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WASHINGTON Office of the Secretary of Defense
Chief, RDD, ESD, WHS

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MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK
SUBJECT: FY85 Defense Budget

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: AUG 21 2018

Issue

The handling of the FY85 defense request will be critical to the continued success of our efforts to rearm America.

Facts

Despite media criticism and Congressional resistance, your program to rearm America has been largely successful in reversing the erosion of U.S. military capability. Cap has been your tireless standard bearer in this effort. However, we are now witnessing increased public and Congressional concerns regarding the impact of defense spending on the deficit and continued economic recovery.

In FY83 and FY84, DOD estimates that Congressional reductions to your defense requests total \$32 billion. While we have been able to sustain key defense initiatives, Congress is resuming its old habits of cutting personnel, reducing readiness and training, and stretching-out defense modernization programs. Cuts of this magnitude and nature have had an impact on the pace and scope of our multiyear defense program. Many original goals are now "out of synch" with available fiscal resources.

Because of Congressional reductions in FY84, the DOD FY85 budget guidance now represents a one-year increase of \$60 billion and real growth of 17 percent. Since our efforts to achieve a 10 percent increase this year were unsuccessful and extremely divisive, a FY85 defense request representing 17 percent real growth is politically unrealistic. Consideration must be given to readjusting the DOD FY85 budget topline guidance.

Discussion

Correct handling of the FY85 defense request will be an important tool in the multiple goals of consolidating your continued leadership of the national defense agenda and sustaining your program of improvements in U.S. military capability, exhibiting

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LC, CW Papers, Box I: CL 728, DoD, Subj File, 1983, Defense Spending
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a defense program around which Republicans can rally, reestablishing the national consensus for improving security, and placating concern about the impact of defense spending on the deficit.

Rather than pitting ourselves against Congressional unwillingness to fund large increases in the defense program, we should consider a strategy of working with Republican Congressional leaders to agree on a defense increase in the 7 to 10 percent range. The goal would be an FY85 request which Republicans could rally around and immediately support as meeting critical national security needs while being consistent with economic recovery.

Cap and I will discuss this matter with you on Tuesday. We will need guidance on whether to proceed with a revision of the FY DOD budget topline. Any change must be handled in a manner consistent with an unwavering commitment to sustaining the modernization of national defense capabilities and must be timed to your maximum benefit in terms of public perceptions. The exact level would require a careful examination of programmatic implications. A detailed strategy of Congressional consultation leading to a full consensus will be required, as well as OMB participation in melding such a defense strategy into the Administration's larger economic scenario.

Prepared by:
Robert W. Helm

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ISSUES TO DISCUSS WITH THE PRESIDENT REGARDING DEFENSE SPENDING

Vital to use FY85 defense request as an effective Administration tool.

- Consolidate and sustain defense modernization.
- Reestablish national consensus for defense.
- Rally Republicans around Administration position.
- Reduce criticism of defense spending as a deficit problem.

Current FY85 defense topline guidance (\$321.6 billion) does not support these goals.

- Represents \$60 billion increase over FY84 Congressional target (17 percent real growth).
- Exacerbates current division with Congressional Republicans over defense spending.
- Reflects no Administration sensitivity to public concern that large defense spending cannot be well managed and will increase deficit -- thereby threatening recovery.
- Pits Administration and Congress in adversary role.

A readjustment in FY85 defense guidance is required to put future defense program in "synch" with available resources.

- Consultation with Congress critical.
- Timing of change relevant.
- Programmatic review required.
- 7-10 percent real growth range.

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Bottom line is that President must get credit for adjusting defense spending target in order to produce a politically sustainable and programmatically rational improvement in U.S. defense capabilities which demonstrates sensitivity to public concerns regarding deficits and sustaining economic recovery.

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