

EA to supply a note  
re why proposal  
cover primary schools.  
O/Lanvane. MEA 11/6

Prime Minister.  
Agree that Sir Keith's proposal should  
now go to ministers?

MEA 10/6

Why primary  
schools only?

PRIME MINISTER

10 June 1985

CB1

GRANT-AIDED SCHOOLS

Keith Joseph wants to include a proposal to establish 12 new grant-aided primary schools in the next manifesto. The schools would be:

- privately owned
- endowed with privately raised capital
- non-selective (both academically and religiously)
- funded for running costs by the DES (with each school receiving the national average cost per pupil plus an inner city supplement if necessary)
- entitled to charge fees of up to £50 per term for all except the poorest pupils
- free to arrange their own teaching methods, pay scales, class sizes etc

The proposal is well worth considering. Such grant-aided schools would provide parents with more choice and help to break down the barriers between the maintained and independent sectors. They could be both popular in themselves, and a useful tool for winking out the Opposition's distrust of choice.

It is a pity that the proposals are restricted to primary schools, and that there is no intention to act before the next election. But these points can be dealt with in the course of Ministerial discussion.

We recommend that you should welcome Keith's minute and agree to its being brought before colleagues. There is only one caveat: all subsequent papers should be kept thoroughly bland, to prevent the idea seeming exciting and leak-worthy.

*Oliver Letwin*

OLIVER LETWIN

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M file with Direct  
Creat Schools papers.

MEA 13/11

TRANSCRIPT OF AN INTERVIEW

GIVEN BY THE PRIME MINISTER

THE RT HON MARGARET THATCHER FRS MP

TO

DIVERSE REPORTS - CHANNEL 4 (CHRISTINE CHAPMAN)

ON

WEDNESDAY 17 JULY 1985

Press Office  
Prime Minister's Office  
10 Downing Street  
Whitehall  
LONDON SW1

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Q: Prime Minister when you were elected to lead the Conservative Party you attracted a lot of people because you stood for less state control and more individual freedom and you had some very tough and radical policies to put those beliefs into practice. Now what's worrying some people like myself who supported you, worked for you and voted for you in 1979 is not that there is anything wrong with your policies but that you don't seem to have put them into effect, in other words Prime Minister, I suppose we believe in Thatcherism but I'm wondering if you still do ?

PM: Well now let me challenge you on some of your facts. I think we've put a great many of them into effect just look for example of what we've done for the individual member of a trade union in giving him the right to vote to control his union bosses. Certainly we've had three Bills to that effect and the full measure did not come into effect until this October. We have done a tremendous amount over industrial relations, withstood strikes and given the ordinary person in a trade union much more control. Now less state control, yes we've had the most massive denationalisation programme ever, about ten big companies have been denationalised and with it we've given those people who worked in the industry special preferential rights in buying shares and they've done it. Consequently the number of people who own shares is going up at last and again less state control over housing. We've given people who would never thought to have a house of their own the right to buy a house and let me come back to perhaps one further thing on taxation on your earnings, I would like to have got taxation down a good deal more nevertheless for the average person is already paying some £260 a year less on income tax than he was when we came into power.

Q: Prime Minister I'd like to pick up on some of those things a little later on but can we start with looking at public spending. Now I think we both agree that too high a level of public expenditure is a major obstacle to free enterprise but it is a fact that your government is spending more than other governments before it and I get the feeling since Brecon and Radnor that your Ministers seem to be proud about how much they are spending. Do you still want to cut public spending ?

