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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London
 SE1 7PH

19 May 1986

Dear Keith,

FUTURE UNIVERSITY FUNDING

Thank you for your letter of 16 May.

As you say, we have already discussed this issue. As you and other colleagues know, I attach great importance to the need to look at expenditure issues together in the public expenditure survey, on which we will be taking decisions in the autumn. We can then take a considered view of priorities, and avoid piecemeal decisions which take insufficient account of financial and expenditure constraints.

Nevertheless, in this particular case I acknowledge the quite exceptional circumstances on timing and the strength of the arguments for the action which you propose. It seems to me that the consequences of simply letting events take their course could be particularly damaging; and as you point out, we have no control over the timing of the expected UGC advice. I do also see the point that an initiative of the kind you propose now could enable us to extract the firm commitment from the UGC and the universities to selectivity, rationalisation, and management efficiency; and I attach great importance to that also.

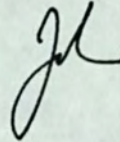
But I must make clear that I can only agree that you should write to the Chairman of the UGC in the proposed terms if colleagues agree that the strength of the political case for such action make it wholly exceptional. I could certainly not accept that it should be treated as a precedent for any other commitments, in advance of the Survey decisions, to look favourably on proposed increases in expenditure.

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I am copying this letter to the Prime Minister, other members of the Cabinet and to Sir Robert Armstrong.

Yours ever,



JOHN MacGREGOR



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