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Private Secretary
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20 July 1983

Dear Wilkie

... We spoke yesterday evening about the
Prime Minister's meeting with Ralph Howell MP.
As requested I attach a brief which has been
seen by the Secretary of State and prepared
by officials.

*Yours sincerely
Brett Bonner*

BRETT BONNER
Private Secretary

VISIT OF MR RALPH HOWELL AND PROFESSOR ALAN PEACOCK

BACKGROUND

1 Mr Howell and Prof Peacock are to see the Prime Minister to seek her support for the recently-formed Employment Research Centre at the University of Buckingham. Professor Peacock is Vice-Chancellor of the University (see attached biographical note).

2 The Employment Research Centre is to undertake fundamental research of its own and also to keep in contact with what is going on in the research world and make results known quickly to those in business and government who need to consider their policy implications. It has been set up at Buckingham on the initiative of a group led by Mr Howell and it is hoped that it will be fully operational by the Autumn of 1983.

3 Professor Peacock intends that the Centre should concentrate upon supply-side economics and examine obstacles to the effective working of market forces in the labour market and more generally. He does not intend that it should concern itself with macro-economic problems. (A list of research projects commissioned or under consultation is attached.)

4 An annual budget of £100 thousand rising to £120 thousand has been set for the Centre and contributions of £10 thousand had been obtained from companies and individuals up to February 1983. Although the University of Buckingham operates independently of Government funding, Professor Peacock wishes to explore the possibility of Government support for the work of the new centre.

RELATIONS WITH THE DEPARTMENT OF EMPLOYMENT

5 From their meeting with Mr Tebbit, Mr Howell and Professor Peacock will be aware of the setting up this month of the Employment Market Research Unit in the Department, which is intended to have broadly similar functions to those proposed for the new Centre. Following that meeting, arrangements have been made for these two bodies to work together and for DE officials to assist in providing background information and access to data to researchers connected with the Centre.

6 The Secretary of State told Mr Howell that he had no money available to support the Centre, but that he would be glad to give it his moral support. He suggested that financial support might be available from OECD, EC or the Anglo-German Foundation. Although he did not say so, it is of course open to the DE to consider proposals from the Centre for inclusion within its future budgets for external research. *Though these are well committed for some years ahead.*

THE MEETING

7 Mr Howell may express his fear that unemployment may double again by 1990 unless something is done, and his view that a stronger 'work test' should be applied to the payment of benefit. He believes that there is much to be learned from overseas experience (for example Switzerland) and may refer the Professor Angus Maddison's project on "why unemployment rates differ".

8 Professor Peacock may be expected to describe the Centre's intended approach to these problems and to outline its initial work programme. His main concern will, however, be with the funding of the Centre's programme.

POINTS FOR DISCUSSION

9 The Prime Minister may wish to ask how the work of the Centre is to differ from that of the government-financed Centre for Labour Economics under Professor Layard.

10 She might also wish to question Professor Peacock on the policy relevance to some of the projects which he refers to - whether, for example, an historical review of employment policy since the war (item 3 on attached list of projects) is likely to provide any new insights.

11 The Prime Minister will wish to conclude by wishing Mr Howell and Professor Peacock success in their new venture and by welcoming the creation of a new body which she would expect to like a fresh approach to employment problems. She may also wish to offer to put in a good word for the Centre among firms and organisations from which they are seeking financial support.

PROFESSOR ALAN PEACOCK

Professor Peacock is an economist of considerable standing who is best known for his writings on the subject of public expenditure economics and the economics of music. He was formerly Professor of Economics at the University of York, a contemporary there of Professor Jack Wiseman. The team there became well known as strong (and sometimes pungent) advocates of the case for letting markets work. In the later years of the Heath administration he was seconded from York to become Chief Economist (at Deputy Secretary level) to the Department of Trade and Industry. The secondment continued under the Wilson administration in which he found himself advising Tony Benn. This experience is recounted in a witty paper entitled "On giving economic advice in difficult times".

EMPLOYMENT RESEARCH CENTRE - PROPOSED RESEARCH PROJECTS

- 1 Why unemployment rates differ between countries.
- 2 The duration of male unemployment in Great Britain 1973-82.
- 3 The development of employment policy in the UK from the White Paper on Employment, 1944.
- 4 The economic effects of employment protection and minimum wage legislation.

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VISIT OF MR RALPH HOWELL AND PROFESSOR ALAN PEACOCK

Prime Minister
Ralph Howell may well
raise this with you
tomorrow, as mentioned
in his letter of 11 July.

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