

# AUSA POSITION PAPER

## FY-1976 DEFENSE BUDGET THE SUBSTANTIAL COST OF FREEDOM



**ASSOCIATION OF THE UNITED STATES ARMY**

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FY-1976 DEFENSE BUDGET

THE SUBSTANTIAL COST OF FREEDOM

The fiscal year 1976 seems assured of a memorable place in our history. It could be recorded as a period when the democratic process of government was unequal to the challenge. We are in the midst of economic chaos brought on by the twin processes of inflation and recession. Our preoccupation with this problem seems to have crippled our ability to reason sensibly about foreign policy and defense, with the result that a sense of aimlessness pervades our governmental effort. Early indications are that the FY-76 Defense Budget, for example, may be decided more by the knee-jerk economic persuasions of many individual Congressmen than by the realities of our Defense needs. This is a sorry dilemma for a great nation that has temporarily lost its equilibrium. It promises to be a lean year for statesmanship.

This need not be. Vigor and decisiveness in the face of adversity have been valued hallmarks of our 200-year history. This legacy should again replace in our legislative halls what has been diagnosed as a fervent wish to return to the womb. What is needed above all is to stop dealing from emotion and hearsay and start dealing with facts.

There are several cogent reasons for resisting defense cuts as a misguided solution to our economic problem. It shall be our purpose in this paper to examine these.

Mr. Herbert Stein, former Chairman of the President's Council of Economic Advisors, pinpointed one of the most important reasons for resisting Defense cuts in an article he wrote very recently in the Wall Street Journal:

"Whatever our economic problems may be, they do not include being a poor country -- too poor to defend ourselves. Our potential output is

around \$1.5 trillion. To say that there is any near serious economic limit to devoting another \$1 billion, \$5 billion or \$10 billion to our national defense, reducing output available for all other purposes by .07% or .35% or even .7% is silly."

There is a general lack of understanding also of the role that national defense plays in the conduct of our foreign affairs. The interdependence of the world economy has been emphasized insufficiently. U. S. assets abroad amount to more than \$180 billion. We export over \$70 billion a year and import even more. And many of our imports now are scarce materials needed to keep our economy going. The oil embargo of 1973 emphasizes but one important phase of our deep involvement with and dependence upon foreign countries.

Moreoever, the world in which we must conduct our affairs continues in a most volatile state. In our most recent Position Paper, "The Security of the Nation -- 1974 -- A Year-End Assessment", we took a detailed look at the rest of the world to see whether or not there was sufficient encouragement in the actual trend of events to warrant reducing our defense establishment. We do not see any such encouragement particularly in those areas of most critical interest to the United States.

Since 1968, we have reduced our Defense Budget by 42 per cent in real terms. During the same period, the Soviets have been adding to their defense forces at the rate of 3 to 5 per cent per year. This has brought us to the threshold of an inferior position to the Soviets.

If this is the direction that the people of our country wish to go -- and we do not believe this for a minute -- then this should be a conscious decision openly arrived at, clearly understood by all, and not something that happens to us by the constant erosion of our defense forces.

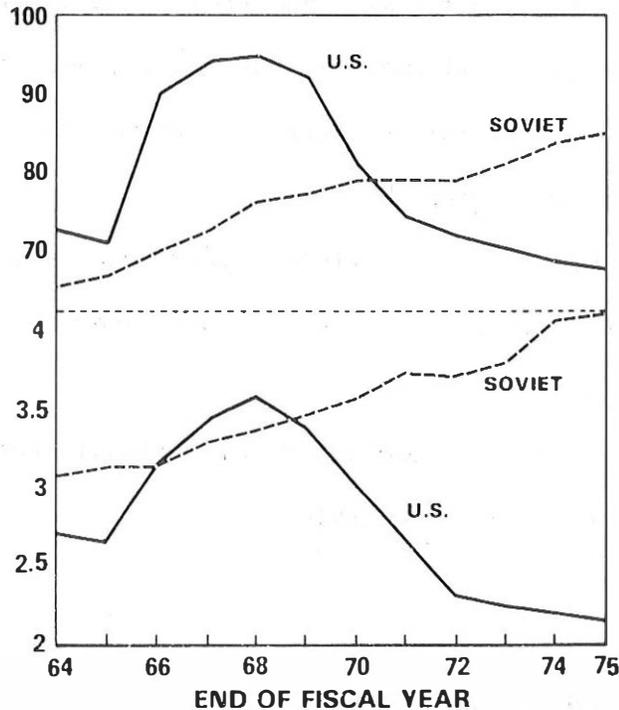
## SOVIET — U.S. DEFENSE EXPENDITURES AND MILITARY MANPOWER

### DEFENSE EXPENDITURES

(Billion 1972 Dollars,  
excludes retirement pay,  
civil defense, and MAP)

### MILITARY MANPOWER

(Millions)



We are not aware of any Member of Congress who was elected on a platform of making this a second-class nation. All the polls we have seen indicate clearly that the public expects the government to maintain at least

the semblance of equality with Soviet Arms.

Before we consider serious defense cuts, we need also to weigh carefully some of the fruits of the present era of deterrence which has been based on a defense strong enough to have a perceivable potential for effective counteraction.

As imperfect and incomplete as they may be, SALT I and the Vladivostok Agreements represent an effective start on nuclear arms control -- a start that was not believed possible a decade ago.

Recent news has reported real progress in the European Security Conference at Geneva. Mutual Balanced Force Reduction talks between NATO and the Warsaw Pact continue in Vienna.

Secretary Schlesinger put it this way: "We are now in the thirteenth year of relative peace among the great powers, and the record, however modest, owes much to the generosity and steadfastness of the United States. The course has been long and the role burdensome, but the prize has been great. I doubt we should want to surrender it now out of fatigue, pique or a mistaken sense of priorities."

