

DEFENSE PROGRAM REVIEW COMMITTEE

July 24, 1972

Time and Place: 3:09 p. m. - 3:45 p. m., White House Situation Room

Subject: FY 1974-78 Defense Program

OSD Review Completed

Participants:

Chairman	Henry A. Kissinger	OMB	Casper Weinberger Ellis Veatch
State	John Irwin Ronald Spiers Leon Sloss Seymour Weiss	OST	Dr. Edward David
		ACDA	Gerard Smith Vice Adm. John M. L.
Defense	Kenneth Rush Dr. Gardiner Tucker Robert C. Moot	CEA	Ezra Solomon
		NSC	Philip Odeen Col. T. C. Pinckney Lt. Col. George Riedel John Knubel
JCS	Vice Adm. John P. Weinell Rear Adm. William St. George		James Hackett
CIA	Lt. Gen. Vernon Walters <div style="border: 1px solid black; width: 150px; height: 20px; margin-top: 5px;"></div>		

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SUMMARY OF CONCLUSIONS

It was agreed that:

ON-FILE NSC RELEASE  
INSTRUCTIONS APPLY

--The Department of Defense will prepare a paper for consideration by the DPRC by early September on the strategic implications of various FY 74-78 programs in terms of general mission categories.

--DOD will be responsible for the details of its budget, once the DPRC has defined the broad strategic objectives and their budgetary and political implications.

--The DOD budget for FY 74 should not exceed \$84 billion. Consideration should also be given in its preparation to the President's order to reduce the proposed federal budget by an overall total of \$20 billion, with an emphasis on the more efficient use of manpower.

--DOD should review the policy of planning to reinforce NATO to D plus 90 and consider the heavy dependence of NATO strategy on the use of tactical air power, assuming that it may be rendered less effective than expected by bad weather.

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--ACDA will review the DOD budget to consider possible implications of either conventional or strategic arms reductions.

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Mr. Kissinger: I called this preliminary meeting to first get the views of the Defense Department and the OMB and then to have a brief general discussion of the major issues. (to Mr. Rush) Would you like to begin?

Mr. Rush: We are shooting for a budget of \$84 billion for FY 74, with an average of \$86.2 billion projected for the five year period from '74 to '78. This has been suggested to the Services and they all have complained about inadequacies at that funding level. The JCS has suggested a budget of \$102 billion as the amount necessary for adequate national security.

Mr. Weinberger: Well, that has the distinction of being the highest figure I have ever seen proposed.

Mr. Kissinger: Does the JCS consider \$84 billion an imprudent amount for the defense budget?

Adm. Weinelt: I would say marginal. It would be prudent in some areas, imprudent in others and marginal overall.

Mr. Rush: I wouldn't say it would be imprudent. We are going to review these figures in detail and scrub them down. Then we'll be back in September with a package that will run to \$84 billion for FY 74 and \$86.2 billion for the five year period. We believe we can cut our projections by \$400 million as a result of the SALT Agreements and Congress undoubtedly will make some reduction in the '73 budget which will result in reduced proposals for '74. However, we may have alternative strategic programs that will cost more.

Mr. Kissinger: One senator told me he didn't know how many SALT agreements we could afford.

Mr. Rush: The effect of the Southeast Asia amendment will be to increase DOD spending by \$2.3 billion, even after reducing it by the savings from SALT. If SEA activity continues at a high rate, we will also need an additional \$450 to \$500 million for arms, ammunition and equipment. The Services also have submitted POMs (Program Objectives Memoranda) for an additional \$250 million in urgent items. Another problem is that our tactical fighter force is aging rapidly. We have hundreds of fighters over ten years old and some over fifteen years old. We need replacements soon for these obsolescent aircraft.

Mr. Kissinger: I like that fighter that can only operate effectively over the desert at 45,000 feet.

Dr. Tucker: Those are the ones that are over ten years old.

Mr. Rush: We want to keep the age of our fighters under fifteen years. There are a whole host of modifications that are underfunded by some \$100 million in the FY 74 budget. We want to try to fund these as best we can. Whether the funds we can find will be adequate for this purpose remains to be seen. I just want to point out that the

defense budget has been consistently declining as a share of the total budget and as a share of the GNP. We have taken substantial reductions in recent years. Since the peak defense budget, we have reduced our personnel by 30%, industrial purchases by 40% and dollar expenditures by \$33 billion.

Mr. Kissinger: We know you have done your share. But tell me, what are you spending all this money on?

Mr. Rush: Increased personnel costs and inflation eat away at everything we try to do. The cutbacks we have made in the last several years have reduced defense spending in real terms to the lowest level since 1951. Non-defense spending has increased rapidly during this same period.

Mr. Kissinger: The lowest since 1951? I suppose you could say the lowest since 1948. What are the 1951 figures based on?

Mr. Rush: I am talking about real dollars, not inflation dollars. In those terms, our budget is the lowest since 1951.

Mr. Moot: All of the real increase in our expenditures can be found in the personnel figures.

Mr. Weinberger: What was the 1951 Defense budget?

Mr. Moot: Something over \$13 billion in 1951 dollars.

Mr. Weinberger: It depends on what base year you use for figuring the value of the dollar.

Mr. Kissinger: When the Defense Department is finished with its explanation we won't have an ally left in the world.

Dr. Tucker: These figures are only for the DPRC.

Mr. Weinberger: You mean only for the OMB.

