

~~CONFIDENTIAL~~

THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

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December 12, 1984

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Defense FY 1986 Deficit Reduction Plan
(051 Military Functions only)

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WH
Date: AUG 22 2018

Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 22/11/16/2013 Authority: EO 13526 + 5 U.S.C. § 552
Declassify: X Deny in Full
Declassify in Part
Reason:

MDR: 18-M-1732

I. As we discussed previously, the DoD can contribute \$6.0 billion in outlays in FY 1986 as part of your deficit reduction program (approximately \$8.0 billion in BA). The reductions would be achieved as set forth in the table below, which also shows the effect of such reductions in the next two Fiscal Years. The reductions for 1987 and 1988 that are shown below are from the Rose Garden figures agreed upon earlier this year.

II. However, I feel that it is essential that we keep faith with our military personnel. Our original promise to them, which thus far we have kept reasonably well, was that we would restore their pay, which as you know had fallen to extremely low levels in the 70's and then try to keep it comparable to civilian wage growth. If we should have a military pay freeze in 1986, military pay would lag behind civilian wage growth by over 12½%, caused partly by a failure to meet civilian wage growth in prior years.

Therefore, I propose that you approve a 5.8% catch-up military pay increase beginning on July 1, 1985. It would then be reasonable to freeze military pay through FY 1986, which would correspond to the freeze period proposed by OMB for other programs. In addition to fairness to our troops, we have to remember that with the economy improving, and unemployment decreasing, recruiting and retention will be more of a challenge to the presently highly successful all-volunteer system.

III. I strongly urge that you do not now announce or print large budget authority or outlay reductions for Fiscal Years 1987-88. As you know, it is impossible to guess with any accuracy what defense needs will be 30 to 40 months away. We all hope that the arms reductions negotiations may enable us to make some additional reductions from the Rose Garden levels provided the world situation stays relatively stable during Fiscal Years 1987-88. However, announcing now the 55 to 60 billion dollar cuts in defense that are proposed would send the worst kind of signals to our Allies and to the Soviets on the eve of these arms reductions talks. Therefore,

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in original

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SEC DEF CONTR No. X33279

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OFFICE OF THE SECRETARY OF DEFENSE

December 12, 1984

Memo For Ed Meese

Ed--

The attached is forwarded per our conversation.

H/CAF

Cap Weinberger

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