

## MEMORANDUM

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## NATIONAL SECURITY COUNCIL

DECLASSIFIED IN FULL

Authority: EO 13526

Chief, Records &amp; Declass Div, WHS

Date: SEP 07 2018

July 20, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: RICHARD T. BOVERIE

FROM: ROBERT W. HELM

SUBJECT: Defense Budget

Office of the Secretary of Defense  
Chief, RDD, ESD, WHSDate: 02 Sep 2018 Authority: EO 13526 + 5 vsc 6 552Declassify: X Deny in Full: \_\_\_\_\_

Declassify in Part: \_\_\_\_\_

Reason: \_\_\_\_\_

MDR: 18-M-1707Issue.

A major national security issue is represented in the dispute between OMB and DOD regarding the proper topline planning level for the FY 1984 and FY 1985 defense budgets. The Congressional Budget Resolution assumes significant reductions from the President's original defense budget request and projections for FY 1983 through FY 1985. The reductions in budget authority (BA) and outlays are:

(\$ billions)

FY 1983		FY 1984		FY 1985		Total FY 83-85	
BA	0	BA	0	BA	0	BA	0
-11.4	-9.0	-13.6	-11.6	-16.3	-15.0	-41.3	-35.6

In negotiations with Senate leaders, the President agreed to accommodate the FY 1983 defense budget reductions but he did not commit himself to the FY 1984 and FY 1985 reductions. On this basis, Secretary Weinberger intends to use the original topline for defense spending projected in the FY 1983 budget as the DOD guide in preparing the FY 1984 defense budget. He has stated that cuts of the magnitude represented in the Budget Resolution would make it impossible for the Administration to achieve its defense policy goals.

Stockman argues from a political and economic perspective. His budget scenarios show chronic deficits perhaps exceeding \$100 billion annually and cites the political/economic importance of showing a pattern of steadily decreasing deficit spending. He further argues that Congress understood the President's general

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Review on July 20, 1982

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PL, ES, USC, July, 81-85, Budget, Reference (04/10/1982 - 07/25/1982) b7c 20

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support for outyear reductions to include defense. Finally, Stockman maintains that failure to adhere to the Budget Resolution for FY 1983 only would reopen the entire question of spending limits for the entire budget and destroy public confidence in the Administration's commitment to reduce the deficit.

#### Discussion

It's regrettable that two of the highest Administration goals -- rearming America and economic recovery -- are continually pitted against each other. No good, for either the Administration or the Country, can come from prolonged wrangling over this issue. What is required is that the principals mutually agree on a solution which keeps faith with the Administration's basic defense and foreign policy objectives while not aggravating the economic problem. It is also desirable that this be done in as low key and nonpublic manner as possible.

There is no simple solution to this problem but a few realities and sensitivities regarding the issue of defense spending need to be kept in mind. Taken together, they help develop the scope of the issue.

1. Any change in defense spending guidance should be based upon an assessment of defense needs and national security threats, not an arbitrary Congressional target which was primarily the product of political bargaining.
2. There is nothing sacred about the defense number contained in the Budget Resolution. As opposed to the budget submission, which was the product of the DOD resources management process, the defense number in the Budget Resolution was literally picked out of the air by House/Senate conferees. Furthermore, there has yet to be an example of Congress adhering to its targets once the outyears become the current year.
3. The argument that going down to the Budget Resolution for defense would somehow alleviate Congressional concerns is unrealistic. Whatever level is contained in the FY 1984 budget submission for defense will inevitably be used as the new starting point for additional Congressional cuts. If Congress desires to cut down to the Budget Resolution for defense, it should do so as it considers next year's request. The Administration should not subject its defense planning to jeopardy in advance by immediately dropping to the Budget Resolution levels.
4. The economy is very important in real world considerations, but so is the international security environment. The threats to U.S. national security have not changed since January, 1980. The Soviet defense build-up continues and instabilities in other regions of the world continue to proliferate.

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5. Our allies and adversaries watch our defense budget very carefully. Both are affected by perceptions that U.S. defense planning is consistent and committed. Nothing can be chipped in marble in today's economic situation. Defense planning must also be subject to some flexibility in line with fiscal realities. But we cannot hope to present a consistent defense effort to the world when it appears that the deficit can be used to chase defense spending all over the place.

6. Our defense plans are more than just level-of-effort funding like most social programs. We are trying to achieve a specific national security capability by a specific time. This demands that we adhere to a certain program and funding consistency.

7. The defense budget cannot be constantly at the mercy of the deficit. Two revisions in the Administration's defense plan have already been made because of budget pressures. It is worth wondering how many reductions in the original Reagan defense plan will be needed before DOD will be acknowledged to have done its bit for reducing the deficit. The defense program is not supposed to be simply a tool for balancing the budget.

8. A third deep cut and another round of program revisions is not desirable. It destroys efficient planning and undercuts the Secretary of Defense's ability to cut hard bargains with the Services since they begin to expect future additional cuts and start to hold out in order to have bargaining power in the future. The defense budget must be made in the DOD, not OMB. Secretary Weinberger's management credibility in the DOD must be strengthened by making it clear that his topline budget guidance is firm.

#### Summary

Other points regarding the defense budget could be mentioned, including the drawbacks of using outlays as a defense management tool, the way the Reagan program is moving towards the Carter levels, the limited flexibility we have in changing our strategy and commitments to live with falling defense spending implications, and the implications of the large OMB-proposed cuts for readiness and defense modernization. These all supplement the realities and sensitivities that have already been mentioned.

It is, however, vital that a definitive intra-Administration decision on this matter be reached quickly and adhered to in the future. At all costs, the Administration must avoid a repeat of last summer's publicized arguments between Weinberger and Stockman. This issue must be resolved in a nonpublic forum. Constant budget revisions erode public confidence in the Administration's defense planning process and promote further Congressional changes. Both Stockman and Weinberger need to be given a Presidential directive on this matter which will not change.

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