
Defense Report

AUSA



That Promised Increase in National Defense — It's Being Eaten Up By Inflation

The United States has told the world, friend and foe alike, that in the next fiscal year we will commit enough money to national defense to realize five percent in real growth, over and above the inroads of inflation. Each passing day makes realization of that promise less likely.

When the Department of Defense submitted its proposed budget for Fiscal Year 1981, it had computed the cost of fuel for jet aircraft engines at 80 cents a gallon, even though the fuel was selling for more than a dollar a gallon at the time the budget was prepared. Other fuel costs were estimated at similarly unrealistic prices. In the meantime the Defense Department agency that buys the fuel and acts as the wholesaler for the entire defense establishment began charging the Army, Navy and Air Force for their fuel at the much higher prices they assumed would be in effect later in the year. The net result is a major crisis in the Services' ability to operate their tanks, ships and aircraft — anything, in fact, that burns a fossil fuel. The Navy has already given notice that ship operations will have to be sharply curtailed. The other Services face the same sort of necessity. Military training next year will be significantly reduced, with a corresponding reduction in readiness because there will not be enough money to buy fuel.

This is not a new phenomenon. This kind of deliberate underestimation has been going on for several years. In the current fiscal year, for example, the Army is \$405 million — almost a half billion dollars — short of the necessary funding for fuel procurement alone and will have to go to Congress for a supplemental appropriation. If the White House denies the Army permission to make the request there will have to be a major reshuffling of funds that will deprive other essential programs of the support they need.

Fuel procurement is only one of the areas in which the promises made for the FY '81 budget cannot be kept. The military services must buy their supplies and equipment from the civilian sector which is experiencing an inflation rate of between 13 and 18 percent each year and yet they were forced to budget for their new purchases with an assumed inflation rate of just 9.3 percent. This leaves them between 3.7 and 8.7 percent behind inflationary reality before they can place the first order for equipment or for food for the troops.

Based only on the inflation we are experiencing today, it now appears that the growth in military capabilities in Fiscal year 1981 will be barely more than one percent, not the five percent that was promised and, unless the rate of inflation is checked there will be no growth at all. Every percentage point increase of inflation costs the Army alone \$175 million in purchasing power.

These realities were known by the Defense Department and by the White House before any promises were made about the impact of the next defense budget. They have not been candid with the American people. Our allies must wonder just how far we intend to go in keeping our end of mutual defense pledges. Our adversaries could doubt if we really mean to draw a limit on their adventures.

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