



MO 8

PRIME MINISTERLONG TERM PUBLIC EXPENDITURE

In your minute of 4th February you asked all Ministers with responsibility for public expenditure to review their programmes critically with a view to contributing to a substantial reduction to public expenditure in the longer term.

2. Our policy on Defence expenditure is clear. We are committed to the NATO target of 3% real growth to 1985/6. We shall need to decide later in the year whether to carry forward this commitment for a further financial year in the light of our defence needs and the implications for the Alliance if we were to default on the 3%. Looking beyond this, I do not see how reductions in Defence expenditure could be reconciled with the policy of strengthening our defences which we have adopted since taking office and which I assume we shall be putting to the electorate at the General Election - in stark contrast to the approach of the Opposition.

3. I shall, of course, be reviewing the programme, and the way in which we use our manpower and other resources, over the months ahead with the aim of securing maximum efficiency and value for money within the agreed defence budget. I shall be seeking to push into the front-line as many of the available resources as possible. I do not believe, however, that you will be looking to me to contribute reductions in expenditure.

REC NO 16

Prime Minister 2

Another nil return.

mf

Ms 31/3



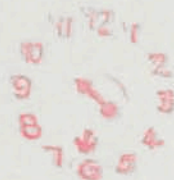
4. I am copying this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Chief Secretary to the Treasury and to Sir Robert Armstrong.

*WMA*

Ministry of Defence  
30th March 1983

CONQUEROR

31 MAR 1987.



CONDIMEROL