



FROM: The Rt Hon Sir Keith Joseph, Bt, MP

KJ/IM

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The Rt Hon Sir Geoffrey Howe, QC, MP

I have seen John Nott's confidential letter to you about current monetary policy.

He may well be right about the squeeze on business. We shall obviously have to see. But I do think that it would be disastrous if we were to move the monetary targets anything but downwards - albeit gradually and over a three-four year period. Despite North Sea oil, and even if the Dollar remains weak, an upward movement in monetary targets could damage Sterling.

I am copying this note to John Nott himself, to Margaret, Jim Prior, Nigel Lawson and Adam Ridley.