These are several of the tangible trends towards a less volatile world that have come about because we have kept our defenses reasonably strong.

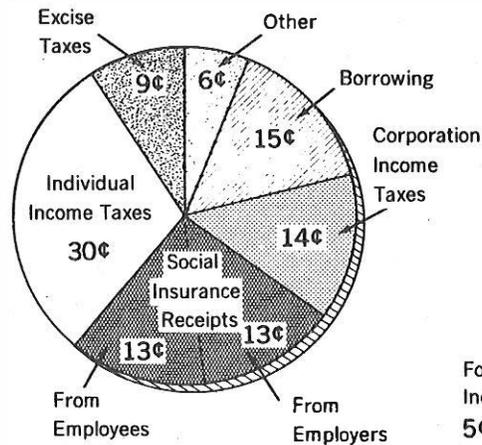
### The National Budget

If more Americans knew more about our national budget, discussions about our priorities would be more sensible.

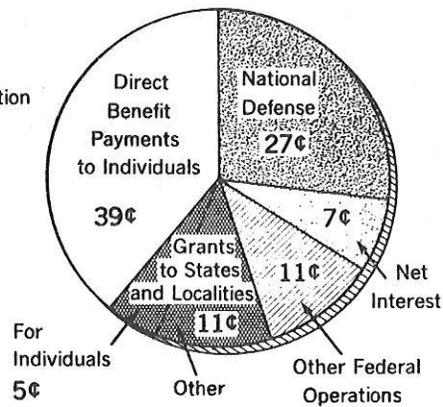
## The Budget Dollar

Fiscal Year 1976 Estimate

Where it comes from....

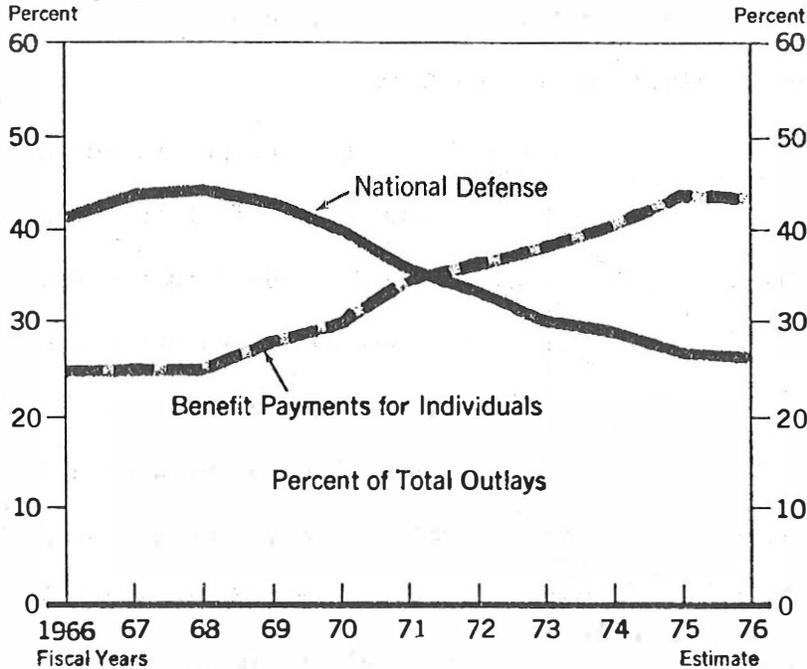


Where it goes....



For one thing, it would ring down the curtain on the mindless clatter about the defense budget soaring out of control and the need for reordering priorities to take money from defense for more social welfare programs. As the following chart indicates, this reordering has long since been accomplished.

### Changing Priorities



Senator McClellan (D-Ark) had occasion to remind his colleagues of this fact recently from the Senate floor. "Outlays for National Defense have shrunk during the 10-year period from 41.5% of the total Federal Budget Outlays to 29.3% requested for Fiscal Year 1976 -- Since Fiscal 1966, non-

defense programs, including outlays for human resource items -- education and manpower, health including medicare and medicaid, income security, including individual benefits -- have increased from 58.5% of the budget to 73.1% --- while national defense costs were rising by 68% over the last ten years -- total other governmental expenditures were climbing by 224 per cent."

Sir John Slessor, our distinguished British colleague from World War II, is quoted as having made a particularly pertinent remark on this subject: "It is customary in democratic countries to deplore expenditures on armaments as conflicting with the requirements of the social services. There is a tendency to forget that the most important social service that a government can do for its people is to keep them active and free."

