



# ASSOCIATION OF THE UNITED STATES ARMY

1529 EIGHTEENTH STREET, NORTHWEST, WASHINGTON, D. C. 20036

26 February 1970

MEMORANDUM TO THE COUNCIL OF TRUSTEES AND ADVISORY BOARD

SUBJECT: Fiscal Year 1971 Defense Program and Budget

The FY 71 Defense Program and Budget is the first to be prepared entirely by the Nixon Administration. While the Administration terms it a "transitional" program and budget, it provides significant insights into the administration's plans to revamp the nation's defenses in the 1970s.

In the interest of keeping the membership informed, we have reproduced the attached summary statement of the Secretary of Defense which introduces the FY 71 Defense Program and Budget. The March 1970 issue of ARMY gives more details on the actual budget figures as well as a penetrating forecast of the impact of the emerging Nixon Doctrine on our nation's military affairs.

We will be providing the membership with timely analyses and fact sheets of the more specific defense proposals as they come into clearer focus.

In the meantime, the enclosed summary provides some insight into the Administration's philosophy on national defense.



ROBERT F. COCKLIN  
Brigadier General, USAR  
Director of Public Affairs

Enclosure

FISCAL YEAR 1971 DEFENSE PROGRAM AND BUDGET

A summary Statement by Secretary of Defense Melvin R. Laird

Mr. Chairman and Members of the Committee:

I am privileged this morning to present the first Defense program and budget to be prepared entirely by the Nixon Administration. It is essentially a transitional program and budget, designed to move the Nation's defenses in a safe and orderly way from the national security policies of the 1960s to those deemed more appropriate for the 1970s. In my view, it is a rock bottom budget.

In the past years, it has been the practice of the Secretary of Defense to include a detailed discussion of the international situation as part of his initial budget presentation to the Congress. Because President Nixon, in his first Annual Report on Foreign Policy submitted to Congress two days ago, has presented a comprehensive global report, I am not including such a discussion in this year's presentation.

President Nixon, in his Report, noted that partnership, strength and a willingness to negotiate are the three pillars required to build a lasting peace. As we move into the 1970s, we have before us the President's goal -- to move from confrontation to negotiation, and hopefully, to push on to an era of uninterrupted peace. We have reduced our defense spending to the lowest proportion of the gross national product since before the Korean war; we are removing forces from Vietnam; we have met with the Soviet Union at Helsinki, with the Communist Chinese in Warsaw, and with the North Vietnamese and Viet Cong in Paris; and we have also worked with the major powers toward peace in the Middle East.

When we assumed office, I expressed the hope that my success or failure as Secretary of Defense would be judged on whether or not we in the Nixon Administration restored peace and were able to maintain it.

As we reduce our defense spending and move further into negotiations, we should have no illusions about the current state of world affairs. I am obligated to report to you, for example, that the Soviet Union is not making similar reductions in its defense budget. In fact, the Soviet Union is pulling abreast of us in many major areas of military strength and ahead of us in others. The Soviets are continuing the rapid deployment of major strategic offensive weapons systems at a rate that could, by the mid-1970s, place us in a second-rate strategic position with regard to the future security of the Free World.

Following the exploratory arms limitation talks in Helsinki, the Soviet Union has agreed to discuss the limitation of strategic weapons systems with us in Vienna beginning in April. Hopefully, success in the Strategic Arms Limitation Talks (SALT) will move both our nations well along the road toward the era of uninterrupted peace we all seek. The dividends for our domestic programs could thereby be increased still further.

However, as Secretary of Defense, I must consider actions as well as words. If the current Soviet buildup continues, we will need additional costly steps to preserve an effective deterrent. Pending the outcome of SALT, we must continue those steps which are necessary to preserve our current strategic position. Within that context, this austere FY 1971 Budget is

designed to preserve the range of options we may need for possible outcomes of the talks, including those we may need if no agreement is reached and Soviet strategic deployments continue at or above the present levels.

The rate of buildup of the Soviet threat and the long lead time needed to develop and deploy operational systems make it essential that we continue progress on the SAFEGUARD anti-ballistic missile defense system and initiate a further increment of that system in FY 1971. Without the SAFEGUARD increment provided by this budget, we would have to face hard decisions about adding to our offensive systems in this transition year, rather than being able to await hoped-for-progress in SALT and the development of a new five-year program which will be presented next year.

In my view, the President's decision to go forward with a modified Phase II of the defensive SAFEGUARD program will, in the long run, enhance the prospects for the success of SALT because, in the short run, it allows us to exercise greater restraint in matching a continued Soviet buildup of offensive systems with actions involving our own offensive systems. SAFEGUARD has the added advantage of doing this with minimal spending in FY 1971.

