



10 DOWNING STREET
LONDON SW1A 2AA

From the Press Secretary

Prime Minister

You might like for your papers
a copy of the text from which
Geoffrey Howe spoke this afternoon.

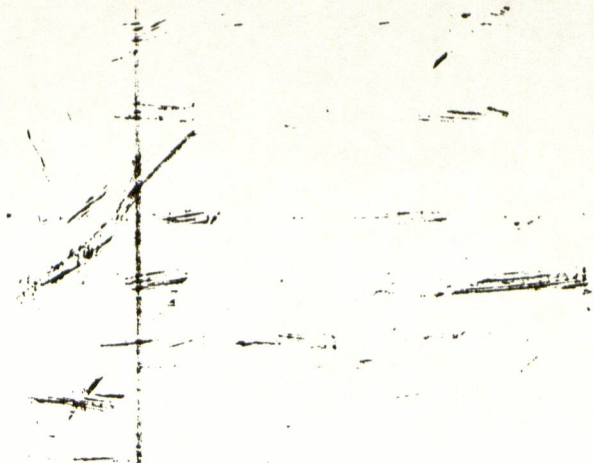
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- I find to my astonishment that no less than a quarter of a century has passed since I last spoke from one of these back benches.

- Fortunately, however, it has been my privilege to serve for the last year of that time as Leader of this House of Commons. So I have been reminded very recently, and at first hand, of the traditional generosity and tolerance of this place. I hope that I may count on that today, *as I offer to the House a statement about my resignation from the government.*



- It has been suggested, even indeed by some of RHF's, that I decided to resign solely because of questions of style, and not on matters of substance at all. Indeed, if some of my former colleagues are to be believed, I must be the first Minister in history to have resigned because he was in full agreement with Government policy.



- The truth is that in many aspects of politics, style and substance complement each other.

very often.

- They are two sides of the same coin.

MR. SPENCER,

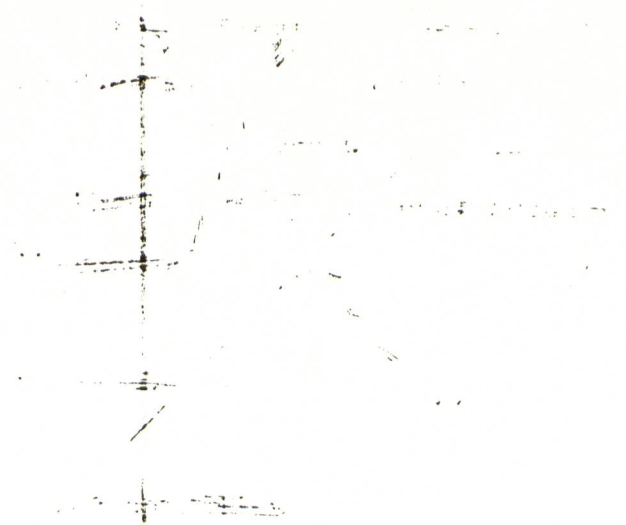
- The Prime Minister and I have shared, together, something like 700 meetings of Cabinet or Shadow Cabinet over the last 18 years, some 400 hours alongside each other, at more than 30 International Summit Meetings.

- For both of us, I suspect, that's a rather daunting record.



well

- The House might feel that something more than simple matters of style would be necessary to rupture such a well-tried relationship.





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getting it
down,
within
four years,

And, above all, to achieve such
substantial success against inflation,
_____ from ²² [] to ⁴ per cent
upon the basis of the strict
monetary discipline involved in
the medium-term financial strategy.

- It was indeed a privilege to serve
as my RHF's first Chancellor of
the Exchequer.
- To share in the transformation
of our industrial relations scene.
- To help launch our free market
programme, commencing
with ^{the} abolition of exchange control.

- Not one of our economic achievements
would have been possible without
the courage and the
leadership of my RHF the PM.
- And, if I may say so, they possibly
derived some benefit from the
presence of a Chancellor who wasn't
exactly a wet himself.



- it was, too, a great honour to serve for six years as Foreign and Commonwealth Secretary - and to share with my RHF in some notable achievements in the European Community, | from Fontainebleau to the Single European Act.

- But it was as we moved on to consider the crucial monetary issues in a European context that I have come to feel increasing concern.

- Some of the reasons for this anxiety were made very clear by my RHF, M for Blaby, in his resignation speech just over 12 months ago.



- For, like him, I concluded - at least five years back - that the conduct of our policy against inflation, could no longer rest solely on attempts to measure and control the domestic money supply.

- We had no doubt that we should be helped in that battle - and indeed in other respects - by joining the Exchange Rate Mechanism of the European Monetary System.



- There was, or should have been, nothing novel about joining the ERM. It has been a long-standing commitment. And we had found, for a quarter of a century after the Second World War, that the very similar Bretton Woods *regime* did serve as a useful discipline.

- And now, as my RHF the PM acknowledged *two* weeks ago, our entry into the Exchange Rate Mechanism *can* indeed be seen as an "extra discipline for keeping down inflation" (Ref: 30th October, Col 888).



