THE SECRETARY OF DEFENSE
WASHINGTON

DOC 24

Dec 2, 1977.

Dear Mr. President,

If the Evans and Novak article of today had been my story, it would have looked a great deal more like the attached memorandum.

Respectfully,

Harold Brown

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

~~CONFIDENTIAL~~

December 2, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The U.S. Defense Budget

The attached set of charts (in constant FY 79 dollars) is worth your consideration in approaching the FY 1979 U.S. Defense budget. It shows the following:

-- The Congress has (Fig. 1) cut substantially the Defense budgets submitted by the President every year for the past ten years. The enacted budget is what our Allies and adversaries look at as the financial index and, for many observers, the index of our military posture.

-- Under any projection shown (Fig. 2), your budget would meet or better the criterion of being lower (in 1979 dollars) by $5 to $7 billion than the FY 79 Defense budget figure submitted by former President Ford with his FY 78 budget.

-- A FY 79 budget recommendation at the lowest figure proposed would be less than your FY 78 amended budget request, with obvious SALT, NATO, and domestic political consequences.

-- In this connection, the historical comparison of defense-related outlays with those of the U.S.S.R. is instructive. I mentioned it to you late last month, and it is shown in Fig. 3. Outlays both lag in time and smooth out the changes in budget TOAs. A comparison of investment outlays (procurement, RDT and E, construction) is even more unfavorable to us. The numbers are not exactly comparable with those of Fig. 1, but it is the trends that are important.

We have emphasized in the formulation of the FY 79 U.S. Defense budget the strengthening of the forces immediately assigned to NATO, and I believe the composition of the budget I will propose reflects this emphasis. However, an attempt to segregate costs for this purpose would be of very limited meaning. In the event of conflict, all available forces -- including our strategic forces and even our Pacific fleet --

would be utilized to achieve NATO objectives. In dealing with our NATO Allies, any attempt to focus on only some fraction of the U.S. Defense budget as meeting our commitment "to raise the level of defense spending by approximately three percent per year in real terms along with our Allies" (PD-18) would, in my judgment, negate our efforts to put them on that road.

Harold Brown

Attachments

P.S. I am continuing to examine the budget on a ZBB, item-by-item basis. The above considerations should appropriately be applied when we consider the defense budget as a whole.

