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THE SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

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Gen Jones Has  
Gen Rogers On  
Gen Allen Sad  
ADM Hayward H  
Gen Wilson G  
ADM Turner Has

FY-8  
and

Doc (107)

August 13, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: The Defense Program--Request for Guidance

This is the memorandum promised you in my note of August 7. Its purposes are to report to you on progress to date on the formulation of the FY 80-84 Defense five-year program and, more importantly, to obtain your guidance as we move to the next step in this process which so vitally affects the security of our country.

As was explained in my note, I directed the preparation this year of balanced five-year defense programs at three different fiscal levels, to permit comparison of how much change in military forces (and, as a result, in military risk) each involves--not only the effect during 1980 - 84, but implications for subsequent years as well.

The three fiscal levels used are termed the basic, enhanced and decremented. The basic level was developed last November in coordination with OMB, by starting with the \$126 billion you requested for defense for FY 79, plus real growth of slightly under 3%, plus a 6% allowance for inflation based on the estimates then available. The resulting level in FY 80 is \$137.6 billion in FY 80 dollars (although it does not adequately allow for the inflation rate now forecast, as is noted more fully hereafter).

The enhanced level adds approximately 4%\* to the basic defense program for FY 1980, with slightly greater additions in each intervening year so that the enhanced level by FY 1984 is 6% greater than the basic. The decremented level is calculated in a converse manner--it is 4% less than the basic in FY 1980, 6% less by FY 1984. These three program levels (covering a range of some \$95 billion in total program through FY 1984) permit us to consider a reasonably wide range of defense programs, and to have a better understanding of the implications of different levels of the Defense program.

The next step is one of particular importance. The three are program benchmarks to define what capabilities would be added at the higher level or sacrificed at the lower. Recognizing the other claims on our national resources (though no other claim can match in importance that of protecting our physical security), I need your guidance as to what the level of the Defense program for the next five years, and the budget for the next year.

\*The enhancement was obtained by adding 5% for FY 1980 to the Service programs which do not affect such other fixed DoD accounts as retirement pay, and raising it annually up to an increase of 9% for FY 1984. Because these enhancements affected only part of the DoD budget, the divergence from the basic level DoD budget is only, as noted, 4%-6%.

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is to be. Your selection of a level now, followed by my staff's preparation of the balanced program corresponding to it, will lead to the final step in the process: preparation of the FY 80 budget for submission to the Congress next January.\*

I have prepared this memorandum in three parts. The first summarizes briefly the present military context in which your decision will be taken and the trends which have led to that military posture.

Part II, the main portion, summarizes the conclusions from eight months of intense effort by me and many others in the Department, including the Office of the Secretary of Defense, the JCS, and the Military Departments. It describes the implications, mainly in hardware and force structure terms, of the choice of one or another level of five-year defense program--what really happens to our forces and defense capability, and what particulars, if you decide to expand or contract the commitment to the country's defense.

Finally, in Part III I have appended my thoughts on the domestic and international considerations of a nature not entirely military which bear on the implementation and the effects of the defense decisions which you take.

## I. BACKGROUND FOR DECISION

### A. The Military Balance

Our military capabilities relative to the Soviets' are still in the zone of "essential equivalence" that you directed in PD-18\*\*, but the general trend of the military comparison is quite unambiguously against us, and is widely recognized as such both here and abroad.

This degradation is not due to any sudden surge on the part of the Soviet Union. The Soviet Union has been increasing its defense expenditure in real terms at a steady rate of 3% to 4% every year, compounded, for the past 20 years.

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\*These programs of course represent only three specific points on a continuum of possibilities. Because of the large effort involved, I have not tried to build other properly balanced programs intermediate to these. By presenting these three as points of reference, we will be able to accommodate quickly any intermediate level you might choose now, or adopt later.

\*\*"The United States will maintain an overall balance of military power between the United States and its allies on the one hand and the Soviet Union and its allies on the other hand at least as favorable as that that now exists."