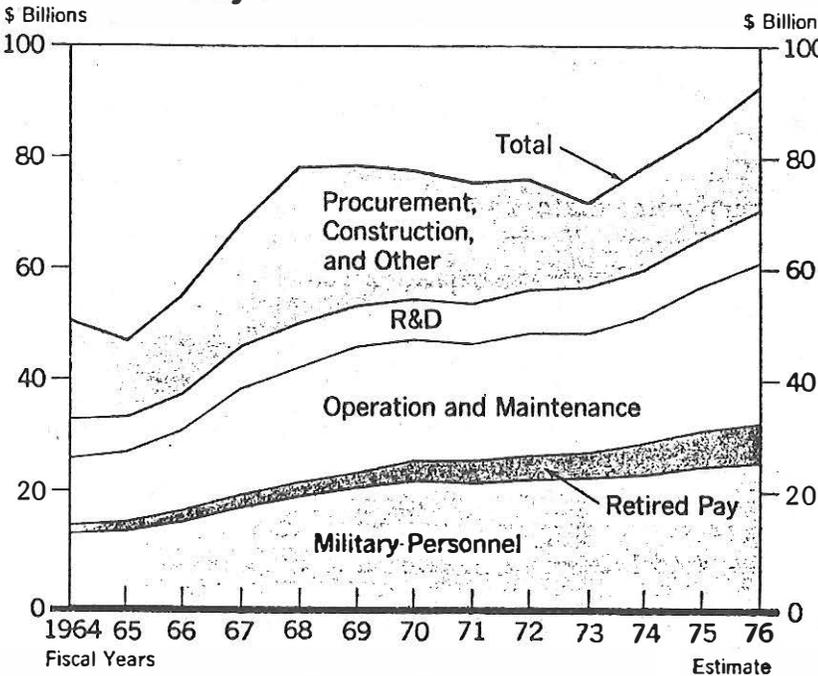
The Defense Budget

The Defense Budget request for FY-76 asks for authorization to obligate \$104.7 billion during the year and to actually spend \$92.8 billion of which some \$6.9 billion will go for retired pay.

This represents an increase of \$15.7 billion in obligational authority over the present fiscal year. Actual outlays would increase by \$8 billion.

A summary of Defense outlays is displayed in the Graph.

**Defense\* Outlays**

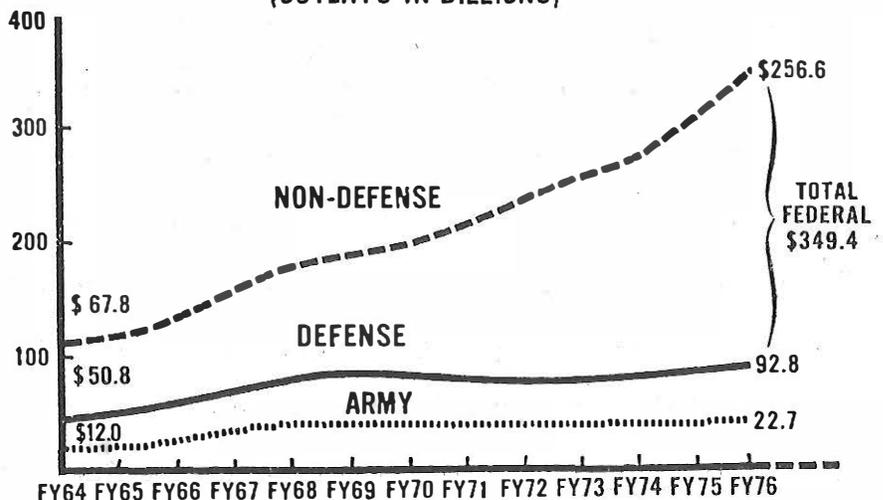


\*Department of Defense—Military and Military Assistance

The FY-1976 budget represents a conscious effort on the part of the President to reverse the serious and sharp erosion of Defense purchasing power which we have been experiencing in recent years. Federal budget trends on the following graph and table indicate the continuous reordering of priorities which has taken place.

Over the last three fiscal years, for example, we have had to absorb a heavy impact from inflation amounting to a compound total of 35%.

**DEFENSE, NON-DEFENSE AND ARMY FEDERAL BUDGET TRENDS (OUTLAYS IN BILLIONS)**



TREND OF FEDERAL EXPENDITURES  
(OUTLAYS IN BILLIONS)

	<u>FY 1964</u>	<u>FY 1976</u>	<u>PERCENT CHANGE</u>
DEFENSE - MILITARY	49.6	92.8	87%
HUMAN RESOURCES	28.6	178.2	523%
VETERANS BENEFITS	5.7	15.6	174%
COMMERCE/TRANSPORTATION	6.5	11.8	82%
SPACE RESEARCH	4.2	3.5	-17%
INTEREST ON NATIONAL DEBT	9.8	36.0	267%

The Department had forecast an inflationary factor of 23% for the period. This inflation impact was described in detail in a recent AUSA Position Paper.

These increases reflect only a modest

upgrading of our defense capabilities. Much of the increased request will have to go for increased pay and to offset inflation. Retired pay will be up. An average of 57,000 people will be added annually to the retired rolls and cost-of-living increases in pay are added on.

In the area of operations and maintenance, about \$652 million can be identified as growth which will help address the programmed neglect of real property and maintenance and contribute to increasing personnel and materiel readiness.

In procurement, some \$2.3 billion had to be included to cover the increased cost of ships approved by Congress in prior years. After this and other inflationary factors are weeded out, there is about \$2.5 billion for the procurement of weapons, planes, ships and other equipment. R&D has a constant dollar growth of about \$1 billion and some \$800 million additional is included for military construction.

To summarize: In the FY-76 Defense Budget request:

- Strategic missile forces do not change in total
- The number of strategic bombers remains unchanged.
- The Manned Fighter Interceptor Squadrons remain at 6.

- The Army will add three divisions to its active force structure by taking manpower from its support elements. There is no increase in total Army manpower.
- Three Marine Corps divisions are continued.
- The Air Force active fighter force is maintained at 22 wings although quality is improved as the first two squadrons of F-15's enter the force. Similarly, the Air Guard will be upgraded by the receipt of the F-4 and A-7 aircraft being relinquished by the active force.
- Navy attack wings will be decreased from 14 to 13 as two attack carriers (Hancock and Oriskany) are deactivated leaving us with a 13-carrier force.
- The nuclear attack submarine force will increase from 64 to 68.
- 12 Navy warships being retired from the fleet are replaced by 7 newly constructed ships and one completed conversion for a total reduction of 4 and giving us a total for FY-76 of 185 warships.
- The introduction of two new LHA class amphibious assault ships is offset by the retirement of one amphibian cargo and two amphibious transport ships.
- No change in our C-5, C-141 strategic airlift force.
- Three oilers are added to the Military Sealift Command.
- Military personnel will be reduced by 7,000 in the Navy and 22,000 in the Air Force.
- DOD civilian employees will be cut by 10,000

Thus, when the facts are examined, there really are no grandiose, free-spending additions to the Defense Budget as some have thought. The table following presents the actual figures.

