
Defense Report

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A Bleak Future for Military Pay—It Will Slide Further and Further Behind Inflation

It is customary for an incumbent administration, whether it be local, state or federal, to make projections about what it expects to happen in the future—whether an unbalanced budget will be brought into balance, whether spending can be reduced or, as has been the case for several years, whether the upward trace of inflation can be flattened out or turned downward. The Carter Administration has done this in its documents supporting the upcoming Fiscal Year 1980 Budget. It predicts a flattening inflation rate over the next three years.

But along with that prediction the Administration has announced its intention to keep cost-of-living adjustments to Federal civil service and military pay depressed below the actual rate of inflation, in effect telling these people they will continue to be the only segment of our society irretrievably committed to a declining standard of living. An inflation adjustment of 5.5 percent to be in effect on October 1, 1979 has already been announced, along with an admission that a raise of 10.25 percent would be necessary to actually keep pace with inflation.

The long term plan calls for an adjustment of 5.25 percent on October 1, 1980 to match a predicted annual rate of increase in inflation of 6.7 percent which, if it occurs, will be the lowest rate of growth in several years. On October 1, 1981 a forecast adjustment of 5.0 percent will be allowed against a predicted inflation growth of 5.7 percent. By the time this point is reached federal pay will be 13 to 15 percent below the inflation curve.

Then the Administration would let the pay and inflation curves cross so pay rises at a rate greater than inflation. By 1984 the cost-of-living raise would be 4.75 percent while the predicted rate of inflation is 2.7 percent. It is assumed that this is a sort of "catch up" plan to begin to bring federal pay back into closer harmony with that in the civilian sector but whether Congress would ever approve adjustment in excess of inflation is very doubtful. In the meantime the Administration expects to reduce Federal spending by \$41.6 billion in the next three fiscal years and \$13.7 billion (or 32.9 percent) of that will come out of military and civil service pay accounts. The net result is sure to be difficulty in recruiting and keeping the quality people we need in the service of our country.

The men and women in our military establishment and those in the Federal Civil Service agree that inflation must be checked but they rightly wonder why, if pay depression is such an effective inflation fighter, it should not be applied to every element of our society.