The President's decision on SAFEGUARD is also essential to preserve our capability to deter Chinese nuclear aggression against our Asian allies without jeopardizing the U. S. Civilian population.

In this, my first comprehensive report to the Congress since Deputy Secretary David Packard and I took office in January 1969, I intend to set forth the Department of Defense program and budget for FY 1971, and the reasons that compel us to follow a transitional course in this first year of a decade which historians will probably view as one of world transition.

If we are to maintain America's role of world leadership in the pursuit of peace, we must recognize the new forces at work and we must help shape a changing world.

As the President noted, the world has changed significantly during the past two decades. We now have stronger allies with sounder economies; a less cohesive Communist world now exists; and many more nations are developing independently. As we look to the future, we must carefully define our national interests with special concern for the legitimate interests of other nations, while recognizing that deep-seated differences among nations will continue.

Within that context, the first decision made by the Nixon Administration was to face up to the complex and difficult problems that beset America and the world. In the President's words:

"We could see that the whole pattern of international politics was changing. Our challenge was to understand that change, to define America's goals for the next period, and to set in motion policies to achieve them. For all Americans must understand that because of its strength, its history and its concern for human dignity, this nation occupies a special place in the world. Peace and progress are impossible without a major American role."

We recognized that before problems can be solved, they must be better defined and better understood. In our national security review, we, therefore, focused on four overriding needs:

(A) A fresh appraisal of the forces which pose a threat to the security of the United States and its allies.

(B) A realistic appraisal of the constraints -- for example, the need to control inflation and reorder national priorities -- within which our national objectives must be attained.

(C) New machinery, such as the revitalized National Security Council and the new Defense Program Review Committee, to deal effectively with national security problems within the complex structure of the government.

(D) New national security policy, strategy, and plans which would realistically match our military capabilities, and our research and technology activities, to our national objectives, our available resources, and the threats to our national security interests.

We also recognized at the outset of the Nixon Administration that we must communicate to the Congress and to the American people through open dialogue and rational debate that the means we propose for solving our problems are workable and will be effective. The President's comprehensive Report to the Congress on United States Foreign Policy for the 1970s is a major application of this concept and forms the backdrop for my Defense Report to the Congress and the American people.

A. THE THREAT TO NATIONAL SECURITY

The first requirement we faced upon assuming office was to reappraise the spectrum of threats that exist in the world today. These threats dictate to a large degree how we should implement our basic policies in conjunction with our allies. As I noted earlier, changes in the strategic threat that might result from successful arms limitation talks could have a major impact on the direction we take in our future strategic programs. Similarly the emergence of additional nuclear-capable nations such as Communist China influences our force planning.

Because the new strategy we are pursuing stresses a critical review of our obligations and of the contributions of our allies to regional defense, it will have a major impact on our general purpose forces as well as our strategic forces. In designing our forces to reflect the new strategy, we must therefore assess the full range of threats which we and our allies face, including limited war as well as strategic nuclear threats.

Permit me to highlight the four major aspects of the military threat which we have had to consider and which we must constantly review.

1. The Strategic Nuclear Threat

The Soviet strategic nuclear threat is impressive and it is growing. We now estimate the number of SS-9 Intercontinental Ballistic Missiles (ICBMs) deployed or under construction to be over 275, rather than 230 as I reported publicly less than a year ago. The number of SS-11 ICBMs has also increased significantly. The Soviets continue to test improvements in offensive weapons, including SS-9 multiple re-entry vehicles and modified SS-11 payloads. Production of nuclear-powered ballistic missile submarines has continued above previously projected rates at two Soviet shipyards.

Communist China has continued to test nuclear weapons in the megaton range and could test its first ICBM within the next year. However, the earliest estimated date that they could have an operational ICBM capability now appears to be 1973, or about one year later than last year's projection. It appears more likely that such a capability will be achieved by the mid-1970s. A force of 10 to 25 ICBMs might be operational some two to three years later.

## 2. The General Purpose Forces Threat

The general purpose forces threat also remains strong. In the most critical theater, that facing the NATO Central Region, the Warsaw Pact could, in a relatively short time, assemble a force of about 1.3 million men and associated combat equipment. In Asia, Communist China and North Korea continue to maintain substantial armed forces.