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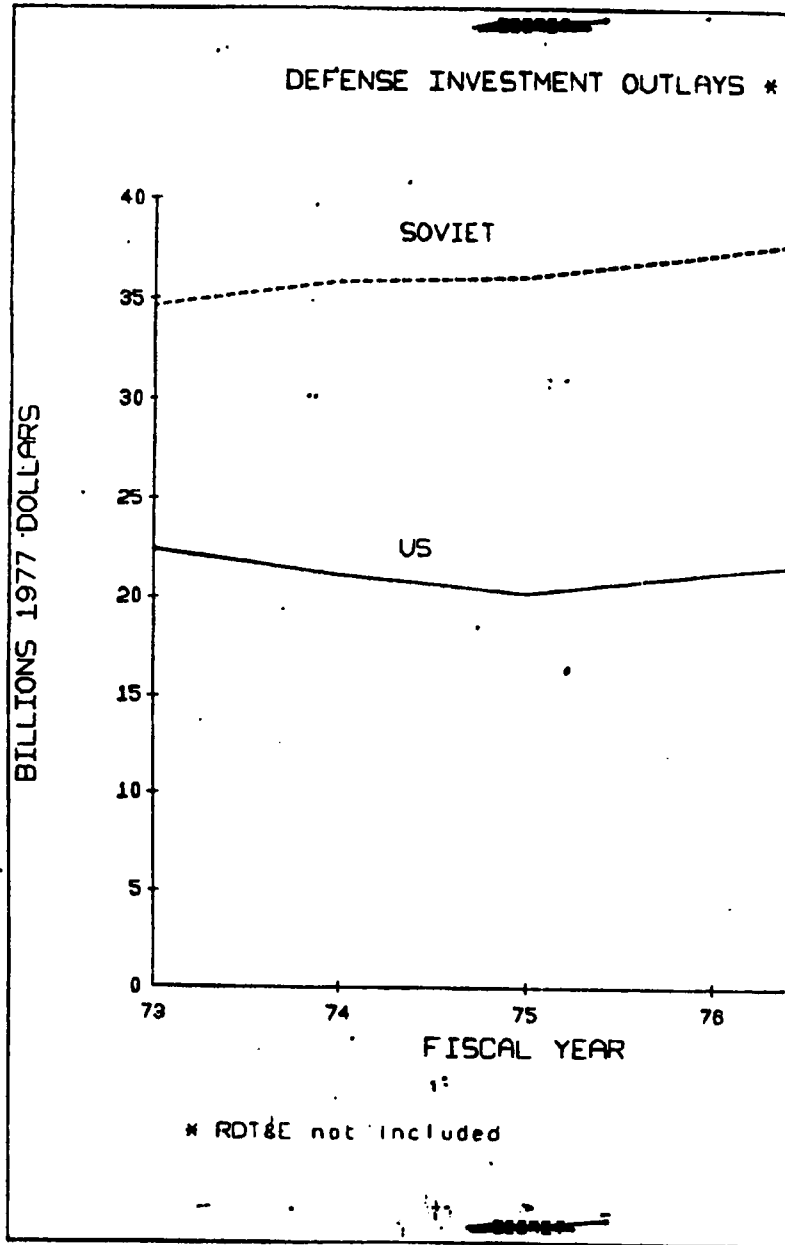
What we are seeing today is the cumulative payoff of those many years of steady effort on their part--an effort whose persistence is matched only by its breadth. In strategic offensive forces, the Soviets have deployed new ICBMs, SLBMs, and manned bombers, with a large and continuous R&D program for the future. In strategic defensive forces, they have a serious civil defense effort, are deploying new SAMs and interceptors, and continue R&D in the ABM field. Their theater nuclear forces now include camouflaged mobile SS-20s, able to strike all the capitals of Europe, deployed in the Soviet countryside. In land forces, they have deployed large numbers of new tanks, armored personnel carriers, self-propelled artillery, and attack helicopters. Their tactical air forces used to be limited primarily to defense; but now they are being equipped with offensive aircraft more nearly like ours. The Soviet Navy, having moved well beyond coastal defense, now is taking tactical aircraft to sea, and developing modern ships and landing craft for amphibious assault. The pattern of growth seems to touch all areas of the Soviet armed forces and though there may be doubt as to its purpose, there can be no doubt whatever as to its presence.