PM: I've been in politics a long time, what you usually have to do with public spending is to try to hold it and to redetermine your priorities. Now when we came into power we said yes we did want to control public spending and our

record shows that we have controlled it. Certainly yes it has increased, we've faced a recession and of course that usually does mean increased expenditure and it did but each year we've set out the amount but within the amount you have to set out priorities. You know we set them out quite clearly in the 1979 manifesto and I think some of them might have attracted people. First defence had been run down rather badly and so of course we had to get up defence expenditure to play our full part in NATO. That we have done and the increase in defence expenditure is very nearly through. Secondly, we said we must spend more on law and order, thank goodness we did, we have nearly 12,000 more police they are very well equipped, their pay is good, their morale is restored. Those were two clear priorities. Two other things we also said namely that we would in fact keep the National Health Service and not reduce expenditure, we have in fact increased it and also we kept our pledge to the pensioners. So with overall control but within that overall control, clear priorities. We have in fact kept all those priorities.

Q: Prime Minister, under your government, government spending as proportion of GMP has consistently gone up. Now surely good housekeeping alone can't deliver substantial reductions in public spending it's not enough.

PM: As I indicated earlier, yes it does have to go up during a recession as you know for obvious reasons you spend a good deal more on unemployment benefit and you spend a good deal more on mitigating hardship wherever it occurs. It did not go up as a proportion of national income to the level which the Labour government reached in the other recession in 1975/76 they went up higher and of course you know they got their finances into a terrible mess and had to go to the IMF. So yes we went up higher than I would wish and we started to come down and then as you know last year we were stopped because of the coal strike which of course took down the growth, we got about 2½% growth last year but it should have been more, we were planning for more. And this year growth is going ahead faster than last year and so we hope to take down the proportion, so we are back to the course which we were trying to follow earlier.

Q: Prime Minister can we look at some ways of cutting public spending and particularly those suggested in the manifesto. Now I'm sure you'd agree that public spending has sort of got a momentum of its own as long as there are government departments and civil servants and yes probably ministers, the demand for money increases. Now surely the way to cut public spending in perhaps the way that you would

like to is to give up more state control. So can I ask you why you haven't used denationalisation to get public spending down.

PM: But in a way denationalisation has helped us it has helped us enormously. Of course to some extent you have sold off some of your industries, your Cable and Wireless and your BP, where you have in fact got assets, you have in fact got money for those assets but it will enable you to reduce the demands elsewhere. Sometimes you know when you are selling off the ones that have been very good you are reducing your income, your annual income but we did it because it's part of our belief that politicians don't know how to run industry. They shouldn't have those decisions to make, the investment in those industries should not depend on political decisions but you depend upon the return for money. So selling those off has in fact brought assets in which have been able to hold down the tax we would have had to have got elsewhere and that has been very good both in terms of finance and also in terms of belief that governments should not run these things.

Q: Can I just press you on one point. Now, one glaring example of an industry that hasn't been denationalised is the coal industry which is requiring vast subsidies from taxpayers most of whom earn less than the miners themselves. Now your 1983 manifesto said, and I absolutely agree, that subsidy cannot produce revival and that nationalised industries don't provide a better service for the customer so why haven't you considered denationalising the coal industry?

PM: Well really with the amount of subsidies that's having to go into the coal industry at the moment, I cannot think that we would be overwhelmed with buyers. What we are trying to do, and I'm sure it's right because you are quite right, the amount that has gone in I think it's 2 million pounds has gone into investment in the coal industry for every day that we've been in power. What we are doing is saying look, we are tremendously lucky to have those assets in coal reserves, tremendously lucky. There are excellent seams, there are excellent open casts, there are excellent underground seams. If people working in that coal industry and if people who buy from that coal industry are to have a good future, we've got to concentrate on the good seams where it is much easier to mine the coal, much less price and then you get your electricity at a much lower price.

Q: Would you consider privatisation as an option ?

PM: Well if people come to us in the coal industry and say look we want a management buy-out yes of course we would consider it. Indeed, there were some as you know not far from Barnsley who wanted it but I think, I have the impression that the place where they wanted it was one that would have been extremely difficult for them to work and I think it's important that the first time you get that happening the people who take it over or buy it out, the coal miners who buy it out and the managers have a really good chance of success. It has happened elsewhere in other industries but the first thing is to get that industry in a thriving state and to go for mining the best coal so that you can get the prices down and therefore have a good future.