The major Soviet naval threat continues to be from the torpedo and cruise-missile firing submarine force. By mid-1971, the Soviets should have about 300 submarines, including 65 with nuclear power. These forces could pose a considerable threat to our deployed naval forces and to the merchant shipping essential to the support of our European and Asian allies. Additionally, Soviet Naval Air Force bombers equipped with cruise missiles could pose a threat to our naval forces operating within range of the Soviet Union.

It is clear that the Soviet Union is embarked on an ambitious program to achieve a global military capability.

Besides the strength of the forces deployed by potential enemies, we must recognize that general purpose force requirements are affected to a large degree by geography. Our forces must be structured to account for this important factor as well.

## 3. The Technological Threat

In the long term, one of the most serious threats confronting the United States is the large and growing military research and development effort of the Soviet Union.

The implications of this Soviet effort for our future security cannot be clearly foreseen at this time. Because the Soviet Union is a closed society, they can conduct their military research and development programs behind a thick veil of secrecy, making it very difficult for us to assess their progress in a timely manner. However, we have seen evidence of this technology in the new systems they are deploying, including the FOXBAT interceptor aircraft, nuclear-powered ballistic missile and attack submarines, and other impressive weapons.

We cannot base our own research and development effort solely on an estimate of the Soviet technological threat. We simply do not have enough knowledge to assess the threat properly. The only prudent course is to advance our knowledge at a reasonable pace in every area of significance to our future military strength.

## 4. The Insurgency Threat

One of the most effective techniques used by Communist nations has been insurgency supported by external assistance. As the President noted in proclaiming the Nixon Doctrine on November 3rd, we intend to assist our friends and allies in coping with such threats,

largely through military and economic assistance when requested and as appropriate, while looking to the nation directly threatened to assume the primary responsibility for providing the manpower for its defense.

In his report to Congress, the President states:

"This approach requires our commitment to helping our partners develop their own strength. . . .

"In providing for a more responsible role for Asian nations to their own defense, the Nixon Doctrine means not only a more effective use of common resources, but also an American policy which can best be sustained over the long run."

The President also noted:

"... while we will maintain our interests in Asia and the commitments that flow from them, the changes taking place in that region enable us to change the character of our involvement. The responsibilities once borne by the United States at such great cost can now be shared. America can be effective in helping the peoples of Asia harness the forces of change to peaceful progress, and in supporting them as they defend themselves from those who would subvert this process and fling Asia again into conflict."

#### B. THE CHALLENGE AT HOME

In addition to the military threats posed from outside our borders, we faced significant challenges within our borders.

At home, there was a growing mood of self-doubt. Our youth and other segments of our population were becoming increasingly frustrated over the war in Vietnam which was pushing defense expenditures higher and higher, while our casualties were second only to those we suffered in World War II. Despite the rising costs in human and material resources, hope for success seemed dim. As we assumed office in January 1969, no clear end was in sight, either in Southeast Asia or at the conference table in Paris.

Partly as a result of the Vietnam war, high prices and growing taxes were threatening the living standards of the pensioned and the salaried. There was a clear need and a growing demand to put our Government's fiscal affairs back in order. The Federal Budget needed to be balanced to start bringing serious inflation under control. Most importantly, our national priorities had to be reordered.

Moreover, our society was troubled by divisions which too often alienated the races and divided the generations.

As we assumed office in this environment, the Department of Defense was also confronted with frustration and disillusionment. Blame for mediocre results of some past policies and programs fell largely on the shoulders of the military. Our Code of Conduct for servicemen imprisoned by hostile forces was questioned as a result of the experiences of the PUEBLO crew. The administration of post exchanges and military prisons and the use of non-appropriated funds for such activities as Non-commissioned Officers' clubs were problem areas that came to light early in the year. These were followed by other and more serious charges of misconduct in

alleged violation of the Uniform Code of Military Justice,

As a result of repeated modernization deferrals, the Navy fleet was threatened with approaching obsolescence. The controversial TFX, or F-111, and the Main Battle Tank seemed to be plagued by one structural or technical defect after another. Other programs that troubled us included the Cheyenne Helicopter, the C-5A, and the Mark 48 torpedo. I found and reported to Congress in my first appearance last year that current funding deficiencies on major weapons systems amounted to about \$2 billion, and subsequently reported that cost growth, for various reasons, amounted to more than \$16 billion. This situation forced us to cancel some programs, to order cutbacks in other production schedules, and to rely further on aging weapons and equipment.

In addition, there were administrative problems within the Department of Defense.

