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1. Mr. Whitmore
2. Pami Minister

Original in Defence May 19
The Defence Budget.

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11th January 1980

Pami Minister.

Dear John,

I mentioned this to you this morning.

Treasury officials have drafted a tough reply, but I have suggested to the Chancellor - and he has agreed - that you and he should discuss this when you meet on Thursday morning and that in the meantime no answer should be sent.

PUBLIC EXPENDITURE

In the light of the Prime Minister's minute of 14th December I have considered very carefully whether I can offer any further reductions in the defence budget.

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I have to tell you that I cannot. The economic objectives towards which the Government is working have always had my complete support, and I fully accept that no programme can claim privileged exemption from the present search for further savings. But the figures to which I am now working are, as you know, very substantially below the bids I considered necessary. The cash limit is really hurting this year - despite the help I was given earlier. For next year I am faced with one which will be very tight and which seems only too likely to exert a further squeeze even on the reduced volume figure I had to accept last autumn. You are already aware of the difficulties of financing the defence programme in the following years. I am striving to eliminate waste. But all the savings I make will be needed to improve the effectiveness of the forces.

/ Indeed ...

The Rt Hon John Biffen MP

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Indeed, I have had to consider, given particularly the recent changes in the world scene, whether to ask for an increase in my planned budget. I have concluded that in the light of the current economic situation it would be wrong for me to do that. But I believe that what we should be considering is whether the Government is doing enough for defence rather than whether we should spend less. I believe that to renege on the 3% increase for 1980/81 or to show a lower rate of increase than we have already agreed upon for the later years would perplex our Allies and supporters, as well as affect the morale of the Armed Forces, in a way which could be seriously damaging to the Government's standing both at home and internationally. The credibility of our commitment to defence is something which we must not put at risk.

I am sending copies of this letter to the Prime Minister, the Chancellor, and Sir Robert Armstrong.

Francis Pym
Francis Pym

Francis Pym

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