Q: Can we move on to your other great belief which I share, which is in individual freedom of choice. Now it's very interesting that the one big budget you have got down is housing, as you said yourself council house sales. Now that's given real freedom of choice and real consumer power, now can I ask you Prime Minister why you haven't applied real consumer power to parents in education by giving them real parent power.

PM: We have to some extent by doing assisted places and they are very important. I remember once when I was doing a 'phone-in when I was a Secretary of State for Education, one very concerned parent whose child was having a very tough time at a particular school being bullied and hated going to school, on the 'phone and saying what in the world can I do. One said well first have you other schools in your area, can you transfer and there weren't because they were all big schools and in the end one was driven to say, well now look we must try to get a place at, in those days, a direct grant school or at a private school. And this always bothered me very much, what happens if children are very unhappy at school and there is no other for them to go to, so we have done assisted places where you can choose to go to a private school and there are many cases in which it works but on the broad thing you are right, you haven't very much choice between school in a large area quite a bit but certainly in other areas comparatively small. And also I know some parents feel, look we pay for our childrens' education, they do, they pay through the taxpayers pocket, the average cost for a primary school child is about £760 a year, for the secondary school child about £11,000 a year and they are paying, not paying directly to the school but they are paying out of their taxpayers and ratepayers pocket and they

feel they are not having enough say. Now I am very sympathetic towards that view and we look to see if we could begin to operate a voucher scheme under which the parent was handed, that is the cost which you are paying to educate your child, now you can take it to what school you wish and it may be that you find one which has teachers in the way you want children taught, which teaches the subjects you want. Now we haven't been able to do that yet and this sort of absence of, dare I use a phrase, this absence of a kind of partnership, I was going to say that in many ways a partnership between the state and the parent with the state paying some and the parent maybe being able to top-up, we've not got yet. And I think it is very unfortunate in a way that the choice is either wholly state, which 95% of people have to make and then they feel they are not having enough say in that education so we are giving parents more power, or only about 5% private. The direct grant schools bridged that gap and one is now considering how more we can bridge that gap so that many parents who are not happy with the school to which their child is going and therefore the child is not doing well as it should, may be able to top up a little bit as many could but we have not found the way yet. It does concern me that so often the choice is wholly state and a tiny bit of private so that it isn't really a choice for many parents.

Q: I think we absolutely agree and you seem to be coming very very close to some form of voucher system. Now can you promise parents and after all education is terrifically important it effects everyone. Can you promise parents that they are going to get some stronger financial say in their child's education ?

PM: I can't yet. I would like to increase the assisted places scheme, I would like to bring back what are called direct grant schools. You recall what they were, they were offered from the bottom of the ladder to the top for many a child, if you got a place in a direct grant school, there were many places which were free and therefore you had one of the best educations and everyone who went there went because of their ability was fit to that kind of education, suited to that kind of education. Unfortunately, they were abolished but it was that kind of partnership where the state paid something and then some parents paid something, other parents got it totally free because they couldn't afford to pay anything or because there were totally free places. I am the first to say that I would like in the future to get in some areas a greater partnership between state and parent. At the moment what we are doing is putting more parents or governing bodies but it's still either the state or private and too few schools where



parents who feel that their children aren't getting the kind of education that they want could pay something, a small amount and not a great deal.

Q: How soon, very very briefly, how soon can you promise us some action on redressing the balance between the state and the parents ?

PM: We are looking at that, that is going to take quite a time because it would mean setting up direct grant schools again and we are looking at that. I'm very disappointed that we were not able to do the voucher scheme and I sometimes think that I must have another go because there are a number of parents who come and say well look we would like to spend some of our money on educating our children but there isn't the possibility it's either all private or all state and there really isn't the possibility at the moment and we ought to take action to meet that possibility. It's very ironic that you can spend your money on a lot of consumer goods but not in a way to help your childrens education.