FY-1976 DEFENSE BUDGET, FEDERAL BUDGET, AND GNP FOR SELECTED YEARS

		(Billions of Dollars)			DOD Outlays as % of	
Fiscal Year		GNP	Total Budget Outlay	Dept. of Defense	GNP	Federal Budget
1950	Lowest Year since World War II <u>a/</u>	\$ 263.3	\$ 43.1	\$ 12.0	4.5%	26.8%
1953	Korea peak	358.9	76.8	47.5	13.3%	60.3%
1964	Last prewar year	612.2	118.6	50.8	8.3%	41.8%
1968	SEA peak	826.1	178.8	78.0	9.4%	42.5%
1974	Last actual year	1,348.9	268.4	78.4	5.8%	28.2%
1975	Current estimate	1,434.1	313.4	84.8	5.9%	26.1%
1976	Budget estimate	1,595.6	349.4	92.8	5.8%	25.7%

a/ In constant prices, and as a percentage of GNP. Until FY-1975, this was also the low year for Defense as a share of the Federal Budget.

Strategic Forces

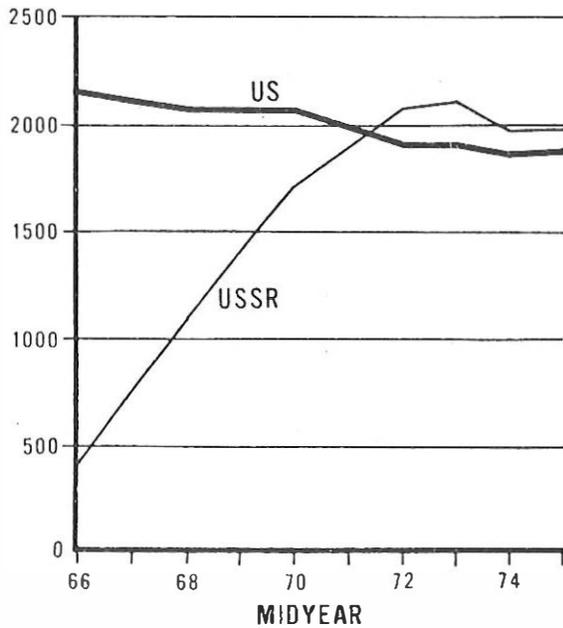
As was indicated in the foregoing summary, activity in upgrading our strategic capability is qualitative rather than quantitative.

General George S. Brown, Chairman of the Joint Chiefs of Staff, made two major points to the Congress as his considered judgment of the current status:

"First, the strategic balance today remains in dynamic equilibrium with the Soviet numerical edge by some indicators offset by the United States qualitative advantage. The USSR, however, has embarked upon a massive program of major strategic force improvements which, if not constrained by the negotiating process or balanced by major U.S. arms initiative, will result in serious superiority over the United States in the years ahead.

"Second, across the spectrum of warfare from strategic exchange to the lowest intensity of conflict, our military forces, together with those of our allies, possess today the capabilities to meet any foreseeable provocations with precision, discrimination, and restraint appropriate to the circumstance."

### US AND USSR OPERATIONAL STRATEGIC OFFENSIVE DELIVERY VEHICLES



Given the objective of deterring attack on ourselves and upon our allies, it is essential that we remain on equal footing with the Soviet Union with regard to strategic systems. Using SALT I and Vladivostok as a starting point, we must continue our efforts to further reduce strategic armaments on both sides. But given the Soviets current massive deployment of new weapons, we have

no choice but to continue to enhance our own strategic weapons capability.

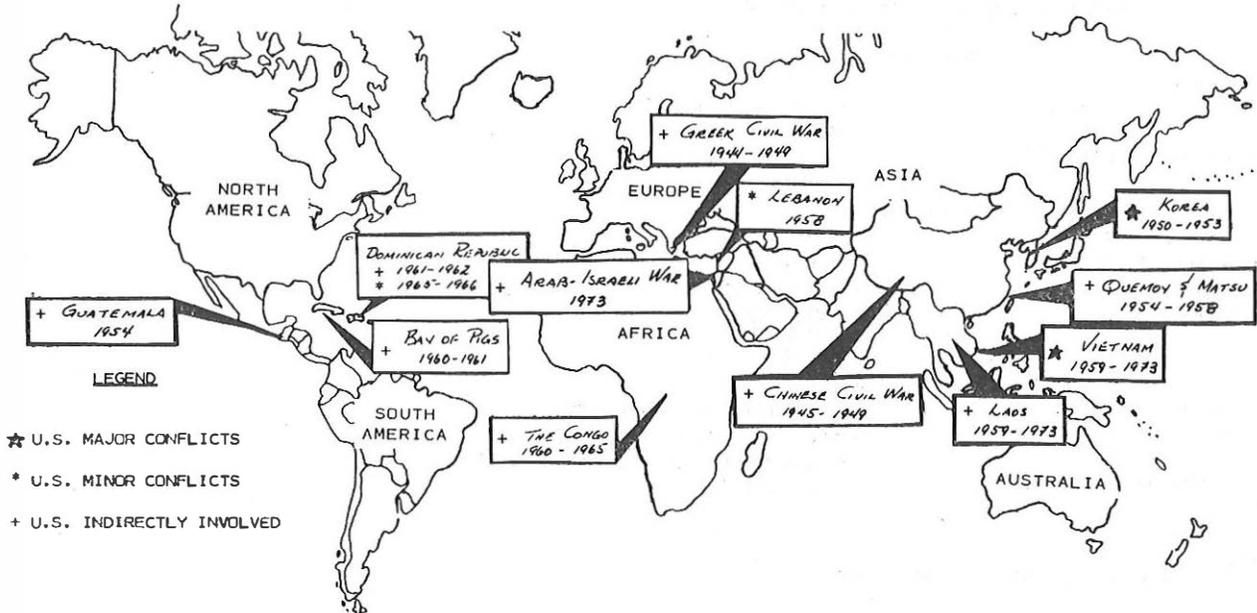
Thus, the programs requested in the budget continue to support the orderly entry of Trident submarines into the fleet, the continued development of the B-1 bomber leaving the actual production decision till later, continuing research and development on greater accuracy for our warheads, and continuing study of anti-ballistic missile technology.

