor, Professor Federico Mayor, a Spaniard, is proving a sad disappointment.

He matches his words to his audiences, to some, he talks about bringing changes to Unesco and opposing M'Bow's 'New World Information Order', which would destroy the free flow of information. To Africans and others he says he will support the programme and make no changes.

It is vital that the UK and the USA do not come back into Unesco until matters are put right.

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

27 November 1989

Dear John,

**CHILD TAX ALLOWANCES**

I have written separately to you, copied to Stuart Lord at DSS about the recent correspondence from Lord Joseph and the Prime Minister's wish for a discussion of this following the 1990 Budget. The purpose of this letter, which I am not copying to DSS, is to record the Prime Minister's wish that no action is contemplated for the 1990 Budget that would pre-empt the possibility of a return to child tax allowances in the future.

I should be grateful if you would ensure this letter is seen only on a strict need to know basis.

Yours,  
Paul

PAUL GRAY

John Gieve, Esq.,  
H. M. Treasury

PRIME MINISTER

CHILD BENEFIT: CHILD TAX ALLOWANCES

You have agreed at some time in the future to talk to Mr Newton about the future of child benefit. There is no hurry about this, indeed it may be best left until after the child benefit freeze has been got through the House and possibly until after the next Budget. But you may be interested to know that references to child tax allowances have been growing. There is a report in today's Today and the Centre for Policy Studies was reported over the weekend to be interested.

The most significant development is an article attached by Frank Field in the Independent last week. He has for long been a staunch supporter of child benefit from his days as Secretary of the Child Poverty Action Group. Although child benefit remains his first choice he demonstrates that the case for child tax allowances is much stronger than it was when child benefit was introduced fifteen years ago.

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Good!

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Andrew Turnbull

6 November 1989

c:child(MJ)

# Bring back allowances

Frank Field gives his response to the freezing of child benefit

THE FREEZING of child benefit by Tony Newton, Secretary of State for Social Security, was presented as part of a clever political package. What is 50p on child benefit when so many disabled people will benefit instead? However, the package presents a fundamental challenge to the opposition and the poverty lobby in their campaign for child benefit.

Freezing child benefit for the third year running has cut its value by a fifth. Are the opposition and the poverty lobby going to be content with merely denouncing the government line? I believe they should open up a new front which offers the chance of delivering financial help to families. The reintroduction of child tax allowances (CTAs) offers both the prospect of delivering additional cash to families, and the real possibility of winning approval on the Tory back-benches.

Of course child tax allowances are not as good as child benefit, which is one of the most effective weapons against child poverty. It helps practically every family, with nearly 100 per cent take-up. It is paid to the mother and this is still important: in too many families fathers are reluctant to hand over enough housekeeping. It is also an effective way of increasing incentives to work. But an increase in child benefit is not on offer in this Parliament.

Some critics may argue that reintroducing CTAs would be a retrograde step. But the times have changed. One reason for the move away from tax allowances 10 years ago was that not all working families benefited. Moreover, because tax allow-

ances are claimed at the taxpayers' marginal rates, richer families gained most help.

Now, as a result of changes in taxation, practically all working families with children pay tax, earning enough to set the value of a new child tax allowance against their tax liability. The House of Commons library calculated for me that only 200,000-300,000 families have incomes from work too low to benefit. And the allowance could be limited to the standard rate of tax: richer and poorer families would then gain the same level of help.

It is true that while child benefit is invariably claimed by the mother, few mothers were able to claim the old child tax allowance. But next year sees the introduction of individual taxation for husbands and wives. Many more mothers are working now than 10 years ago, and they would have the right to claim the new allowance.

A new CTA would also match child benefit in increasing incentives to work. Child benefit is paid to all families but deducted from welfare payments for those unable to work. Thus, the greater the value of child benefits the higher the families' income when in work. Child tax allowances would have the same effect. They would only benefit parents in work. They would reduce the family's tax liability and thereby increase their net income. The larger the tax allowance the greater a family's net income in work compared with welfare payments.

The aim is not, however, to make CTAs permanent. It is to find a strategy to win large-scale support on the government side

for raising family income relative to childless taxpayers.

A child benefit freeze has invariably followed a budget which has made generous increases in the full range of personal tax allowances. Tory MPs have been quick to point out that the Government would not be able to hold the line in discriminating against taxpayers with children (for that is what a child benefit freeze means) if there was a vote on an increase in child tax allowances. Indeed the Government knows this and would easily give way.

That is why the reintroduction of CTAs is now an urgent priority. A tranche of money in the child tax allowance kitty would widen the scope for an incoming Labour government. A new Secretary of State for Social Security would not have to face the task of arguing for new resources for increasing child benefit from the Chancellor. The new Secretary of State would immediately be able to transfer the value of the tax allowances back into the child benefit scheme.

For the opposition and the poverty lobby to continue campaigning for a rise in child benefit — in face of all the evidence that the Government will not concede — would be gesture politics of the worst sort. The job of the opposition is not merely to embarrass the Government. It is to deliver success to its supporters while awaiting the sound of the starting gun for the next election.

*The author is chairman of the Commons Social Services Select Committee and Labour MP for Birkenhead.*