Q: Prime Minister can I look at consumer choice at a much more fundamental level in the form of tax cuts. You've said yourself you are disappointed you haven't been able to deliver more in the way of tax cuts because of the level of public spending and we've been over that but can we look at tax cuts on low incomes. Why is it that the tax cuts that you've delivered, only 4% have been directed to low incomes when low incomes are the key area for enterprise ?

PM: We've tried to operate at all levels. Can I just recall what we've done, when we came in the standard rate of tax was 33p in the pound, that's taken down to 30p in the pound so everyone who pays income tax at all pays a lesser rate in the pound. We were very very keen to get people who can start up businesses staying here and good managers staying here, they were on a top rate of earnings of 83% tax so we brought it down to 60% therefore it's about the same as other people so you look at your good managers, you look at the broad mass of income tax payers and you've standard rate down. The most expensive thing of all is to increase the tax free allowance, the tax threshold, it's obvious that the tax pyramid is like that it's a triangle it's quite cheap to do tax reliefs at the top, it's very very expensive to do it at the bottom but we have, much more important and we have. Can I just give you a figure, the tax free allowances, that's the tax thresholds are up over and above inflation, they are up by 20% over and above inflation,

that's the tax free allowances and that's really why people are paying as I indicated, a lesser amount in direct tax than they would have been had we held the rates that were there when we came in. Again we want to do more but we have in almost every budget concentrated on that because it's really..... and again not in tax but in national insurance contributions on the lower paid, as you know, they are going to pay less national insurance contributions, that comes into effect in November. Yes more needs to be done and as we are in about the fifth year we are growing steadily and this year should be a very good year for growth. The whole strategy is to say, I must hold what was put in the public expenditure paper so the extra growth can go to reducing tax and you know I believe in that firmly and it does mean saying to ministers, look you are not entitled to spend in your department the tax relief of someone who is one below average pay, and I do use those words and I use them to Members of Parliament who are very much in the upper half, you are not entitled to go to your constituents and say, I have spent your tax relief on something which the government thinks it could spend your money better on, I believe you should have that tax relief and it means keeping very tough control of ministers in their departments and it means saying to them, you've got a duty to get the maximum out of every pound you spend, I don't want any waste any bad administration, the maximum out of every pound you spend, now look at your expenditure that way, don't just demand more.

Q: Prime Minister can I ask you for a pledge that you will cut taxes in the life-time of this Parliament ?

PM: We shall go on with our present policy of cutting direct taxes and we hope, I can't give you an absolute pledge, that is our first objective to cut income tax and particularly at the lower levels of income, it's very very important.

Q: Can we move on to unemployment which is the reason why I raised taxation at lower income levels, that's where it's a problem. You said yourself, and I absolutely agree, real jobs are only created in the private sector and one of the first tasks of your government is to remove obstacles from the private sector. Now let me put to you the number one obstacle that all the businesses are complaining about. Why haven't you abolished Wages Councils ?

PM: You will find a statement on Wages Councils very soon. The real problem there is that the wages that they are demanding for young people are too high a proportion of the adult wage and so you'll find that there is a consultative paper out on wages councils now and there will be a statement done very soon.

Q: Prime Minister with respect with consultative papers aside there are young people who are unemployed out there and adults who are unemployed out there because your government inspectors are rushing around telling employers what to pay people. Now surely the Government shouldn't be in the business of doing that, it should be helping employers to take people on by lifting the obstacles.

PM: Yes but you see if those Wages Councils. Look there are three sorts of people on them, the employers, the trade unions and independent, you know if those Wages Councils took into account what we are saying to them they would set the wages of young people rather lower. Now one of the unions, the electricians union has set the wages for apprentices much lower than they were, I think something of about 60% of the average adult wage down to about 20-30%. The number of apprentices has gone up enormously so even within the Wages Council structure they could cope with it but nevertheless we are concerned about the structure because I remember being over in Geneva and asking them at the ILO, look please can we opt out of Wages Councils for young people only and they said no. Well I don't want to go any further because there will be a statement coming out about Wages Councils but we are very much aware of the point and you are right, if they fix the wages for young people too high, those young people are not getting jobs. And this is one of the reasons why we have got a very bug youth training scheme and we're doubling it, we're doubling it because that really does give young people an opportunity.

