



10 DOWNING STREET

Prime Minister

The purpose of the meeting is for the IEA/CPS Three to put you in the picture on their proposed study.

Attached are

- (i) their original proposal
- (ii) a synopsis
- (iii) a Policy Unit note.

Unlike the Redwood, I think it is a pity they are not covering health. Without it the claim of a "new Beverage" looks hollow. Alternatively they could explicitly confine study to social security.

Lord Harris has to leave after  $\frac{1}{2}$  hour

AA

31/1

PRIME MINISTER

THE VAIZEY REPORT

The idea that Lord Vaizey should look into the workings of the welfare state and develop a new Beveridge is a good one. It is important, however, that it be made clear at the outset that:

- (a) it is quite unconnected with Government;
- (b) it is thinking about the longer-term issues;
- (c) it in no way means that your Government is wavering over the commitments it made in the Election campaign concerning the future of a public health service and public welfare benefits for the life of this Parliament.

There is a danger that the press will say that this is all taking place with Government connivance, and they will then turn to interpreting the run of minor news items from the DHSS as some great plot to shatter the welfare state within the next few years.

The Welfare Problem

The argument on welfare is not as heavily biased against the Government as it first appears. The table beneath sets out the main spending items on welfare:

	<u>£ billion</u> (1983-4)
Pensions	14.7
Health and Personal Social Services	14.6
Other Non-Contributory Benefits & Admin.	19.7
Education	12.6
Housing	2.8

In a way, the debate will be better conducted and furthered by splitting it up into these compartments rather than treating the problem as a whole. In the case of housing, the 1979-83 Government made substantial advances in encouraging home-ownership, and in reducing the burden on public funds. In 1979-80, net expenditure amounted to £4.5 billion, and this had fallen to £2.8 billion by 1983-4. More importantly, the Government is winning the argument on housing. People do have a marked preference for owning their own home wherever possible, and measures have been taken to bring

that dream nearer to reality for many people. The pressure should not be abated, but there is no need for a new Beveridge to cover housing.

In the case of pensions, there is a very real chance that as a result of the semi-open debate taking place with the Fowler Enquiry, the most obvious injustices of private sector pension schemes (namely their unfairness to early leavers and their ability to dissociate the individual from the ownership of the assets) can be solved following the portability enquiry; and there is also the prospect that as a result of investigating the cost and nature of the state earnings-related pension scheme, the Government could move towards its abolition and its replacement by a private sector freer alternative. That debate is going well, and again, there is no particular need for a major upheaval in the way the discussion is going.

In the case of health, the Government has already taken the initiative, and has associated itself with the need to curb spending and gain better value for money. Recent polls show a modest increase in support for the policy from the extremely low level of support it was achieving towards the end of 1983. If the new Griffiths management structure can deliver, delivering both a better-quality service and better cost control, the Government could see its support on that subject pick up quite rapidly. In the meantime, the private sector in health is growing, and many people accept the case for private health insurance. All is not lost in this area either.

In the case of education, many people do opt to pay for their children's education or would like to if it could be brought down to a realistic price. This wish should be built on with the Government assisting in the formation of new direct-grant institutions, which can channel a mixture of state and private monies into an educational middle way.

It is vital that in both the education and the health debates the Government is in no way seen to be - or associated with those who are seen to be - attacking the fundamental principle that everybody has a right to a decent standard of service provided free by the state. To attempt to challenge this right directly

would be to court unpopularity, and would be to misjudge the public mood. Instead, it is acceptable for the Government to find ways of helping those who wish to help themselves.

The remaining area of non-contributory benefits is the one where no progress has been made in either opening up the debate or in winning it. Lord Vaizey should concentrate on exposing churning, the breakdown in the contributory idea and the complexity of the benefit system. Adequate insurance against unemployment, sickness, death of the breadwinner and other misfortunes could be reaffirmed in a new Beveridge.

In conclusion, Vaizey is right to exclude health care and education. It would be right to channel thoughts on pensions into Norman's enquiry. The main aim for a new Beveridge should be to answer the difficult question of how do you make adequate provision for those at the bottom of the pile, without undermining every incentive to climb up for those who have the energy and the capability to do so. There is a desperate need to define poverty and to treat it in a way that is compatible with our relatively affluent society.



JOHN REDWOOD

From: Lord Vaizey

CUMBERLAND LODGE

THE GREAT PARK WINDSOR

BERKSHIRE SL4 2HP

Tel. EGHAM 32316 and 34893

V/DHW

20th January, 1984

- ① cc Mr ~~Tambull~~  
Ms ~~Redwood~~
- ② B/H for meeting.

Dear Mr Barclay

DHB  
23/1

I enclose the more detailed sheet for our meeting with the Prime Minister on 31st January.

