

OFFICE OF THE SECRETARY OF DEFENSE
THE MILITARY ASSISTANT

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HAS SEEN

OCT 30 1985

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Mr. SHULTZ would
like to modify the
MEMO AS SHOWN TO

REFLECT AN IMPACT
ON FOREIGN ASSISTANCE
AS WELL AS COUNTER-TERRORISM
PROGRAMS. IF YOU PREFER
YOUR ORIGINAL VERSION HE
IS WILLING TO SIGN IT.

vl.
CP

Page determined to be Unclassified
Reviewed Chief, RDD, WHS
IAW EO 13526, Section 3.5
Date: NOV 04 2019

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 THE SECRETARY OF DEFENSE
 WASHINGTON, THE DISTRICT OF COLUMBIA

DECLASSIFIED IN FULL
 Authority: EO 13526
 Chief, Records & Declass Div, WHS
 Date: NOV 04 2019

~~28 OCT 1985~~

MEMORANDUM FOR THE PRESIDENT

The Administration's support for the goals of the original Gramm-Rudman proposal for a balanced budget remains valid and is a critical objective over the next four years. However, we are concerned that the proposal which has passed the Senate is significantly different than the one you previously endorsed and presents a potential threat to your ability to sustain your goal of rearming America. We need to protect the programs that support all our national security interests.

As we learn and understand more of the technical implications and restrictions the amended Gramm-Rudman would impose on both the development and execution of your budget proposals, we are concerned it will have a very severe impact on national security. Specifically, while we know your intent to present to the Congress in January a Defense budget request containing a 3% rate of real growth for FY 1987 and FY 1988 has never wavered, the Gramm-Rudman sequester procedures (which come into effect if Congress does not make sufficient cuts to meet the deficit schedule) would force very large and very damaging Defense reductions. For example, should the actual FY 87 deficit exceed the deficit projection contained in the Gramm-Rudman legislation by more than the 5% trigger, you would be required to reduce Defense outlays by another \$11 billion to \$12 billion (based on the current OMB and CBO deficit projections), over and above all the reductions we have already made. An outlay reduction of this magnitude could easily translate to a reduction in budget authority of \$31-34 billion. This is a conservative estimate based on the interpretation of a number of restrictions contained in the legislation.

The present Gramm-Rudman proposal also could force large arbitrary cuts in Foreign Assistance and counter-terrorism. We would not be able to sustain the essential 3% real growth in Defense -- which we are committed to in NATO. And we could lose much of the funding needed to maintain an effective diplomatic presence overseas and to sustain the Foreign Assistance budget, which has never been popular on the Hill. The implications could become even worse if the House introduces further provisions exempting favorite domestic programs.

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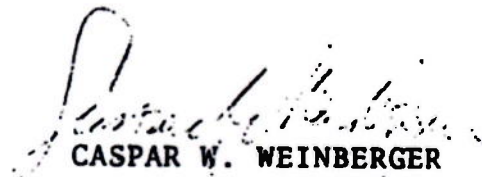
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In view of the above, we would suggest that you direct DoD to work with the National Security Council and the Office of Management and Budget to develop appropriate legislative proposals which would enable us to realize the many promises made to you that the Defense, Foreign Assistance, and other National Security appropriations would be at least enough to produce the 0% real growth in 1986 and 3% real growth in 1987 and 1988.

GEORGE P. SHULTZ


CASPAR W. WEINBERGER

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Date: NOV 04 2019

Office of the Secretary of Defense
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NOV 04 2019

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MEMORANDUM FOR THE PRESIDENT

We are concerned that the version of the Gramm-Rudman balanced budget proposal which has passed the Senate is significantly different than the one you previously endorsed, that it presents a serious threat to the full range of our national security interests, and that we need to develop an approach to protect the programs that support them.

Our efforts to modernize our military forces -- from conventional forces through SDI -- have restored our ability to conduct a foreign policy which serves US and allied security interests, encourages global stability, and provides the basis to seek resolution of regional conflicts and achieve our arms control objectives with the Soviets. Similarly, our programs of foreign assistance to key friends and allies, which this Administration significantly enhanced, have been crucial to our influence and the security of our friends everywhere. Finally, we have revitalized our diplomacy and begun to provide adequate protection against terrorism for all Americans representing this country overseas.

However, the present Gramm-Rudman proposal could force large arbitrary cuts in defense and foreign assistance and counter terrorism. We would not be able to sustain the essential 3% real growth in defense -- which we are committed to in NATO. And we could lose much of the funding needed to maintain an effective diplomatic presence overseas and to sustain the the foreign assistance budget, which has never been popular on the Hill. The implications could become even worse if the House introduces further provisions exempting favorite domestic programs.

For these reasons, we would recommend that Defense and State be invited to work with the National Security Council and the Office of Management and Budget to develop an approach to the long-term budget issue which will not threaten key national security interests, as would the current version of Gramm-Rudman.

Caspar W. Weinberger

George P. Shultz

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