#### General Purpose Forces

We spend the bulk of our defense budget on that element of our defense that is most likely to see action if any conflict should develop -- our General Purpose Forces. Secretary of Defense James Schlesinger made this point in his

Annual Report to Congress. "After thirty years of the nuclear era, most nations have developed a deep and understandable reluctance to resort to the use of nuclear weapons. By contrast, the inhibitions against the use of traditional force are not so great. However unpredictable the course and outcome of conventional conflicts, we probably understand them better than the risks and consequences of a nuclear campaign. If military force finally seems in order, familiar force is what is most likely to be used." The history of conflict since 1945 would bear this out.

ARMED CONFLICTS INVOLVING U.S. IN POST-WORLD WAR II ERA



Moreover, as the Secretary of Defense goes on to point out: "It must be repeatedly stressed that the deterrence of nuclear war depends not only on the adequacy of our strategic and tactical nuclear capabilities. It also rests heavily in the first instance on our ability to deter the outbreak of conventional conflict among the great powers -- most of us would

agree that the more likely first use of nuclear weapons would arise out of a setback at the conventional level of conflict. To keep the nuclear threshold high, we must therefore maintain strong conventional forces and work unceasingly to deter the outbreak of any major conflict.

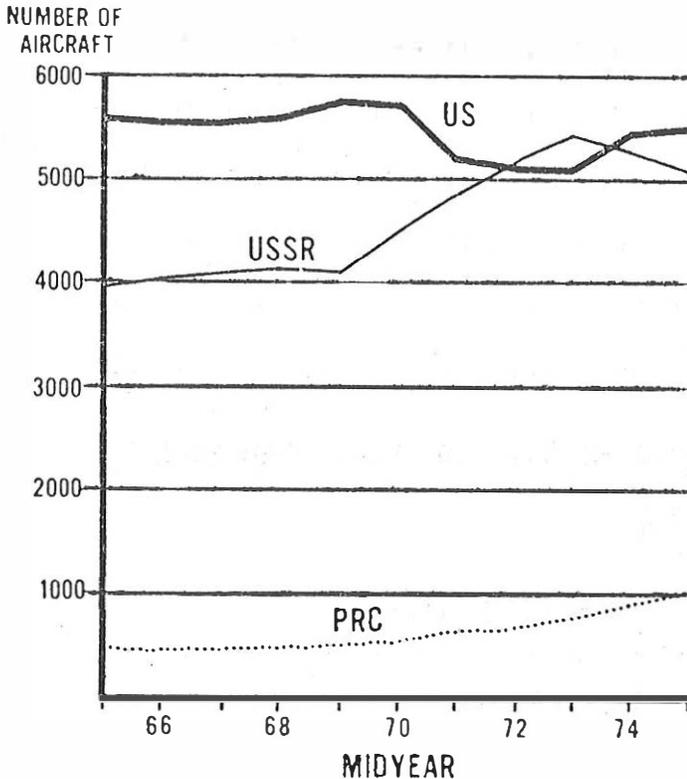
--- Despite our strategic and theater nuclear capabilities, non-nuclear forces remain the prime coin of the military realm." Some of that coin is being invested by both sides in the initiatives indicated on the chart.

### SIGNIFICANT US & USSR INITIATIVES GENERAL PURPOSE FORCES SYSTEMS

US	GROUND FORCES	USSR
ARMY "BIG FIVE": AAH & UTTAS XM-1 TANK & MICV SAM-D • DRAGON & TOW ANTITANK WEAPONS		• M-1970 MEDIUM TANK • NEW FIGHTING VEHICLE (BMO) • SP ARTILLERY (122mm; 152mm) • TACTICAL SAMS (SA-8) • HIND AHELO
	NAVAL FORCES	
688 CLASS ATTACK SUB LHA AMPHIB ASSAULT SHIP PATROL FRIGATE (HARPOON EQUIPPED)		KIEV CLASS CARRIER • KARA CLASS CRUISER • KRIVAK CLASS DESTROYER • AMGA CLASS MISSILE SUPPORT SHIP ROPUCHA CLASS LST
	TACTICAL AIR FORCES	
A-10 CLOSE AIR SUPPORT A/C F-15 (EAGLE) FIGHTER EF-111A • F-14 (TOMCAT) FIGHTER ACF (F16) NACF AWACS		• SU-19 (FENCER A) VFW FIGHTER BOMBER • MIG-23 (FLOGGER) FIGHTER • SU-17/20 (FITTER C) FIGHTER BOMBER V/STOL FIGHTER
		• CURRENTLY BEING DEPLOYED; STILL IN PRODUCTION

The Tactical Air Forces are complementary to our ground forces. They provide the range and speed to attack important targets beyond the range and surveillance of ground forces. Air Force Tactical Air, together with that of the Marines and the Navy's carrier strikeforce, constitute our Tactical Air Forces.