I inherited a system designed for highly centralized decisionmaking. Overcentralization of decisionmaking in so large an organization as the Department of Defense leads to a kind of paralysis. Many decisions are not made at all, or, if they are made, lack full coordination and commitment by those who must implement the decisions. The traffic from lower to higher echelons may be inhibited; relevant and essential inputs for the decisionmaker can be lost. In addition, there seemed to be insufficient participation by other agencies with important responsibilities for national security.

I was also disturbed that although long-range plans existed, they did not always reflect realistic planning within foreseeable resources.

All of these challenges and problems convinced us that an over-riding and immediate need was for the new Administration to devise far better methods to deal with national security matters than existed in January 1969.

#### C. EFFECTIVE MACHINERY TO MEET THE CHALLENGES

The Nixon Administration has taken major steps during the past year to bring the complex and interrelated problems of national security under more systematic review and control as the President reported on Wednesday. These steps include:

- (1) Revitalizing the National Security Council and integrating the diverse national security machinery in order to ensure that the President receives all major views and alternatives before reaching a decision.
- (2) Creating the Defense Program Review Committee (DPRC) as an aide to placing national security needs in proper relation to non-defense requirements, thereby tackling the urgent task of reordering our national priorities on a rational and efficient basis.
- (3) Establishing the Blue Ribbon Defense Panel to make a comprehensive study of the current organization and operating procedures of the Defense Department and to recommend long-term improvements in the way we manage and utilize our nation's defense resources. I hope to have the Panel's report by June 30, 1970.
- (4) Improving the Defense Department's Planning-Programming-Budgeting System (PPBS).
- (5) Restructuring the weapons acquisition process within the Department to ensure

better decisions on what new programs to develop and more efficient management of the programs we undertake.

These changes are not intended to superimpose new layers of paralyzing procedures on those already in existence. On the contrary, they are designed to replace in some cases, and reduce in others, less effective machinery. Our changed procedures permit a systematic approach to the problems of national security, bringing to the attention of the President and the National Security Council those major issues they must address in determining national security policy. Based on my experience with this system, I am convinced that we can obtain better overall coordination, more thorough review and analysis, and clearer high level guidance than we have had in recent years.

D. NATIONAL SECURITY STRATEGY

As long as some nations retain their potential for armed aggression or threaten to use it as a means of achieving their international objectives, we must maintain an effective defense force -- to deter aggression against ourselves and our allies, if possible, and to overcome it, if necessary.

As the President made clear, in our assessment of the problems of the 1970s, we reaffirmed our conviction that the U. S. cannot withdraw from the world scene. The issue which must be resolved is how the U. S. should proceed to make the most effective use of its resources in conjunction with its partners in a quest for world peace.

The first full year of the Nixon Administration was largely a year of review -- review of strategy, of current capabilities, and of major programs for the future. But it was also a year of decision. As a result of the reviews and decisions, the Preident has established the main directions of our foreign policy and national security strategy for the 1970s.

1. The Nixon Doctrine

The cornerstone of the new strategy is the Nixon Doctrine. It involves a new, more prudent policy towards Asia and permits full recognition of our vital security interests in Europe. It has already brought about a reduction of the American military presence in Asia. This is most notable in South Vietnam, where the upward spiral of our involvement has been reversed.

Henceforth, we will look increasingly to the pursuit of peace through partnership with our allies. This new policy requires that we place more emphasis on furnishing our allies with appropriate military and economic assistance.

The President emphasized that we will provide a shield for any of our allies whose freedom is threatened by a nuclear power; we will provide a shield for any other nation whose survival we judge to be vital to our own security.

Thus we shall remain faithful to our treaty obligations, while at the same time looking

to our allies to share more of the overall defense burden in a more fruitful partnership with us.

This is the Nixon Administration's formula of increased self-reliance for the 1970s, first disclosed at Guam last July, proclaimed in the President's November 3, 1969 address to the nation, and comprehensively outlined in his Report on Foreign Policy.

## 2. Elements of the New Strategy

The new strategy could have a major impact on the strategic forces of the future. How it will do so depends upon many factors, not the least being the outcome of SALT. President Nixon has affirmed that our strategic power will remain sufficient for the future, to protect both our own vital interests and those of our allies threatened by a nuclear power. The United States bears the major costs of providing strategic forces, thus making it possible for our allies to shoulder more of the non-strategic burden.

As to the implications of the new strategy on General Purpose Forces, the President had this to say:

"The stated basis of our conventional posture in the 1960's was the so-called '2 1/2 war' principle. According to it, U. S. forces would be maintained for a three-month conventional forward defense of NATO, a defense of Korea or Southeast Asia against a full-scale Chinese attack, and a minor contingency -- all simultaneously. These force levels were never reached.