HB

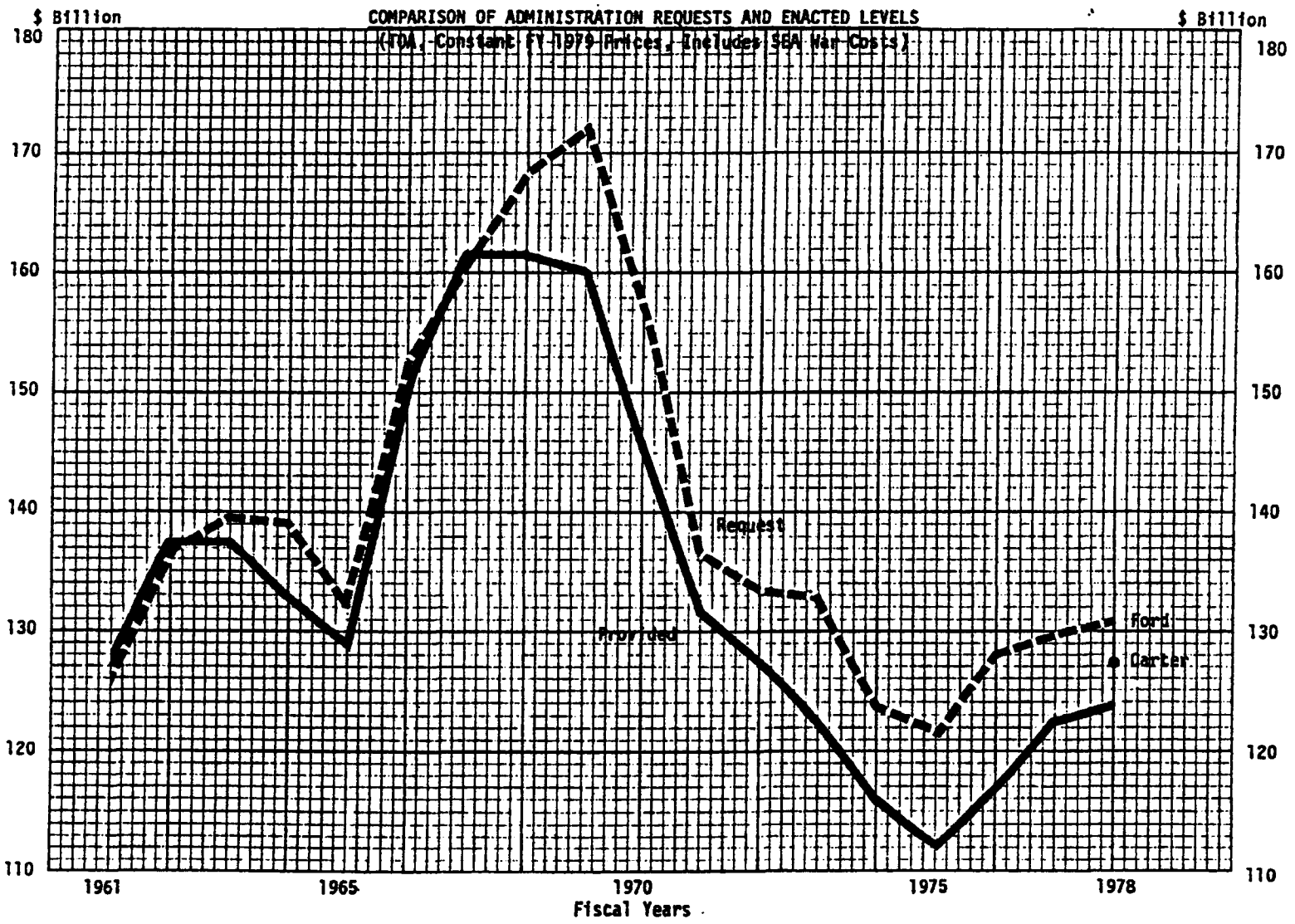

FIGURE 1

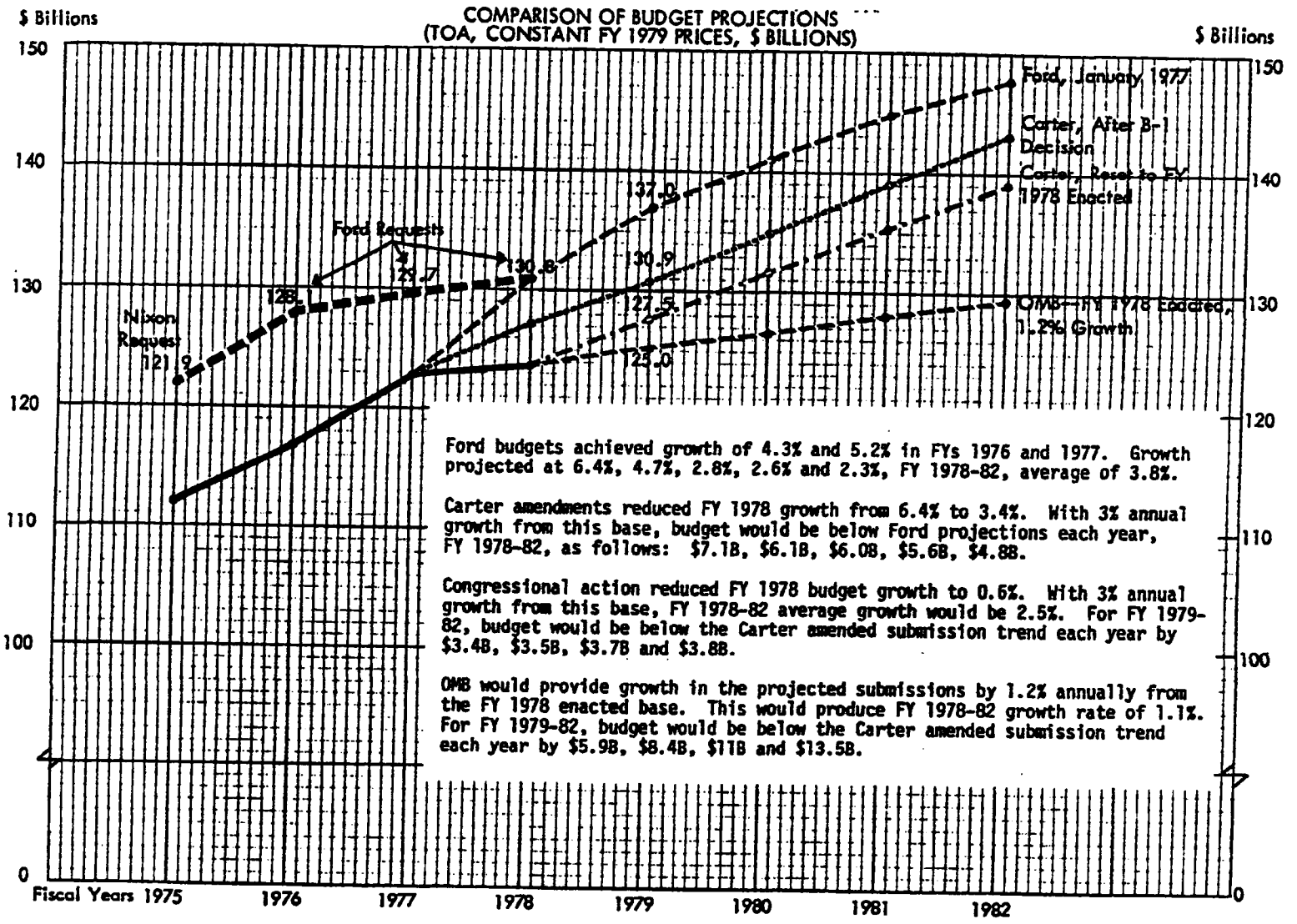

