

PRIME MINISTER

John
Econ Pol. Pt 19

Public Exp + cash
limits

Statement on the Defence Estimates 1982

Leon Brittan's office have been on to me about table 2.2 in the draft Defence White Paper (at Flag A) which is for discussion at OD on Thursday.

Leon Brittan believes that the inclusion of this table, which gives comparisons in constant prices ~~in real terms~~ between defence expenditure totals in successive White Papers, is inconsistent with the move to cash planning, in precisely the way which the education figures were - and which led you to comment on Sir Keith Joseph's letter of 12 March (Flag B).

Leon Brittan further argues that inclusion of this table in its present form will lead the reader to infer that defence expenditure is planned to rise (from £13.147 billion in 1982/3 to £13.792 billion in 1984/85) slower than the 3% annual average NATO target. On this ground alone, therefore, he thinks it would be better omitted.

He wonders whether you would be prepared to authorise me to write to Defence on the lines of my letter to Education (Flag C). Agree this? If this approach is not accepted by Mr. Nott before Thursday, Leon Brittan will wish to raise the matter at OD. I understand that if he cannot secure the omission of the table, as a fall-back he will go for its inclusion on a "cost terms" basis - i.e. with the prices deflated by the GDP deflator.

MES

30 March 1982