



HOUSE OF COMMONS  
LONDON SW1A 0AA

Box  
Then  
US file

5th August, 1977

*Dear Mayor*

You will have seen the fairly full reports which Adam Ridley has prepared of our talks in Washington.

In our brief meeting over drinks with Peter Jay, it was clear that he was likely to be at ease in the job. Many members of the Administration on the economic side were personal friends of his and his early involvement in David Owen's recent Rhodesian negotiations had given him an early opportunity of going in at the deep end.

He gave the impression that he was trying hard to maintain the arrangements for your meeting with Carter. His assessment of the outlook for the US economy was much the same as our own.

Stephen Barber of the Daily Telegraph, who is involving himself in the politics of your meeting with Carter (and whom we met at a dinner party) struck both Adam and I as a garrulous and self-important man.

On the US economy, we were impressed by the extent to which Arthur Burns and the formidable array of Republican economists at the American Enterprise Institute saw the conquest of inflation as a difficult longterm task, even in the context of their much healthier economy. Some of these people (~~including~~ Senator Church) were more worried than the Administration about their country's current account deficit and the oil implications.

We were asked by a number of people what could be done (by Britain as well as the United States) to contain Euro-Communism. They were obviously impressed with the line that you have been taking on defence and more generally in your Roman speech.

So far as the United Kingdom was concerned, although they were impressed by the turn-round of our balance of payments, they were still unhopeful about our future because the disincentive nature of our tax system seems to them beyond belief. I am sure that the United States would welcome from you a renewed expression of our determination and cautious optimism: responsible handling of our oil resources, restoration of incentives, de-regulation, on the basis of increasing common ground about some other economic policies.

Most of them clearly want us to win; but I was depressed by the frequency with which we met the same old cry: "How can you be confident that a Conservative Government will be able to deal with your dreadful unions?"

In haste before I leave  
for London!

The Rt. Hon. Margaret Thatcher M.P.

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J —