



10 DOWNING STREET

THE PRIME MINISTER

The Chancellor.

These points transmitted to Sunday.
to Trans (points 2) and 3) about in Land).

① I am very worried about the reports in today's press that mortgage rates may have to go up within a few days. This must not happen. If necessary, there must be a temporary subsidy (as in 1973) for the contingency reserve to keep the rate where it is. ($11\frac{3}{4}\%$). That rate is already too high. Can you consult with Robert Walker of the Building Societies forthwith. This must be dealt with before we go to Tokyo.

② Related to the 16% MCR in the problem of state relief. One of the reasons why there is so much private sector borrowing is because the present state relief system encourages companies to convert their profits into state at below street

time. We must change the state health
relief system before next year.

(2) I hear increasing criticism about the
way the girls' medical is being handled.

M.T.