

PRIME MINISTER

I understand from the Chancellor of the Exchequer's Private Office that a meeting which took place ^{this evening} between the Chancellor and the Defence Secretary about savings which might be made on the defence budget has proved abortive.

Mr. Pym told the Chancellor that he was, with great difficulty, prepared to find £50 million within the present defence budget but that he would have to reserve his position on the question of cash limits. (The Chancellor's office were not clear on the point, but so far as I recall this is £50 million per annum rather than £50 million in sum.) The Chancellor responded that given the difficulties he was having in finding the savings earlier envisaged by Cabinet, the Defence Secretary's offer was so distantly removed from what the defence budget would need to produce as to be unnegotiable. The Defence Secretary's proposal was "not in the same ballgame" as what the Chancellor required. There was no further point in continuing the discussion.

The meeting, I understand, ended on this note.

23 January 1980