"In the effort to harmonize doctrine and capability, we chose what is best described as the '1 1/2 war' strategy. Under it we will maintain in peacetime general purpose forces adequate for simultaneously meeting a major Communist attack in either Europe or Asia, assisting Allies against non-Chinese threats in Asia, and contending with a contingency elsewhere."

An important objective of the new strategy is smaller, more mobile, and more efficient general purpose forces that will neither cast the United States in the role of world policeman nor force the nation into a new isolationism. As our increased emphasis on partnership continues, reductions in U. S. general purpose forces beyond those resulting from Vietnamization may become possible.

It is important for all of us to understand that the Nixon strategy also will affect our Military Assistance Program (MAP). An important aspect of our continuous efforts to curtail overseas involvements and expenditures is our ability to persuade and help allied and friendly nations to do more than they are now doing in their own defense. We must continue to help provide them the tools they need. Therefore, in the interest of laying a solid foundation for peace while maintaining an adequate U. S. defense posture at minimum cost, we should be ready to increase MAP funds and credit-assisted sales of military equipment abroad.

## 3. Vietnamization -- The First Crucial Step

The problem of Vietnam has occupied more of my attention than any other single concern during the past year -- and rightly so. We have tried to shift -- and to a large extent I believe that we have succeeded in shifting -- the focus of public debate from the question of "Why Vietnam" to "Why Vietnamization." This shift in focus is important because it is prospective rather than retrospective -- it focuses on the future and what is to be done

rather than on the past and "what might have been."

Vietnamization is the first crucial step in implementing the Nixon Doctrine. The immediate and urgent purpose of Vietnamization, of course, is to end the war so that the men, women, and children of Vietnam can enjoy peace and self-determination. This policy recognizes and meets our obligations to South Vietnam and other allies participating in the defense of that country. At the same time, Vietnamization underscores our expectation and insistence that in the future military defense must and will be a responsibility increasingly shouldered by the Asian nations themselves, as is now the case in Vietnam.

Vietnamization is both a complement and an alternative to the Paris talks. By strengthening the capability of the South Vietnamese to defend themselves rather than depending on American troops, we provide an additional incentive to Hanoi to negotiate. If, on the other hand, the Paris negotiations continue to be stalemated, Vietnamization provides the means for additional American troops to be removed in an orderly manner without sacrificing our single objective -- the right of self-determination for the people of Vietnam.

Vietnamization is both a means to an end and a beginning: a means to end the American involvement in Vietnam and to make a credible beginning on our new policy for peace and increased self-reliance in Asia. This first step in implementing the Nixon Doctrine is of critical importance in ending the war. Moreover, success of the Nixon Doctrine can help remove the need for similar American ground combat involvement in future Asian wars, an important objective of our new strategy.

As you know General Wheeler and I just returned from a visit to Vietnam where, among other things, we reviewed the current military situation, the status of both the military and non-military aspects of Vietnamization, the progress in joint planning among the Free World forces, and the prospects for continuing U. S. troop redeployments.

General Wheeler will discuss the current military situation in Vietnam in his accompanying statement. Earlier this week I reported to the President on our trip. That report will form the basis of subsequent reports to this Committee and other Committees of the Congress. However, I would like today to share with this Committee some of the major impressions that I brought back from our recent visit:

(1) The military aspects of Vietnamization are proceeding on schedule or ahead of schedule in all major categories. I can affirm that progress has been such that the redeployment President Nixon announced in December can and will be completed by April 15. This will reduce the authorized troop strength by 115,500, down to 434, 000 from the 549,500 ceiling that was in existence prior to Vietnamization.

(2) On the basis of progress which has been made and on the basis of the three criteria specified by the President -- progress in Vietnamization, progress at Paris and the level of enemy activity -- we can anticipate continuing troop redeployments and the return home of additional thousands of U. S. military men during 1970.

(3) We continue to face some formidable problems both on the military and economic fronts but I believe these problems are manageable. I will elaborate on some of these problems in my subsequent reports to Congress.

(4) I am confident of the growing ability of the forces of the Republic of Vietnam to take on ever-increasing combat responsibilities. As this process continues, there is the possibility of some temporary reversals. A candid assessment of the situation would not be complete without recognition of this fact.

E. MANPOWER

The most effective weapon system our scientists can conceive is of no value unless we have competent engineers and talented managers to design and produce it, skilled workers to build it, and well trained, intelligent men and women to operate and maintain it. No program in the Department of Defense has a higher priority than our efforts to improve the recruitment and retention of able people.