## TACTICAL AIRCRAFT



U.S. Allies are expected to provide about half of NATO's total tactical air capability. The three principal missions of Tac Air have been air superiority, interdiction and close air support.

The benefits of an extensive modernization program are now starting to be realized in our tactical air inventory. The Navy's F-14A, and the Air Force F-15, both already operational, are lauded as two of the finest fighters in the world today. The new A-10 due to enter the active force next year was selected by the

Air Force to beef up close ground support. The F-16 lightweight fighter has just been selected by the Air Force after a fly-off competition. The Navy and Marines will soon select a lightweight fighter as well.

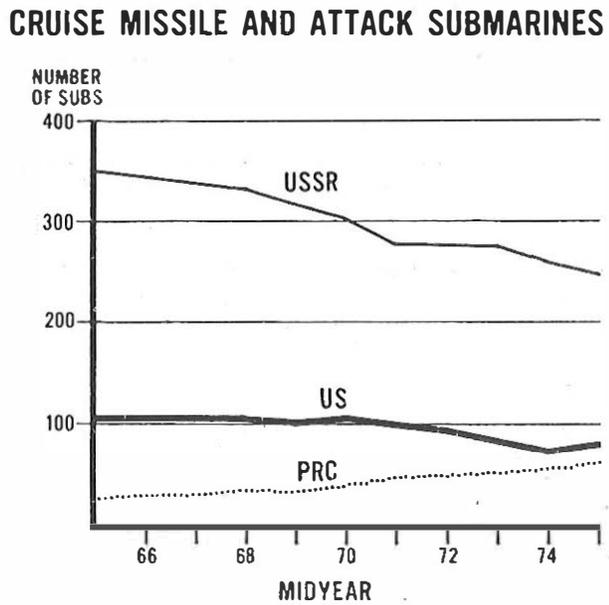
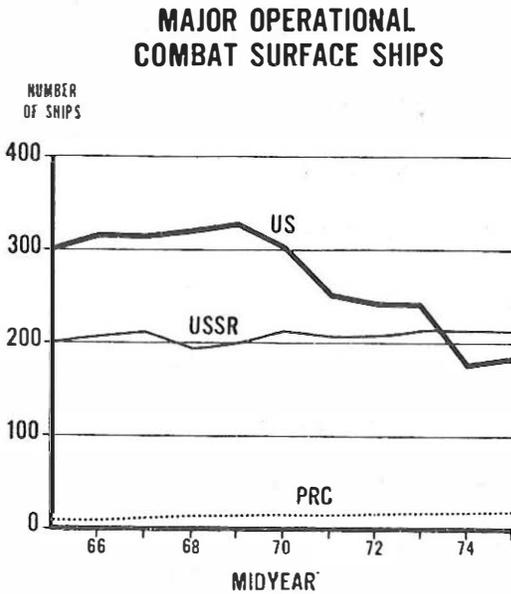
To employ these new aircraft effectively in the highly sophisticated battlefield environment of today, the Air Force is again seeking funds to buy Airborne Warning and Control Systems Aircraft (AWACS). AWACS could provide a sorely needed ingredient in extending our ability to detect enemy aircraft and missiles as well as to control our own support operations.

### The Naval Forces

Since it would be our firm intention that any conflict in which we might become involved begin on foreign shores and stay there, we must have deep concern for how we can get our forces where they are needed and support

them after they are engaged. This involves, among other things, the control of our sea lanes of communication.

At a time when the Soviet Union has been increasing its Navy, the United States Navy has been reduced. The Navy is scheduled to drop 27 ships from the active fleet in FY-76, including 2 carriers, 3 destroyers and 1 submarine. The total Navy active fleet in FY-76 will be 496 ships -- the lowest number since 1939. The charts reflect the relative status of major combat surface ships and those of attack and cruise missile submarines.



The Carrier continues to be the core of our naval power. It provides us a mobile platform and the ability to propel our air power into places that might not be accessible from land bases. Carriers provide support for amphibious operations and they are the dominant ship in any contest among surface ships. Certainly in today's volatile climate the 13-carrier task force is a most essential ingredient in our defense.

Among the greatest problems confronting the Navy today are (1) the skyrocketing cost of building ships (2) the lack of shipyard space and skilled manpower to both construct new ships and to overhaul and maintain those already in the fleet. Readiness suffers greatly from these latter two problems.

#### Land Forces

The arm-chair strategists from academe have long espoused the theory that the only conventional conflict for which we need be prepared is a short war in Europe.

Secretary Schlesinger summed up our contrary view in his report:

" - - - it is worth remembering that previous calculations about the duration of a war and the nature of high policy decisions have usually been in error. According to most of the conventional wisdom available at the time, World War I should have ended after about six weeks; and yet it went on for four more years. Britain supposedly should have come to terms with Germany after the fall of France in 1940; certainly Hitler thought she should."

It takes no great amount of study to see clearly that we have critical interests also in the Middle East, in Asia, and in our own hemisphere. One could make a more persuasive argument that as long as we maintain a strong stance in Europe with our NATO allies, Europe could be the least likely place for an armed conflict.

For a variety of reasons, our forward deployments play a great role in the credibility of deterrence, particularly in view of our widely recognized deficiencies in strategic mobility. The presence of major oceans between our continent and areas of major importance and interest to the U. S. are clearly recognized by all. Since our forces have been so reduced, we are not geared to deal with any large number of contingencies so we place our emphasis

on a credible ability to concentrate quickly in areas of critical interest. We do this in part by maintaining strong points in these areas, retaining the bases necessary to support them and improving our capability to reinforce them.

