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THE SECRETARY OF DEFENSE

WASHINGTON THE DISTRICT OF COLUMBIA

January 5, 1983

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Defense Budget for 1984

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: NOV 19 2018

In February 1982, your revised request for the 1984 Defense Budget Authority was \$284.7 billion with estimated outlays of \$247 billion. (Your original request in February 1982 was \$288.9 billion.) This revised request represented about a 9% increase in real terms over your 1983 request of \$257.5 billion. However, Congress cut your 1983 request to \$238 billion which means that the \$284.7 billion you requested for 1984 now represented a 13% increase in real growth over the reduced figure voted by Congress last month for 1983.

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OMB has suggested that your \$284.7 billion figure be reduced by \$22.7 billion. This would consist of an \$11.7 billion reduction in programs (or about \$4.1 billion in outlay reductions); \$4.2 billion as a result of the revised inflation estimates; a savings of \$4.1 billion by eliminating all pay raises for civilian and military personnel for 1984 (in effect freezing pay); changes in the military retirement system that would reduce costs \$700 million; and an unidentified extra \$2 billion. We have examined these proposed reductions carefully and feel they would cut far too deeply into our efforts to regain sufficient deterrent strength in 1984. It would reduce the Defense budget to \$262 billion, a real growth increase of only 4.3% over the reduced 1983 figure (this would be \$11 billion below the Congressional Budget Resolution figures last year which we properly refused to accept then as too low). Just as an illustration, to try to reach the OMB outlay reduction we would have to eliminate over 25 major programs to get a \$4.1 billion outlay reduction in 1984. See the attached chart.

However, we recognize that you may need to propose some reductions to secure other political objectives and, therefore, if this is indeed the case, I believe we could take \$6.5 billion out of the \$284.7 agreed upon last February as our top line for 1984, although I do not recommend it from the Defense viewpoint.

My suggestion would mean that instead of the \$284.7 billion figure we would have a Budget Authority of \$278.2, or a real growth of 10.5% over the reduced amount voted by the Congress last month.

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Our \$6.5 billion reduction would be made up of \$300 million savings by accepting certain reforms in military retirement; a \$3.2 billion cut based on our revisions of the inflation reductions that can be achieved in 1984; and a \$3 billion savings in programs. This last item is the first installment of the amount I advised you a few weeks ago we could make over the next three years if the necessity arose.

Just as a further reminder, you will recall that in February 1981 we added \$116.3 billion to Carter's 1982-86 plan. \$40.8 billion of that requested increase has already been cut, and the OMB plan for the remainder of these 5 years would leave us only \$4 billion above the Carter proposal rather than the \$116 billion you proposed. Reductions of the magnitude proposed by OMB are not just "budget cuts"; they would be a major policy change for both Defense and foreign policy.

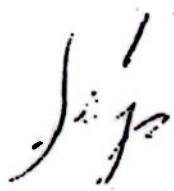
As a further note, the reductions we propose for 1984 would involve a loss of about 87,500 jobs according to the economic models we have always used, and which have been quite reliable. The OMB proposal would result in the loss of over 600,000 jobs.

I realize how much pressure everyone is under for major Defense cuts, particularly with our Republican friends pushing harder than anyone else. There is one thing I think we have to bear in mind: that is whatever figure is put into your Defense Budget will be reduced by the Congress to some extent although we will fight as hard as we can all year to save it. But whatever figure we put in will automatically become our ceiling from which some reductions inevitably will be made.

You will recall that in 1981 and 1982, we were told repeatedly that the Congress would never vote the amount you requested. In fact, they did not, but after a tremendous struggle all year, they came surprisingly close. In 1981, they voted 98% of the amount you requested, and in 1982, despite all the criticism, they voted 96% of your request, and a large portion of the reduced amount was in pay caps.

If you need any further information, please be sure to let me know.

Office of the Secretary of Defense 5 U.S.C. § 552
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