In any large organization, the individual risks becoming a cog in an impersonal machine and the manager too often slips into inflexible bureaucratic routines. We want to avoid these dangers as much as possible in the Department of Defense. Therefore, we have developed a comprehensive Human Goals program.

We recognize that we must give new emphasis to the importance of the individual in national security affairs. The management philosophy that Dave Packard and I follow in operating the Defense Department will be discussed in detail a little later. Our basic concept is "participatory management" throughout the Department. To make this approach work effectively, we must seek out the best civilian and military managers that can be found, make certain that they have authority commensurate with their responsibility, and retain them in their position of responsibility long enough to be productive. We have taken steps in this direction during the past year and we intend to make more changes during 1970.

F. APPROACH TO THE FY 1971 DEFENSE PROGRAM AND BUDGET

The programs we are proposing for FY 1971 are essentially designed to preserve our own military capabilities and flexibility during the transition period financed by the FY 1971 Defense budget. We have made no irrevocable decisions on the future composition of our strategic, general purpose, or mobility forces. We know that under any kind of sensible national security program, we will need major portions of the forces that are already in existence. The precise mix of those forces depends on many uncertain factors; some of them are subject to our control, others are outside our influence. SALT and the Paris Peace Talks are the most obvious factors that contribute to this uncertainty. Other factors include:

- (1) The progress of our Vietnamization policy;
- (2) The need for detailed consultations with our allies; and
- (3) The need to conclude additional wide-ranging studies on such matters as the balance of forces between NATO and the Warsaw Pact.

During the coming year, we will continue to review what adjustments in military strength will be required for ourselves and our allies to make our new strategy effective. Many of these adjustments will be reflected in our five-year Defense program next year.

As I indicated earlier, a number of significant changes are being made in our PPBS

procedures and, although we have not found it feasible in this Defense Report to project our proposed forces and programs beyond FY 1971, we have already started the FY 1972-76 PPBS cycle. We confidently expect to be in a position next year to present to the Congress our proposed five-year Defense program.

An important change under the new PPBS (Planning-Programming-Budgeting System) concerns the role of the Joint Chiefs of Staff (JCS) and the Services. In contrast to the practice of the preceding Administration, we are now providing the JCS and the Services explicit strategy and fiscal guidance, prior to the submission of their final force recommendations for the forthcoming five-year program and annual budget. In the past, they were placed in a position where they had to submit their force recommendations without reference to any explicit fiscal guidance. This, in large part, explains why, in the past, the JCS proposals always cost \$20 to \$30 billion more than the annual Defense budgets recommended by the Secretary of Defense and approved by the President.

The wide divergency between the JCS recommendations and the annual Defense budget had long troubled me as a member of the Congress. It was perfectly clear to me that the JCS and the Secretary of Defense were proceeding on two entirely different planning assumptions. As a result, the efforts of the JCS in the preparation of their recommendations were largely wasted as far as the final budget submitted to the Congress was concerned. It seemed to me that the work of the JCS had to be more fully integrated into the entire PPB System, particularly in relating our military strategy and force plans to the overall fiscal objectives of the Government. I believe that the new PPB procedures will help accomplish this purpose, since they will enable the JCS and the Services to make timely adjustments in their initial force recommendations in light of our fiscal guidance. The final JCS and Service proposals can then serve as a realistic basis for the preparation of the next five-year Defense program and annual budget.

Pending the full implementation of the new PPB System, which will be completed this year, we have had to adopt some interim arrangements for the development of the FY 1971 Defense program and budget. It became evident by the late summer of last year that major reductions would have to be made in the FY 1970 Budget, and that the conditions which made these reductions necessary would also affect the FY 1971 Budget. Those conditions included:

- (1) The determination of President Nixon to reorder our allocation of Federal resources to bring them in line with changing national priorities;
- (2) The crucial need to bring inflation under control and the President's dedication to this objective; and
- (3) The clear intent of Congress to make major reductions in Defense spending.

Therefore, we modified the FY 1971 segment of the previously-approved five-year Defense program to reflect all adjustments the Department and Congress were expected to make in the FY 1970 Budget. We then estimated the cost of the modified FY 1971 program. The results were provided to the Army, Navy, Air Force, Marine Corps, and the Defense Agencies as fiscal guidance for preparing their FY 1971 Budget requests. In addition, each of the Military Departments was given tentative force objectives for FY 1971. It was understood that the Departments could propose changes in force levels within the fiscal guidance.

