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Ch. XV (28)

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

16 JUL 1971

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Fiscal Year 1973 Defense Spending

We are continuing the critical review of the programs submitted by the military departments and the Joint Chiefs of Staff for Fiscal Years 1973-77. On the basis of detailed earlier analysis, I had asked them to develop programs at a $79.6 billion level for FY 73. Although we will not complete a thorough assessment of the latest Service and JCS submissions until September, my preliminary review strongly suggests that the $79.6 billion level will not be adequate to support sufficiently your foreign policy objectives. I currently believe we shall need Defense outlays in the range of $82 to $83 billion in FY 1973.

My concern over the adequacy of the $79.6 billion funding level is derived in part from some of the specific force reductions the Services have proposed to take in order to bring their programs within the prescribed fiscal level, and in part from the judgments the Service Secretaries and the Joint Chiefs have made about the capabilities of the proposed resultant forces.

An FY 73 Defense Budget of $79.6 billion would result in reductions from current Defense force plans such as:

- Reducing budgeted military strength by 225,000 from end FY 72 to FY 73.
- Reducing the strength of Marine infantry battalions by 25 percent.
- Reducing the active Army baseline strength another 1/3 division, plus a separate brigade and the support units needed to sustain a division in combat.
- Reducing the tactical sorties capability per aircraft 20 percent to save on crews and maintenance.
- Reducing Naval combat ships committed to NATO for availability on short notice (category A) from about 200 to 155.

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. Retiring the amphibious lift ships needed to deploy one Marine brigade -- a reduction of 25 percent in our amphibious lift capability.

. Reducing total Naval ships from 660 to 540.

The Services' and JCS comments, in addition, contend -- based on a $79.6 billion FY 73 budget:

. We will be hard pressed to meet current NATO reinforcement plans and must put unprecedented reliance on reserves to meet early deployment requirements.

. Our ability to control the seas would be seriously jeopardized in the event of a major Soviet effort to interdict the lines of communications in the Atlantic.

. We will have insufficient Naval forces to support sustained operations in the Mediterranean while providing protection for the sea lanes in the Atlantic.

. The United States is reaching a position where we may be unable to prevent nuclear coercion because of the growing nuclear strength of the Soviet Union.

. During a Warsaw Pact aggression against NATO, adequate tactical air forces will not be available for a strategic reserve, assistance to allies, or conducting minor contingency operations.

In my critical review of the proposed Service and JCS programs, I shall be seeking ways to improve the capability and readiness of the forces while preserving essential modernization programs. I shall carefully appraise the capability of the resulting forces and would hope to have an early opportunity to review the results with the Defense Program Review Committee (DPRC).

My concern with the adequacy -- or more to the point -- inadequacy -- of the $79.6 billion program is reinforced when we compare it with the real Defense buying power of the FY 64 DOD program, the last pre-Southeast Asia year. As a result of inflation and, in particular, the sharp increase in the cost of military and civilian manpower (7 pay raises in the last 8 years), over $90 billion in DOD outlays would be needed in FY 73 to buy the Defense forces and the rate of modernization we had in FY 64. Every Defense budget since FY 1968 has been below the FY 64 level, after the incremental costs of SEA are discounted. The cumulative deficits are in excess of $30 billion, yet the threat, particularly from the Soviet strategic and general purpose forces, is much greater today.

The $79.6 billion budget for FY 73 would give us about the same real Defense buying power we have in the FY 72 program. This accounts for added pay raises, inflation, the all volunteer force program, less the $3.5 billion reduction assumed in the incremental cost of the war in SEA.

If national security requires the forces, modernization and readiness corresponding to a $82-83 billion program but the economy and the total Federal budget require lower Defense outlays, we may have to consider such steps as reducing or delaying the civilian and military pay increases (which will cost us $2 billion in FY 73); foregoing the planned increase of $1 billion in our FY 73 program to reach an all volunteer force (and as a result delay our achieving this goal); carrying out extensive base closures; and reducing our air and logistics support levels in SEA. Once the necessary Defense programs are established for the next five years, we would have some fiscal flexibility to shift expenditures from FY 73 into FY 74. But we must recognize that such actions only have a temporary effect, and in fact would complicate our Defense planning for FY 74 and the years beyond.

I understand the importance of meeting the national economic goals of full employment and relative price stability. I will, of course, work with George Shultz and the DPRC to identify and assess the risks associated with Defense programs at various expenditure levels. I thought it essential, however, as you review the current FY 73 budget planning status, to let you know of my concern that $82-83 billion in outlays will be needed to provide adequate support for your foreign policy and the other Defense program goals you have enunciated.

Melvin R. Laird