



HOUSE OF COMMONS  
LONDON SW1A 0AA

SECRET

7th July, 1975

The Rt. Hon. Margaret Thatcher MP

Adam Ridley and I have been doing our best with sources of intelligence as to what the Government may have in mind. Results - mainly based on my enquiries - appear to be as follows:

1. A recognition that inflation is the overwhelming problem.
2. Comparable recognition that the real trouble arises from the fact that we are now governed by the trade unions; but they must be outflanked - and no direct challenge appears to be in prospect.
3. *Price index* Wilson's "rogue elephant" speech is regarded as characteristic, misleading and damaging - because it is another attempt to conceal:-
  - a. the true identity of the real obstacles and enemies
  - b. the inescapable necessity for reduced living standards, which the social contract has led the unions wholly to misunderstand.
4. Likely prospects include:
  - a. Some immediate cosmetic tightening of the Price Code (this conflicts with Dell's speech last Tuesday)
  - b. Some cosmetic extension of "action on prices"; "it will not be too expensive".
  - c. Possible use of the Price Code to buttress a wage limit on a deferred basis; it seems that Shirley Williams recognises the constraints on profitability and would like to see a promise of action to fortify the Price Code after there has been some delivery of wage restraint.

*from F...  
150  
less than  
inflation - ...*

5. A desperate search for substantial, although in concept cosmetic, curtailment of conspicuous consumption; petrol rationing; a tax on restaurant meals; restraints on foreign travel and so on. No increases in direct taxation would seem immediately to be in prospect.
6. There is insufficient realisation of the likely anguish of the middle classes and white collar workers if they are again required to bear the immediate brunt.
7. Yet there is some (accurate?) insight into the fact that even the middle classes would support such things, if they were intended to be for real - as a presentation buttress to unshakable resolution to withstand the union challenge.

The following things seem to follow so far as our attitude is concerned:

- a. Scepticism as to whether they are doing enough.
- b. Toleration of - but not support for - what is proposed.
- c. Non-displacement of the present Government in the immediate future, since they need to be required to drink at the fountain of truth, even if the inadequacy of their measures foreshadows failure and subsequent defeat or economic collapse before we can take up the real challenge.

*Tr.*  
White Paper.

-Print. broadcast.