Q: Prime Minister can we just stay here a moment with Wages Councils because I find it tremendously interesting. Can you give me a pledge that you will abolish Wages Councils.

PM: Look I can give you a pledge that there is a statement coming out about Wages Councils but I'm sure you'll understand that I can't make it on television before it's made to Parliament.

Q: Would you expect me to be pleased at what I might read in that statement ?

PM: I think you'll find that the statement will be very realistic and sensible.

Q: We are hoping to see some more deregulation in the private sector and perhaps less energy spent on the government financing schemes to reduce unemployment. Now is the Government going to substantially amend the Employment Protection Act substantially amend the Health and Safety Regulations so they are appropriate to the needs of small firms.

PM: Now you know that we have done quite a bit on what is called, I think misnamed, Employment Protection Act, quite a bit particularly as far as the small business is concerned because we found that people were afraid to take extra employees because they are then hauled, if they have found that the employees are not good or all of a sudden that they have to reduce the numbers, we found that they were hauled before some of the tribunals, the time it took really was dreadful. So we've already done more than the small businesses realise on that. On health and safety you have to look very carefully to what regulations you can reduce because obviously you must keep the safety, the safe conditions under which people work.

Q: But a lot of them are inappropriate .....

PM: Some of them are and we are also having a look at those.

Q: Prime Minister, we seem to agree on an awful lot so I find it a bit worrying that I still feel that we don't seem to get the politics to fulfill the things that both you and I agree on, which is free enterprise, individual freedom and less state control, there seems to be a bit of a gap there.

PM: No, we have in fact done quite a lot of deregulation, I was indicating on the Employment Protection Act, planning actually is going through much much faster, the tremendous denationalisation, the changes in industrial relations and just let me indicate what we've done for business in knocking-off completely a national insurance surcharge, that was a tremendous burden on them. And we are having a look at a total reform of rates, everyone wants it, it's very very difficult to get them to agree on what they want. But the ..... and of course we have altered the whole structure of corporation tax, so that if you do make a good

profit you shall be able to keep a bigger percentage of it. We have about 140,000 more businesses than there were when we came into office. Now we are going to have to go on with special measures for unemployment for a reason which I'm sure you know. Not only can we produce more goods with your people because of technology but because of the way the birth rate went about ten years ago, the working population is getting bigger and bigger. Indeed, there are 1.1 million people in the population of working age than there were five or six years ago so in fact we've had to produce that many more jobs just to stand still on unemployment, now that position reverses at the end of this decade because of the way again the birth rate went. And so the working population at the end of this decade gets smaller and the number of people retiring gets bigger and then the chances for jobs should be much better so until we get there we really have got to help out through this interim period with training for young people and also with helping with people who've been unemployed for quite a time, we do that as you know on giving them worth while jobs on a community programme. But the increase in the working population which is still going on reverses in three or four years time.

Q: Prime Minister can I just quickly put my question another way. A lot of other journalists and people are saying that since Brecon and Radnor the Government is going to put on a more moderate and cautious face. Now what's worrying the few journalists that support you and people who voted for you is the reason we lost Brecon and Radnor is because the Government has been too cautious, we haven't been radical enough. Now what I'm looking for is the Mrs Thatcher of 1979, I'm looking for that return of the spirit of radicalism that we voted for.

PM: Well, we have been quite radical. Trade unions, we've been very radical in the views we've taken in the legislations we've brought forward and we've brought it forward step by step and have achieved great things and most trade unionists are with us because they don't like being pushed around by trade union bosses, that is very radical. Yes we have done quite a bit, deregulation. Yes we have taken off tax on industry. Yes we have done denationalisation. Yes we have record owner occupation and we still indeed want it higher. Yes we have thoroughly efficient industries.

Q: .....Thank you very much.