

MRS THATCHER

cc Sir Geoffrey Howe

OUR ATTITUDE TO LABOUR'S POLICY FOR PRICES

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I have the firm impression that we are taking up a slightly dangerous posture in our line on Labour's proposals for use of the Price Code.

First, we are criticising the Government for getting someone else to do their dirty work for them. Whilst it is obviously true that one can send the wrong troops in the wrong direction with the wrong weapons to fight the wrong enemy - the line you took in your speech on Saturday - it is clearly not totally undesirable to get someone else to do one's dirty work.

This is, after all, exactly what our own proposals for cash ceilings involve in the public sector, and it is not far from what would have to happen if we enforced fairly tight credit control on firms in the private sector. So we must make it clear that we are not so much opposed to the general principle of the Labour proposals as to the particular effects that they are likely to have if they remain in their present form.

The second point is that if we argue that the Labour Party are imposing statutory controls on the wrong people, penalising employers, then it is natural to ask "Who are the right victims for restraint?" The obvious answer is the unions, hence we are on the verge of advocating statutory wage controls.

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I would suggest that our line in dealing with the first point should be spelt out fairly carefully in the near future.

Mr Heseltine weighed in quite strongly in the same sense as you did in his weekend speech.

The second point is, of course, more tricky. I think for my own part that it is difficult to avoid the conclusion that some restraint on wages is needed if we believe that a dramatic rather than a gradual reduction in inflation is imperative, and that any line we take must recognise this somehow or other.

ADAM RIDLEY

7.7.75.