- But, it must be said, that *this* important, practical conclusion has only been achieved at the cost of substantial damage to her administration, and, more serious *still*, to its inflation achievement.

For, as my RHF M for Blaby has explained (23rd October, Col 216), "The real tragedy is that we did not join the Exchange Rate Mechanism at least five years ago. "That was", as he also *made* clear, "not for want of trying".



- Indeed, the so-called Madrid conditions came into existence only after the then Chancellor of the Exchequer and Foreign Secretary, ^{myself, as} made it ^{clear} that ^{we could} not continue in office ^{unless a} specific commitment to join the Exchange Rate Mechanism ^{was made.}

particular - As the House will no doubt have observed, neither member of that partnership now remains in office. ^{Our} successor as Chancellor of the Exchequer has,



during the last year, had to devote a good deal of his considerable talent to demonstrating exactly how those Madrid conditions have been attained,

- So as to make it possible to fulfil a commitment, whose achievement has long been in ^{the} national interest.



13 頁

alas

- It is now, , impossible to resist the conclusion that today's higher rates of inflation could well have been avoided, had the question of ERM membership been properly considered and resolved at a much earlier stage.
- There are, I fear, developing grounds for similar anxiety over the handling, not just at and after the Rome Summit, of the wider, much more open, question of Economic and Monetary Union.



14 頁

- Let me first make clear certain important points on which I have no disagreement with my RHF's.
- I do not regard the Delors Report as some kind of sacred text that has to be accepted, or even rejected, on the nod.
- But, it is an important working document. As I have often made plain, it is seriously deficient in significant respects.
- I do not regard the Italian Presidency's management of the Rome Summit as a model of its kind - far from it.



This para
was in



15 ~~3~~

- ~~It was much the same, as my RHF
the PM will recall, in Milan,
some 5 years ago.~~
- I do not regard it as in any
sense wrong for Britain to make
criticisms of that kind, plainly //
and courteously.
- Nor in any sense wrong for us to
do so, if necessary, alone.
- As I have already made clear,
I have, like the PM and other RHF's,
fought too many European battles
in a minority of one to have any
illusions on that score.



16 ~~3~~

- But it is crucially important
that we should conduct those
arguments upon the basis of a
clear understanding of the true
relationship between this country,
the Community, and our Community
partners,
- And it is here, I fear, that my RHF
increasingly risks leading herself
and others astray | in matters of
substance as well as of style.



17 3.

- It was the late Lord Stockton (formerly Harold Macmillan), who first put the central point clearly. As long ago as 1962, he argued that we had to place, and keep, ourselves within the European Community.
- He saw it as essential then - as it is today - not to cut ourselves off from the realities of power, not to retreat into a ghetto of sentimentality about our past, and so diminish our own control over our own destiny in the future.



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- The pity is that the Macmillan view had not been perceived more clearly a decade before, in the 1950's. It would have spared us so many of the struggles of the last twenty years, had we been in the Community from the outset. Had we been ready, in the much too simple phrase, to "surrender some sovereignty" at a much earlier stage.



19 3.



20 3.

- If we had been in from the start,
as almost everyone now acknowledges,
we should have had more, -- not
less, influence over the Europe
in which *we live today.*

- We should never forget the lesson *of*
that isolation - of being on
the outside looking in - for the
conduct of today's affairs.

We have done
best when we have seen the
Community, not as a static entity,
to be resisted and contained,
but as an active process which
we can shape, often decisively -
provided we allow ourselves to be
fully engaged in it, with confidence
and enthusiasm, and in good faith.



- We must at all costs avoid presenting ourselves, yet again, with an oversimplified choice - a false anthesis, a bogus dilemma - between one alternative, starkly labelled //
- || "Co-operation Between Independent Sovereign States" // and a second, equally crudely labelled alternative, //
- || "Centralised, Federal Super-State" //
- As if there were no middle way in between.



- We commit a serious error if we think always in terms of "surrendering" sovereignty, and seek to stand pat / for all time / on a given deal, by proclaiming, as my RHF the PM did two weeks ago, that we have "surrendered enough".
- The European enterprise is not, and should not be seen, like that - as some kind of zero sum game.



23 ^B

- Sir Winston Churchill put it much more positively forty years ago, when he said:

"Is it not possible, and not less agreeable to regard" this "sacrifice or merger" of national sovereignty "as the gradual assumption by all the nations concerned of that larger sovereignty, which can alone protect their diverse and distinctive customs and characteristics, and their national traditions".



24 ^B

- I have to say, Mr. Speaker, that I find Winston Churchill's perception a good deal more convincing, and more encouraging for the interests of our nation, than the nightmare image sometimes conjured up by my RHF, who seems to look out upon a Continent that is positively teeming with ill-intentioned people, scheming in her words, "to extinguish democracy", "to dissolve our national identities", to lead us "through the back-door into a federal Europe".



