

TO ALL MEMBERS OF THE SHADOW CABINET

(Note by Sir Geoffrey Howe)

1. In recent public speeches I have moved some way towards outlining the Party's position on public expenditure. While I have not made any specific commitments about how much we want to cut or when, I have made it clear that very substantial reductions are needed both in the short and the long run, in particular in a speech at Swinton on Saturday 21st June (copy attached).
2. John Nott is chairing a policy group on public expenditure which will be considering in greater detail the scale of cuts which will be needed, when, and how. It will not be possible to complete this work in the short run, for obvious reasons. We therefore need a stop-gap procedure to ensure the minimum of inconsistency between our general position on public spending and the proposals of policy groups.
3. The first report from John Nott's policy group should be ready for consideration in Shadow Cabinet during the course of the next few weeks. It is likely to resemble (so far as is possible for an opposition) a PESC exercise. But clearly he will not be able to spell out in detail the way in which expenditure should be reduced within particular departmental budgets. This means that each policy group should itself be looking for areas in which cuts could be made and devising methods for bringing public sector spending under control in particular departments. John Nott's group will be able to do no more than suggest financial parameters. Ultimate decisions about priorities will, of course, be for Shadow Cabinet to decide.
4. I hope you will, therefore, be able to conduct your own policy reviews within this tentative framework. If you feel it necessary to recommend any particular increases in expenditure, I am sure you will appreciate the need for these to be modest, amply justified, and, of course, cleared with me and, if necessary, Shadow Cabinet.
5. It is only if we impose this kind of discipline upon ourselves that we can reasonably criticise the Government. We should be able to make a significant public relations impact if we can show to the world that we are practising, within the Tory Party, what we are preaching.

G.H.