Our combat strength in Europe is too low, particularly in light of continuing Soviet increases in their ground forces there. Hence, the sensible decision to beef up our forces by the additional brigades this year. We will do this without increasing our overall numbers in Europe but by reducing support elements.

In Asia, we have cut back more than 90,000 since 1964. Since Northeast Asia represents the most critical area for us in that part of the world, more than 60% of our forces over there will be found in Korea, Okinawa and Japan. Another 25% are at sea. These provide some measure of deterrence and stability in that region through our visible presence and commitment.

The thrust of the FY-76 budget is to increase the combat capabilities and the readiness of our land forces without increasing their size.

The Marine Corps will continue at three active and one reserve divisions. They will be working to reduce headquarters overhead sufficiently to man six more rifle companies than they now have.

The Army, on the other hand, expects to be able to increase its combat forces by three divisions, without any increase in its total active duty strength of 785,000. This would give the Army 16 active divisions and eight reserve component divisions.

Reductions in active Army support units will be required to get the personnel to man the three new divisions. One brigade of each of these divisions will come from the Reserve Components. Reserve Component units will have to assume the important support back-up which the Active Army

relinquishes. While the major combat units which are needed early must be active, this utilization of Reserve Component units to round out and augment Active Army combat divisions, gives real impetus to the growing integration of active and Reserve Component units into a truly viable total force.

The addition of these three combat divisions responds in part to a long-expressed need for having available immediately greater conventional combat power. Land forces are the weakest element in our defense structure when we compare our conventional forces with those of likely adversaries. Events in recent months have exacerbated the already tenuous risk that we have accepted in this regard in the past. The Joint Chiefs of Staff have long supported a 30-division force requirement. The Secretary of Defense documented in his Annual Report the fact that we had long since gone too far in reducing our active ground forces.

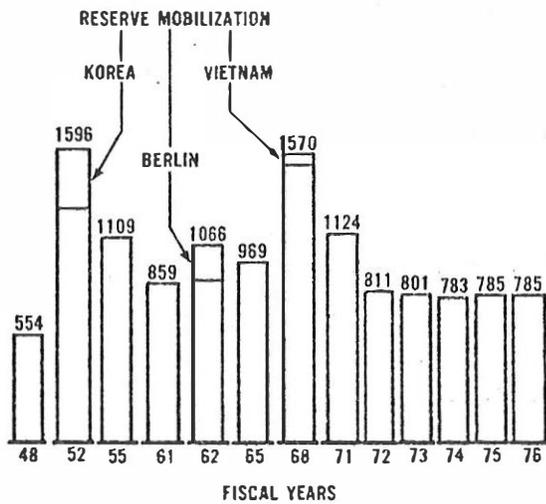
In his testimony before the Congress, the Army's Chief of Staff, General Fred C. Weyand, listed several major benefits to be gained from adding to the Army's combat strength.

- "It results in an Army better able to fight with resources at hand, which helps avoid forcing a premature decision to mobilize.
- It provides a better chance of winning that critical first battle.
- It extends our conventional combat capability significantly, thereby raising the nuclear threshold.
- It allows us to bolster our initial combat strength in Europe while still retaining a powerful and responsive central reserve in the United States.
- It increases our capability to fulfill treaty commitments and provides a force to deter threats to our unilateral interests elsewhere, thus affording the President greater flexibility in crisis management.

--- It underscores our determination to resist coercion, to retain our freedom of action, to protect our interests."

This is the first effort in years to enhance the credibility of the ground element of our deterrence. It will help to offset some of our previous actions which have made friend and foe alike question both our capability and our will to honor our commitments and to protect our freedom of action.

### THE ARMY'S CHANGING SIZE



There are other great advantages to holding the Army's strength at 785,000. In the last months, the Army has just begun to derive the broad range of benefits that stem from a stable strength. These benefits pervade the whole spectrum of Army life and missions -- readiness, discipline, morale and effectiveness. The importance of maintaining this stability to the improving effectiveness and attractiveness of our

Army cannot be overemphasized. To maximize results, a steady level of manpower and purchasing power over a period of at least five years would yield a truly cost-effective return.

There are other areas impacting strongly on our defense readiness, credibility and effectiveness. Two of the most important include the funds required for operations and maintenance and those for the equipping and modernization of our forces.

All the Services have had great difficulty with their operations and maintenance accounts. The budget requests for these accounts are consistently pared by the Congress. The impact of soaring inflation on these activities

equate closely with the bread and butter issues every American confronts daily. To make matters worse, the Services are not permitted to budget for inflation in these accounts so they are behind the purchasing curve before they spend the first dime.

The Army's O&M needs provide an example of what these accounts involve.

FY 1976 OPERATION & MAINTENANCE, ARMY  
( \$ MILLION - TOA )

PROGRAM	REVISED FY 75	REQUESTED FY 76
1 STRATEGIC FORCES	89	85
2 GENERAL PURPOSE FORCES	1,974	2,309
3 INTELLIGENCE & COMMUNICATIONS	412	439
7-S CENTRAL SUPPLY	1,363	1,488
7-M DEPOT MAINTENANCE	529	696
8 TRAINING & OTHER PERS ACTIVITIES	1,127	1,192
8-M MEDICAL	506	582
9 ADMINISTRATION & ASSOCIATED ACTIVITIES	474	498
10 SUPPORT OF OTHER NATIONS	50	63
11 BASE OPERATIONS	(2,028)	(2,266)
TOTAL	6,524	7,352

OPERATION AND MAINTENANCE  
BASE OPERATIONS - FUNCTIONAL DETAIL

EXPRESSED IN ACTUAL DOLLARS ( \$ in millions )