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- What kind of vision is that for our business people, who trade there each day, for our financiers who seek to make London the money capital of Europe, or for all the young people of today?
- These concerns are especially important as we approach the crucial topic of Economic and Monetary Union. We must be positively and centrally involved in this debate, and not fearfully and negatively detached. The costs of disengagement here could be very severe indeed.



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- There is talk, of course, of the emergence of a single currency for Europe.
- I agree that there are many difficulties about the concept, both economic and political.
- And, of course, as I said in my own letter of resignation, none of us wants the imposition of a single currency.
- But that is not the real risk.



27 ~~2~~

- The eleven others cannot impose their solution on the twelfth country against its will. But they can go ahead without us.
- The risk is not imposition, but isolation.
- The real threat is of leaving ourselves with no say in the monetary arrangements that the rest of Europe chooses for itself - with Britain once again scrambling to join the club later, after the rules have been set, and after the



28 ~~3~~

power has been distributed by others to our disadvantage. That would be the worst possible outcome.

- It is to avoid just that outcome, to find a compromise both acceptable in the Government and sellable in Europe, ^{that} the Chancellor has put forward his hard ECU proposal. This lays careful emphasis on the possibility that the hard ECU, as common currency, could, given time, evolve into a single currency.



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- I have, of course, supported the hard ECU plan. But after Rome, and after my RHF's comments two weeks ago, there is grave danger that the hard ECU is becoming untenable.

- Two things ^{have} happened.

- The first was that my RHF has appeared to rule out from the start any compromise at any stage, on any of the basic components which all the eleven other countries believe to be a part of EMU - a single currency, or permanently fixed exchange rates, a central bank or common monetary policy.



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Asked if we would veto any arrangement which jeopardised the pound sterling, my RHF replied simply "yes". That statement

means not that we can block EMU, but that they can go ahead without us.

- Is that a position that is likely to ensure, as I put it in my resignation letter, that we "hold and retain a position of influence in this vital debate"? I fear not.



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- Rather, to do so, we must, as I said, take care not to rule in or rule out any one solution absolutely. We must be seen to be part of the same negotiation.

- The second thing that happened was, ^{I fear} even more disturbing. Reporting to this House, my RHF ^{almost} casually remarked that she didn't ~~we~~ think many people would want to use the hard ECU anyway, even as a common currency, let alone a single one.

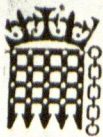


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- It was remarkable - indeed it was tragic - to hear my RHF dismissing, with such personalised incredulity, ^{very} the idea that the hard ECU proposal might find growing favour among the peoples of Europe. Just as it was extraordinary to hear her assert that the whole idea of EMU might be open for consideration only by future generations.

MR SPEAKER,

- Those future generations are with us now.



- How on earth are the Chancellor and the Governor of the Bank of England, commending the hard ECU as they strive to do, to be taken as serious participants in the debate, against that kind of background noise?

IPSEUM, I BELIEVE THAT

- Both the Chancellor and the Governor, are cricketing enthusiasts. So I hope there is no monopoly of cricketing metaphors: It is rather like sending your opening batsmen to the crease, only for them to find, the moment the first balls are bowled, that their bats have been broken before the game, by the team captain.

- The point was perhaps more sharply put by a British businessman, trading in Brussels and elsewhere, who wrote to me last week.

- "People throughout Europe", he said, "see our Prime Minister's finger-wagging, and hear her passionate "No, No, No", much more clearly than the content of the carefully worded formal texts."

- "It is too easy ^{*he went on*} for them to believe that we all share her attitudes; for why else", he asks, "has she been our Prime Minister for so long?"



- "This is", my correspondent concluded, "a desperately serious situation for our country".

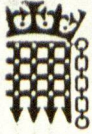
My, I have to agree.

- The tragedy is - and it is for me personally, for my party, for our whole people, and for my RHF herself, a very real tragedy - that the PM's perceived attitude towards Europe is running increasingly serious risks for the future of this nation. It risks minimising our influence, and maximising our chances of being once again shut out. We have paid heavily in the past for late starts and squandered opportunities in Europe.

- We dare not let that happen again.

- If we detach ourselves completely, as a party or as a nation, from the middle ground of Europe, the effects will be incalculable - and very hard ever to correct.

- Mr. Speaker, in my letter of resignation, which I tendered with the utmost sadness and dismay, I said that "Cabinet Government" is all about trying to persuade one another from within". That was my commitment to Government by persuasion - persuading colleagues and the nation.



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- I have tried to do that - as Foreign Secretary and since ^{But} I realise now that the task has become futile of trying to stretch the meaning of words beyond what was credible, of trying to pretend there was a common policy, when every step forward risked being subverted by some casual comment or impulsive answer.

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- The conflict of loyalty - of loyalty to my RHF the PM (and after more than two decades together, this very real) and of loyalty to what I perceive to be the ~~not~~ true interests of this nation -

that conflict of loyalty has become all too great

I no longer believe it possible to resolve that conflict from within this Government. That is why I have resigned.

- In doing so, I have done what I believe to be right for my party and my country. The time has come for others to consider their own response to the tragic conflict of loyalties, with which I have, myself, wrestled for perhaps too long.