The Military Departments and Defense Agencies submitted their program proposals and budget estimates to the Office of the Secretary of Defense in early October 1969,

together with their proposed force changes. The budget estimates were reviewed jointly by my staff and the Bureau of the Budget staff, as has been the practice for many years. The force changes were reviewed by the Joint Chiefs of Staff and by elements of my own staff. Mr. Packard and I, in full consultation with all of our principal military and civilian advisors, then reviewed the outstanding issues and made final decisions on our FY 1971 program and budget recommendations.

These recommendations, plus those of the Defense Program Review Committee on major issues involved in the FY 1971 Defense program and budget, were submitted directly to the President. The President, of course, made the final decisions.

The FY 1971 Defense Budget transmitted to the Congress by the President totals \$71.3 billion in New Obligational Authority (NOA) and \$71.8 billion in outlays, excluding any pay increases that may be enacted by the present session of the Congress. This is \$11.9 billion in NOA and \$9.8 billion in outlays below that requested by the Johnson Administration last year for FY 1970 (including the pay raise effective July 1, 1969).

It is interesting to note that on a Total Obligational Authority basis, the FY 1971 Defense Budget recommended by the President is only \$5.4 billion less than the amount requested by the Military Departments and Defense Agencies under the fiscal guidance I discussed earlier. The Military Services did not make substantially larger requests such as frequently advanced in past years under their prevailing guidance. You may recall that I told some of the Congressional Committees last year that I might well go down in history as the Secretary of Defense who made the smallest reduction in the Service requests, at least in the last decade. In fact, under my guidance the Services and Defense Agencies prepared programs which cost less for FY 1971 than the Johnson Administration asked of Congress for the FY 1970 Budget. I believe it is fair to say that this new and more realistic approach has produced as sound and reasonable a Defense Budget as any in the last decade, and without the wasted effort.

As I pointed out in my first appearance as Secretary of Defense before a Congressional Committee last year, I understand the role of the Congress and its Committees in overseeing the vast enterprise of the Executive Branch, and I will do everything in my power to co-operate with the Committees in the discharge of their responsibilities. Accordingly, throughout the preparation of the FY 1971 program and Budget, we tried to take into account all of the views and judgments expressed by the Congress last year in the FY 1970 Defense Authorization and Appropriations Acts and the related Committee reports.

Many of the more important issues raised by the Congress are discussed in following sections of this report. Others will be discussed by subsequent Defense Department and Service witnesses, or in supporting documents furnished directly to the Committee. These include, for example, the creation of a new position of an Assistant Secretary of Health and Environmental Affairs. Regardless of where these issues may be discussed, I can assure the Committee that the Defense Department will take appropriate action on each of the matters set forth in last year's legislation and the accompanying reports, or be prepared to explain why no action can be taken. I have asked the Service Secretaries and the Directors of Defense Agencies to personally monitor our responses to issues raised by Congress in their respective areas of responsibility. Mr. Packard and I will personally review all important policy matters pertaining to the Defense Department as a whole. Follow-up action has already been started, but because of the late enactment of much of this legislation only preliminary progress reports are as yet available on many of these items.

Earlier Mr. Chairman, I discussed some of the challenges I encountered on transfer to the Defense Department from the Congress. At this point, I would like to mention some concerns I have about the impact of Congressional action on the Defense Department. I feel that, as a former colleague, I can speak to some of the problems we face that are inadvertently compounded by Congressional action. I do so, not in a spirit of criticism but in the hope that in the coming year we can devise better means of bringing proper Congressional demands into closer harmony with the new Department of Defense practices so that together we can most efficiently and effectively discharge our separate responsibilities.

For example, one of the problems we jointly face is to oversee Defense operations and management to ensure that the taxpayer is getting the most use of his Defense dollar. With several different Committees properly taking an increased interest in Defense operations, we face the prospect that additional significant costs will be added to the Defense budget unless we can devise common means of surveillance. This potential problem stems largely from the fact that requests for detailed information often come in varying formats from several different Congressional Committees directed at multiple sources within the Department. As Secretary of Defense, I have a closer relationship with the General Accounting Office (GAO) than has existed in the past. As a member of Congress, I used the GAO on a frequent basis and, since assuming office we have been working closely with the GAO to set up a new reporting system that I feel could help to meet both our own internal needs for increased oversight and the needs of the various committees which oversee our activities.

I welcome the increased public interest in national security and defense activities, reflected by the increasing attention these matters now receive from Congress. Public criticism frequently improves efficiency. Some public criticism in certain areas, however, sometimes inhibits progress toward the very goals the critics profess to support.

