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# Defense Report

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## How Much Defense Will Our Dollars Buy? Inflation Could Make a Big Difference

When the incoming Reagan Administration announced its defense budget for the next fiscal year, it contained promises of real progress toward modernization and improved readiness for all the armed forces. Production rates for tanks, ships, aircraft and a host of other kinds of equipment were to be accelerated. Efforts to bring existing weapons up to full operating efficiency were to be speeded. The expenditure of ammunition and fuel for realistic training was to be increased.

But even in that first blush of enthusiasm for the new budget there were signs of concern about the impact inflation might have on the Administration's good intentions. The problem sprang from too optimistic forecasts of the decline in the rate of inflation and the refusal of the Office of Management and Budget to permit the Defense Department to use inflation assumptions different from those imposed on the other executive departments.

As the government's largest procurer of manufactured items, the defense establishment is far more vulnerable to the impact of inflation on production costs, like union pay scales and the price of raw materials.

The Office of Management and Budget has already notified the services that some of the procurement programs originally included in the new defense budget may not be affordable within the overall defense money ceiling because of the impact of inflation. The Navy has been told its F-18 fighter program may be dropped out and the Army has been warned it may have to stop planned production of a division air defense gun, a new infantry fighting vehicle and a new antitank missile.

At the very least, it is unrealistic to force the Defense Department to budget on the basis of the same inflation assumptions applied to government agencies which procure only small amounts of goods and services on the open market. Budget Director David Stockman's claim that this is the only way to maintain budget discipline throughout the government overlooks a veritable host of realities. At its worst, this unthinking rigidity is creating doubt in the minds of everyone who perceived the pledges of the new Administration as a promise to revitalize our defense establishment.