The Soviets now spend substantially more on defense than we do--this year 20% to 40% more, depending on how the calculation is made. In terms of that portion of defense spending that represents investment in military weapons and R&D, the Soviets are outstripping us even further. Much more of our Defense budget than of theirs, of course, goes simply pay and retirement. Their investments in military forces, as measured the hardware output, are about double ours. (See Figure 1, page 4.)

Overall spending is a crude measure, representing a combination of present capabilities (current accounts) and the piling up of future one (investment accounts). But its very crudity makes it the simplest and most visible measure of military power. And we see the cumulative effect in many specific additions to Soviet military capability, as noted above. At the same time, over the same twenty-year period, our defense spending in real terms, after rising because of costs of the Vietnam War, has steadily declined. (See Figure 2, page 5.) It now is lower than it was when John Kennedy took office. Our Army has fewer personnel than it did before the Korean War. Our Navy has fewer ships than at any time since before World War II.

I do not wish to sound unduly pessimistic. I fully recognize that there are other factors--for example, the contributions of our allies and the fact that some Soviet forces are stationed on the PRC border--that tend to mitigate the trend toward imbalance. I am concerned, however, not just by the current balance but by the trends. They do, in my opinion involve increasing military risk to the security of the United States. (See Figure 3, page 6.)

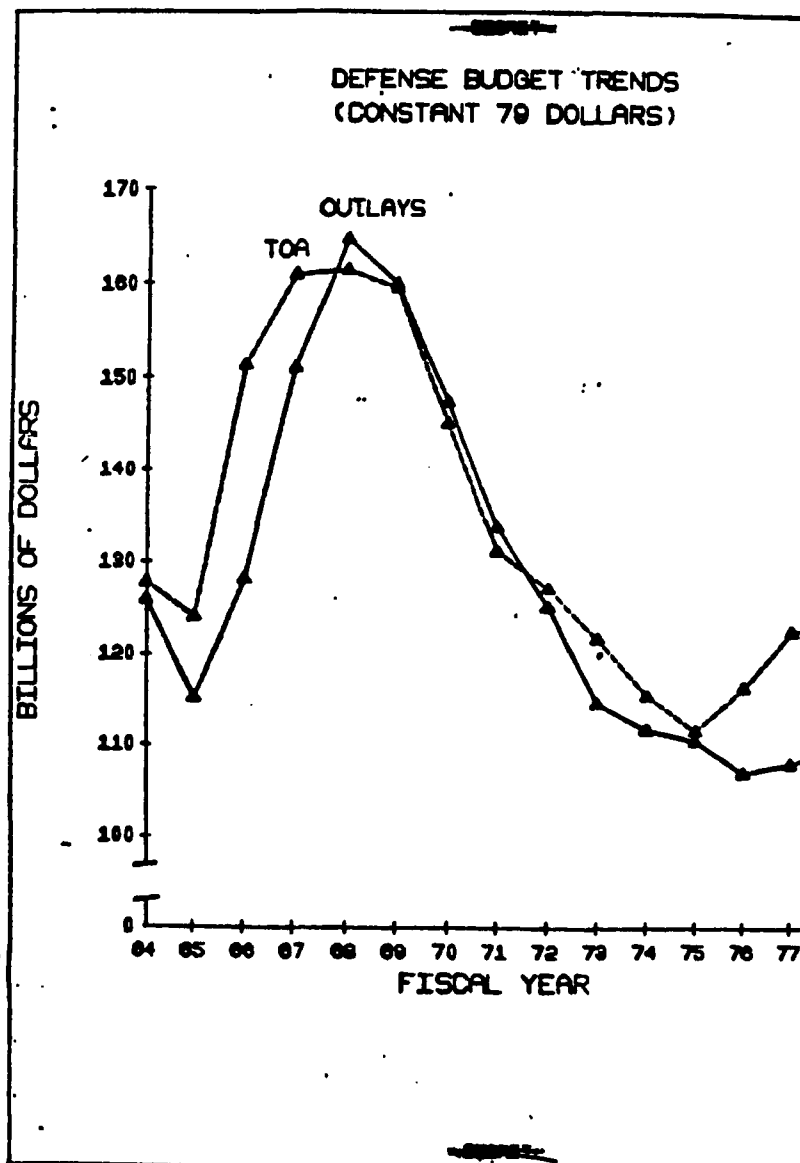
Figure 1



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Figure 2



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