Mr. Rush: No, these figures are accurate. While we are reducing our defense expenditures, our allies are all increasing theirs.

Mr. Kissinger: But they are doing so with inflated marks.

Mr. Rush: No, in dollar equivalents. I'm talking in terms of dollars.

Mr. Moot: If we use constant dollars, we end up with a figure of about \$51 billion, which is what McGovern has been suggesting.

Mr. Kissinger: That's probably what he will say he meant all along; that he was

talking in terms of constant dollars.

I would like to ask at this point the basic question of how we can best handle this matter. I know that the Services would prefer to argue the Defense budget out among themselves. They have had some bad experiences with systems analysts telling them what to do and their concern is justified. However, I am afraid that if that course is followed we will have a program presented to us in September that will be worked out in detail and we will be stuck with it, whether or not it is responsive to our overall strategic objectives. NATO is a case in point. We have been talking about reinforcing to D plus 90, while studies show that the allies cannot fight for more than thirty days. This NATO concept of reinforcing over a period of 90 days is convenient because it gives us a cushion of forces for other purposes as well. Another issue is the dependence of our strategy on effective utilization of air power. In reading these situation reports from Vietnam day after day I am constantly struck by the number of days our tactical air power cannot operate fully or effectively in Vietnam because of poor weather conditions. What does that mean for our European strategy? Have we fully considered the number of days of bad weather in central Europe? I am not concerned here about the details of numbers. The number of cruisers versus the number of destroyers in the fleet, or whether an Army of 11 2/3 divisions or 11 1/3 divisions is most appropriate to our needs, are matters for you (Defense) to decide. That is not our role here. What we want to do is determine the overall strategic objectives and then let you (Defense) shape the forces you require to perform the role that is decided upon.

Mr. Rush: We don't have a budget prepared as yet. We are working on it.

Mr. Kissinger: We don't want your budget now. What we want to do is discuss alternate strategies and then decide which to follow. I prefer to avoid the obfuscating details of the DOD budget and to keep out of nitpicking your proposals. I would like to lay out a work program today.

Dr. David: (to Mr. Kissinger) How does R & D fit into your picture of the Defense budget?

Mr. Kissinger: What do you have in mind?

Dr. David: R & D is a special category. It represents only 10% of the budget, but it has implications for the future composition of our strategic forces, for example.

Mr. Kissinger: I want to get our strategies clearly in mind before we go into budget details.

Dr. David: That's fine. That's just what I was driving at.

Mr. Kissinger: Cap (Weinberger), would you like to give us your thoughts?

Mr. Weinberger: I'll preface my comments by repeating what I've said before, that none of this urban crap that seems to be so popular is going to do any good if our borders are not secure. Now having said that, I will also say that I can't encourage anyone to pursue a Defense budget of \$102 billion. The President has made it very clear that he wants to avoid new taxation and anything that might get us into a situation like that of the mid-60's, when we tried to fight a <sup>war</sup> while continuing domestic spending unchecked and without new taxation, which of course produced inflation. It now looks as though the federal budget for FY 74 might show a deficit of \$20 to \$30 billion. The President feels that would be inflationary and he wants to bring it down by \$20 billion. This will require reductions across the board. I know you (Defense) have taken cuts in recent years and we now plan to cut the domestic portion of the budget. But a reduction of the magnitude of \$20 billion will necessarily require some cuts in defense spending. So I suggest that you consider this requirement in your budget planning, which means that some portion of that cut will have to come out of your \$84 billion. We have to get the budget back up to a full employment balance.

Mr. Kissinger: I thought the full employment deficit theory was ingenious. Now you're retreating from it and talking of a full employment balance.

Mr. Weinberger: It was a good theory, but now we have to turn the deficit around before we get into either a new round of inflation or new taxes, neither of which is acceptable to the President. We will be pleased to work with the agencies to help review their budgets and suggest ways the necessary reductions can be made without endangering our borders.

Mr. Kissinger: What about the borders of our allies?

Mr. Weinberger: We include them, too. We are also looking to see what cuts can be made in the domestic budget. I just had a long discussion about this with George (Shultz), who doesn't think it can be done. But the President is determined and has told us to do it. I know Defense has already made cuts, but the personnel costs are so high now that you must seek new reductions in manpower. We must have more efficient use of our expensive manpower; this is where we can save money. I know it would be easy if we could all agree on a budget of \$102 billion and then go home.

Mr. Kissinger: They'll take \$90 billion.

Mr. Rush: We'll take \$84 billion.

Mr. Kissinger: (to Mr. Weinberger) See, you've won already.

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They've come down from \$102 billion to \$84 billion. Gerry (Smith), are there any aspects of arms limitations proposals or possibilities that we should consider in this review?

Amb. Smith: I think I'll just stay out of this.

Mr. Kissinger: I'm serious. We must consider these factors. (to Mr. Rush) Gerry should have an opportunity to review the specifics of your proposals to consider the implications for the budget of any arms reductions, conventional as well as strategic. Would you send him an advance copy of your budget proposals?

Mr. Rush: O.K.

Mr. Kissinger: (to Mr. Irwin) Do you have any comment?

Mr. Irwin: We have a number of general questions, but this is not the time to raise them.

Mr. Kissinger: (to Mr. Rush) Well, why don't you go ahead and prepare a budget outline in terms of general categories and the strategic implications of various programs, rather than in terms of specific weapons, for our consideration. Can you have it ready by early September?

Mr. Rush: Yes, we'll have it ready by then.

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