

PLP

CHANCELLOR

FROM: A G TYRIE

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cc: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mrs Chaplin
Mr Lightfoot

KENNETH BAKER ON THE COMMUNITY CHARGE

I attach the relevant pages from the Kenneth Baker interview on the safety net for which you asked.

AGT

A G TYRIE

Sure....

KENNETH BAKER:

And indeed, one of the advantages of the community charge is that single person households, elderly pensioners living alone, benefit very considerably from that particular type of raising local revenue. And indeed if you look at the gainers as well there are very substantial gainers amongst pensioner household.

BRIAN WALDEN:

But this is the hard line case....

KENNETH BAKER:

Now you did ask me about the safety net, do you want me to answer that?

BRIAN WALDEN:

Exactly, certainly I do, going to get that Exchequer funded?

KENNETH BAKER:

But could I, but could I first just explain how the safety net operates if I may Brian, because some people may not quite understand it, I'm sure many of your sophisticated viewers would. But the safety net has operated in fact for the last 50 or 60 years there's been a transfer of money from the richer areas to the poorer areas of the country. But because it has been done through the rates support grant system, it's been very difficult to understand, it's been a hidden hand moving this money around. Now what has changed with the community charge, is that it is now explicit, it is a specific amount on the bill, and people who are in the areas who are paying into the safety net resent very much the fact that they are going to have to continue to do that, to other areas that are going to benefit. First we're not withdrawing the benefit and the subsidy from those areas that have benefitted from this for a period of four years. And the argument on the safety net, is that those who are contributing to the safety net would like their contributions as it were eliminated immediately. And what we have always envisaged that would be phased in over a period of four years. And certainly some Conservative MPs before we rose in fact, complained about this, and made it very clear - not privately, they came on programmes like this and complained strongly about it. And that is why Chris Patten's been looking at it, and the Prime Minister has said, that he should be looking at it.

BRIAN WALDEN:

We could be getting to a bottom line here, in looking at it, is he going to do anything about it do you think?

KENNETH BAKER:

Well, you would not expect me Brian, on your programme however seductive your questioning is, to actually say that anything is

BRIAN WALDEN:

Ahh, that means he is....

KENNETH BAKER:

...necessarily going to be done about it.

BRIAN WALDEN:

That means he is, else you'd tell me right now that he wasn't going to change it.

KENNETH BAKER:

What I am saying, what I am saying is, that he is looking at it, it's going to be a collective decision of Ministers
clearly.

KENNETH BAKER:

What I have said, is that one has got to look at that aspect of the community charge, Chris Patten is looking at it, it's being looked at collectively.

BRIAN WALDEN:

Let me give you another one that you might look at on this Ken. You see if for instance you took education, perhaps where it should be and paid for it out of national taxation, or indeed it needn't be education there are a number of other things, but education is a huge local authority bill. If you whipped all that back to the centre, poll tax would fall quite dramatically wouldn't it?

KENNETH BAKER:

Yes.

BRIAN WALDEN:

Is that being looked at?

KENNETH BAKER:

You have consistently argued this in your column, you've said this is the quick fix, if you took education off the rates, its

about what 3 - 3 and a half billion, its the quick fix, it'll reduce community charge to a very low level. There are two good reasons for not doing it, one constitutional and one educational. The constitutional you would leave local authorities very little to deal with and reduce their responsibility, because if the Exchequer....

BRIAN WALDEN:

It would also reduce the poll tax.

KENNETH BAKER:

...if Whitehall is funding it, it would be determining the policy, and that is very difficult when they are executing the policy and administering the schools. The second reason is educational, the whole thrust of my educational reforms with the exception of the National Curriculum, which was a national framework of standards and tests, the thrust of their other reforms was to devolve responsibility throughout the system. It was to pass responsibility to schools, to run their own budgets, for schools to become grant maintained. Now if you put all that responsibility back into the Department of Education, and Science, you'd be going against what I believe is the way forward for the '90s.

BRIAN WALDEN:

So we can take it quite definitely that that is not being looked at.

KENNETH BAKER:

You can take it quite definitely that is not being looked at, I ruled it out when I was Secretary for Education, I'm sure it will be ruled out.

BRIAN WALDEN:

So, what I can tell my Tory friends is cheer up, they are going to move with the regard to this safety net, they are going to give you more Treasury money, but there's no hope chaps that they're going to in fact move education to Central Government?

KENNETH BAKER:

I have said that repeatedly in the past, I think it would be bad educationally....

BRIAN WALDEN:

Not quite in that form you haven't.

KENNETH BAKER:

...and, well I think it will be bad educationally, and it will be bad constitutionally.

BRIAN WALDEN:

Oh yes, yes, but we're going to get some movement on the safety net aren't we?

KENNETH BAKER:

Well...

BRIAN WALDEN:

Because Chris Patten's looking at it.

KENNETH BAKER:

There you go again, you see you are making me an accomplice of your assertions, what I am saying is that Chris Patten is looking at it, it will be a collective decision of Government.

BRIAN WALDEN:

Indeed, and I bet I can guess which way it will go. It interests me on the poll tax by the way, because on the general