FIGURE 2

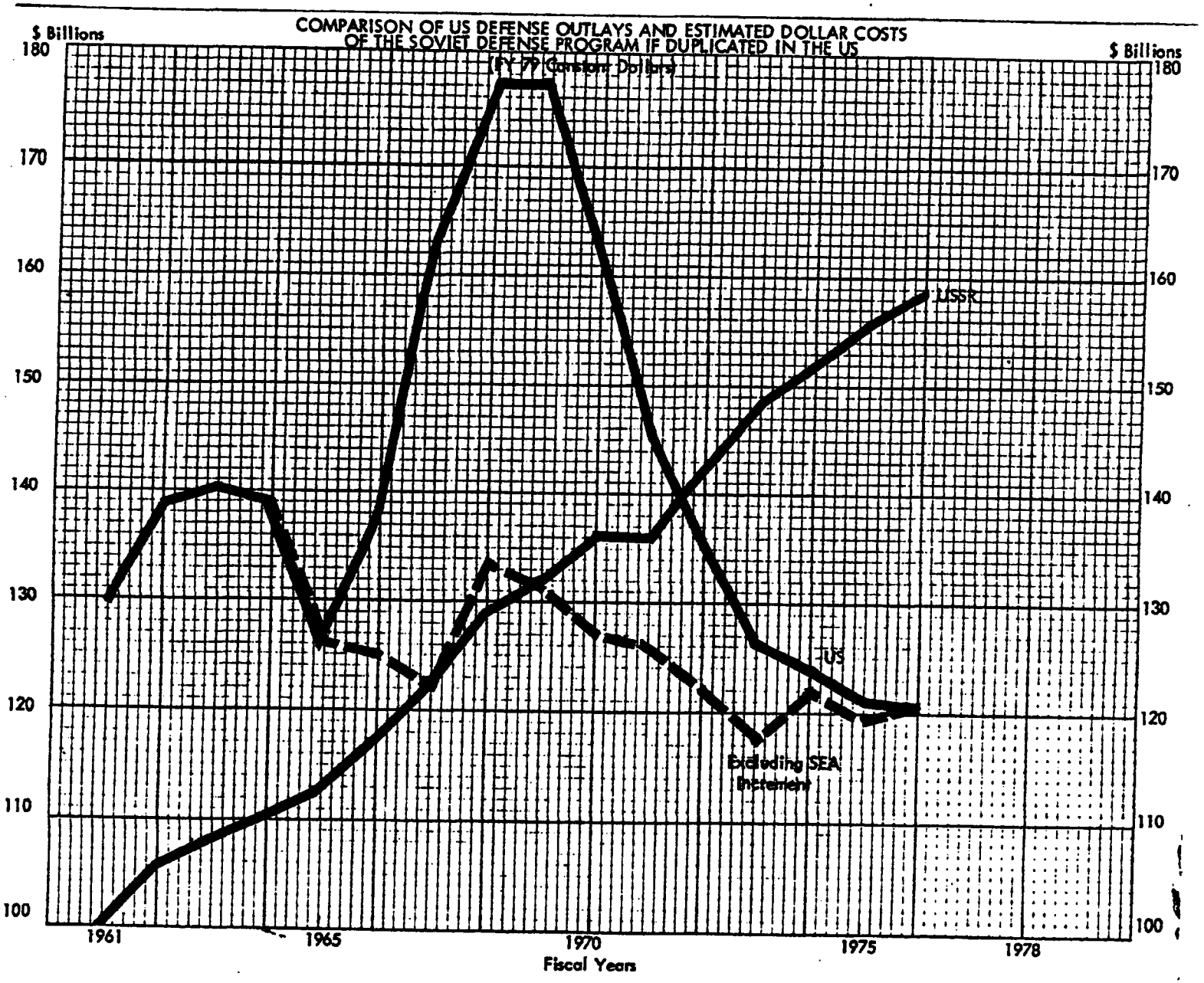

FIGURE 3