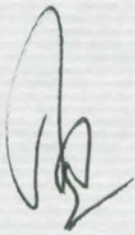


**SECRET**PRIME MINISTERLONG TERM PUBLIC EXPENDITURE PROSPECTS

MS,

1. We think the Chancellor is right to propose a ten-year look at public expenditure. This can only help colleagues towards a more realistic view of spending in the first half of the period and impress upon them the need for quite radical solutions in the social security, health and education fields.
2. Such an exercise can help shape our next manifesto. At the very least, it can help us all to see the importance of avoiding - wherever possible - wide-ranging commitments which later become millstones. If news of this work leaks, as Sir Robert thinks likely, we see this as entirely consistent with an electoral position as the only serious and "responsible" Party.\* It is also essential if we are to build up our credibility as the Party of low taxation.
3. We also think that the exercise of looking ten years ahead will be a useful discipline to Whitehall and provide a valuable perspective for the CPRS - whom Geoffrey proposes should be involved.



\* This was very much a part of our "Westwell" conclusions.

JOHN HOSKYNs