Let me give one example: The Nixon Doctrine is designed to shift our contribution to the defense of our friends in Asia to greater material rather than manpower support from the United States. These changes must be effected with the understanding of the allies with whom we have these obligations. Yet public demands for United States renunciation of its obligations, or abandonment of them forthwith, make it quite difficult to convince our allies that our change in policy is a move toward further sharing of burdens, and not, in fact, an abandonment of our obligations. Thus, criticism and exposure of the details of particular United States obligations to other nations can sometimes inhibit the very changes we are attempting to make -- changes which would more nearly conform to the objectives the critics themselves seek.

I also should mention the effect of the lengthy authorization-appropriations process on defense operations. I fully appreciate the necessity of careful and thorough consideration of Defense authorization and appropriations requests. But I also feel an obligation to mention the serious concern that I frequently expressed as a member of Congress and that I continue to have about the difficulties created by late appropriations. They severely complicate both defense management and planning. They also add to our costs. Defense programs stretch over many years. It is extremely difficult to prepare budget requests for January presentation to Congress for the fiscal year to follow when, in the middle of the previous December, we still do not have the current year's budget approved. We have an added complication under the Nixon Doctrine. We are endeavoring to reduce the need for American ground combat support by shifting the emphasis to military assistance programs. In this case we did not even know what Congress would finally approve for the fiscal year 1970 military assistance programs at the time we were submitting the fiscal year 1971 defense budget to Congress.

Unfortunately, "continuing resolutions" are not a substitute for regular appropriations. They impact not only on management and planning, but also on costs. In the early years of a development program, the costs increase markedly from one year to the next, sometimes doubling or tripling. To scale down the program in mid-development to the level of effort of the previous year, as required by continuing resolutions, can disrupt programs and increase total costs. Reprogramming funds later is only a limited remedy because lengthening periods under continuing resolutions severely constrict even this amount of flexibility.

I know that the Members of this Committee and other Members of Congress are aware of these problems and are seeking ways to shorten the authorization-appropriation process or to lengthen the period for which authorizations and appropriations are granted. I hope that as we move into the decade of the 1970s, we can together devise better means for meeting our joint and separate responsibilities for more effective utilization of the defense dollar.

As a final note, Mr. Chairman, let me restate to the Committee my conviction that, given the staggering challenges that confronted us one year ago, I believe we have made significant progress in attempting to meet them.

Vietnamization, SALT, and the development of a new national security strategy are concrete manifestations of major progress. The threats from abroad, though growing, continue to be contained for the present at less expense than in recent years, and a new, vigorous attack on our domestic problems has been set in motion.

Furthermore, we have established new machinery that promises to produce more rational decisions in foreign and national security policy, in urban and domestic affairs, and in restoring and maintaining a proper balance between defense and non-defense needs.

Given a sufficiently tranquil world, the Defense Department's objective in the 1970s concerning fiscal matters will be to keep defense spending at such a level that: (1) additional resources will become available for domestic programs; and (2) we will do our share in turning the tide against inflation. In doing this, we must and we will maintain sufficient strength to ensure our ability to deter aggression and meet our Defense needs.

I believe it is obvious that a new balance between defense and non-defense spending cannot be achieved in one year, or even in two. Transition to a new equilibrium will take time. We made a beginning in 1969 and are continuing the transition into calendar year 1970. We consider our fiscal year 1971 budget another building block in that transition.

The Nixon Administration's program for winding down inflationary defense spending and for reallocating resources to domestic needs have no doubt had an effect on the mood of the country. Not all of the challenges we encountered last year have been met. In the coming year, I hope that closer working relationships with Congress will help us find better, less costly means for meeting our joint and separate responsibilities.

In summary, Mr. Chairman, we have not solved all the hard problems before us as we proceed to implement the programs which we deem necessary for the security of our country in the 1970's. And, of course, we must realize that there is some risk attached to our lowered defense budget at a time when there has not been a similar reduction in the threats

we face. As Secretary of Defense, however, I want to assure this Committee that I will not hesitate to recommend any action that may be required to ensure the security of our country and our people should the degree of risk become unacceptable.

We have made a determined effort in planning the FY 1971 Defense budget to be fiscally responsible, to maintain our current basic capability with modernization as appropriate, and to provide the foundation for our work ahead -- that of reshaping our military establishment to support our new strategy and our revised national priorities.

Finally, I must state that this is a rock-bottom budget. I believe that the national security would be jeopardized by any further reductions in our FY 1971 Defense budget request. In our testimony throughout the authorization and appropriations processes in the House and Senate, I hope we can convince the Congress that the program presented to you is the right program for the first year of this new decade.