Yours  
Vaizey

David Barclay, Esq.,  
The Private Secretary,  
10 Downing Street,  
London, SW1.

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CAMBERLAND LODGE  
THE GREAT HALL WINDSOR  
SIXTH FLOOR 214 THE  
THE COLLEGE AVENUE WINDSOR

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## Outline of Proposed Work

1. There will be a full description of the existing 'welfare state', excluding health care and education:
  - a) old age: pensions, supplementary benefit, special concessions (travel) and superannuation and other tax-reliefs.
  - b) sickness and invalidity
  - c) childhood
  - d) unemployment
  - e) low income earners (apart from earlier categories).

This will include all benefits, transport, housing, tax concessions, etc., and charitable activities and an attempt to measure the black and illegal economies.

2. Attempts will be made to measure the numbers in the different categories and the total public expenditure, compared with private expenditure.
3. The questions will be asked as follows:
  - a) what will be the longer-term consequences of the withdrawal of the state (its positive and tax-concessions activities) from some parts of these activities?
  - b) If it is accepted that 'poverty', a term much devalued by the 'poverty lobby', should be replaced by a flexible notion of minimum expenditure levels, for individuals and family units?
  - c) Is it correct to argue as Rudolf Klein does that private provision will always be marginal? It is obviously false with regard to childhood and probably old age, and may also be for low income receivers if their low incomes are a temporary phase in their life cycle.
  - d) What will be the longer term consequences of giving people almost complete freedom to choose the level of provision for their children and their own old age?
4. The proposal will be for Lord Vaizey to do the work, with two fully qualified assistants, and for an advisory committee of appropriate experts, not from the civil service, to be set up.

21 JAN 1984



OXLEY  
PT





10 DOWNING STREET

*From the Private Secretary*

11 January 1984

The Prime Minister is looking forward to seeing you and Lord Harris on 31 January to discuss your proposals for a new Beveridge.

The note which you enclosed with your letter of 28 November provided a most helpful analysis of what has happened to Beveridge's schemes. As an additional input to the meeting the Prime Minister wondered whether it might be possible to expand a little on what is said on page 3 and provide a synopsis of the project as currently envisaged - indicating for example the ground to be covered, the information that would need to be assembled, and so on.

BF // If you agree that such a note would be helpful, could we please have it by Wednesday 25 January.

DB

The Lord Vaizey

MR. TURNBULL

Mr. Barclay

Can you take this  
back from me  
CR.

What briefing should be commissioned, and 9/2.  
from whom?

→ CR.

- (i) Lords Vazgry and Harris could be invited to  
to put a synopsis of the project and  
perhaps a report on progress to date. This  
could serve as the agenda for the meeting.
- (ii) Policy Unit (John Redwood) could provide  
a commentary on (i) above.

AT

5 January, 1984.

Mr. Turnbull



10 DOWNING STREET

*From the Private Secretary*

5 January, 1984.

Further to our conversation on the telephone yesterday, I am going to try and go firm for 0930 on Tuesday, 31 January, for a discussion on "a new Beveridge". I have also written today to Lord Vaizey and Lord Harris, and Andrew Turnbull and a representative of the Policy Unit will also be present at the meeting.

Caroline Ryder

The Lord Thomas of Swynnerton

c.c. Andrew Turnbull  
John Redwood



Jee l

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Caroline Ryder

The Lord Thomas of Swynnerton

Centre for Policy Studies,  
8 Wilfred Street,  
SW1. \*



File

10 DOWNING STREET

*From the Private Secretary*

5 January, 1984.

Lord Vaizey has no doubt told you that the Prime Minister wishes to have a meeting to discuss "a new Beveridge".

This is scheduled for 0930 on Tuesday, 31 January, and I am writing in similar terms to Lord Thomas.

Caroline Ryder

The Lord Harris of High Cross

IEA,  
2 Lord North Street,  
SW1.



*J. H.*

10 DOWNING STREET

*From the Private Secretary*

5 January, 1984.

When the Prime Minister replied to you on 23 December she said that she would like to discuss "a new Beveridge" with you, Ralph Harris and Hugh Thomas.

This meeting is scheduled for 0930 on Tuesday, 31 January, at 10 Downing Street, and I am writing in similar terms to the others.

Caroline Ryder

The Lord Vaizey

TUE 31 Jan

MR BARCLAY FOR ACTION

2.30

Caroline

Could you please fix this  
(no-one around this week).

Subject: "A new Beverage"

People : John Vaizy  
Ralph Harris  
Hugh Thomas  
Policy Unit  
AT.

Brief : Ask AT what should  
be commissioned from who

Time : 3/4 hr to 1 hr : no great work.