	FY 74	FY 75	FY 76
Audio Visual Services	\$ 71	5	5
Supply Operations	92	103	111
Maintenance of Materiel	156	193	230
Transportation Services	118	134	140
Laundry & Dry Cleaning Services	24	37	44
Army Food Program	177	216	200
Personnel Support	109	143	152
Bachelor Housing Furnishings Support	32	30	36
Operation of Utilities	225	326	317
Maintenance & Repair of Real Property	318	306	426
Minor Construction	27	15	20
Other Engineering Support	200	192	205
Administration	283	275	328
Data Processing Activities	48	53	52
TOTAL	\$ 1,880	2,028	2,266

We have already reached the crisis point in cutting or deferring these accounts. As a matter of fact, inflation became so pernicious in recent months that money had to be reprogrammed from investment accounts back to O&M, so that utility, heating and other minimum existence bills could be paid.

Readiness is slipping as a result of past deficiencies in O&M and may be in worse shape than we yet recognize. Maintenance both on real property and equipment is getting in a shameful state. Training is being constrained and troops are being diverted from training to maintenance or nonmilitary tasks. There is nothing left to rob from Peter so we must get operations and maintenance funding back to a safe and realistic level and then use it for the purposes for which it was intended.

Another critical area is the procurement and continued development of the weapons and equipment we need to not only bring our units up to the

<u>TANKS</u>	
<u>U.S.</u>	<u>9,000</u>
<u>U.S.S.R.</u>	<u>40,000</u>
<u>P.R.C.</u>	<u>1,000</u>

numbers they need but to proceed with orderly modernization as well. Secretary of the Army,

Howard H. Callaway addressed this point in his testimony before the Congress: "If we are to

have a general purpose force that is anywhere near a match in quality with that of the Soviets, we must reverse the steep

downward trend in our research and development programs and other procurement activi-

<u>HELICOPTERS</u>	
<u>U.S.</u>	<u>9,000</u>
<u>U.S.S.R.</u>	<u>2,000</u>
<u>P.R.C.</u>	<u>1,000</u>

ties. --- Current estimates are that all these

price increases (from inflation) will add \$830 million to our FY-76 procure-

ment and R&D costs. --- This is an area where we need the sympathetic support

of the Congress in fully funding those items the Army needs to perform its

mission in the years ahead." Some of the Army's procurement highlights are

reflected on the chart that follows.

	FY-75 - TOA		FY-76- TOA	
	Procurement (\$ In Millions)	Quantity	Procurement (\$ In Millions)	Quantity
<u>Aircraft (includes)</u>	242		362	
AH-1S Helicopter (Cobra/TOW)		6		38
Airplane, Utility, U-X		0		20
<u>Missiles (includes)</u>	392		461	
Improved Hawk		520		520
TOW		23,860		23,813
Dragon		14,350		19,300
<u>Weapons &amp; Tracked</u>				
<u>Combat Vehicles (includes)</u>	430		989	
M60A-1 Tank		510		662
Armored Personnel Carrier, M113A1		151		1,320
<u>Ammunition</u>	808		752	
<u>Other</u>	645		1,003	
<b>TOTAL</b>	<b>2,517</b>		<b>3,567</b>	

Most of the Army's major modernization needs are wrapped up in the so-called "Big 5" which are moving along through the Research, development, test and

**RESEARCH, DEVELOPMENT, TEST & EVALUATION,  
ARMY BIG 5 PROGRAMS ( \$ in millions )**

	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>
ARMY ATTACK HELICOPTER .....	20	49	61	65
UTILITY TACTICAL TRANSPORT				
AIRCRAFT SYSTEM .....	50	103	53	92
XM-1 TANK .....	22	54	65	52
MECHANIZED INFANTRY				
COMBAT VEHICLE.....	8	12	10	16
SAM-D .....	171	194	105	130
<b>TOTALS.....</b>	<b>271</b>	<b>412</b>	<b>294</b>	<b>355</b>

evaluation process. The validity of the Army's requirements for these systems has been amply demonstrated and for the most part accepted by the Congress.

What is needed now is to continue to support them so that their development may continue in the most orderly, cost-effective manner. The earlier they enter the Army's inventory, the sooner our combat effectiveness will be improved.

Secretary Callaway ranks the product improvement of the M-60 tank series right behind the "Big 5" in priority. He points out that by this summer, we will have completed the program to give these tanks added reliability, mobility, firepower and flexibility. During FY-76, we hope to add a better night-fighting capability.

It is imperative, too, that the continuing needs for military construction

be addressed. In an era when manpower costs are high and great effort is expended to attract top-notch people to the military services, we cannot afford to make their living and working conditions so unattractive as to discourage their continued service. Many amenities

MILITARY CONSTRUCTION, ARMY  
HIGHLIGHTS

	(SPACES)	
	FY 1975	FY 1976
BARRACKS MODERNIZATION	22,298	9,062
BARRACKS CONSTRUCTION	10,654	17,733
BOQ CONSTRUCTION	0	126
● BACHELOR HOUSING - \$301 MILLION		
● NEW DIVISION STATIONS - \$147 MILLION		
● MEDICAL FACILITIES - \$105 MILLION		
● ONE STATION TRAINING - \$89 MILLION		
● POLLUTION ABATEMENT - \$85 MILLION		
● NUCLEAR WEAPONS SECURITY - \$37 MILLION		
● ENERGY CONSERVATION - \$33 MILLION		
● REAL ESTATE - \$14 MILLION		

associated with military life are being eroded. It would be shortsighted indeed in the present economic climate of our country if we were not to proceed with these needed construction projects which will have the further impact of invigorating a weak spot in our civilian economy.

Reserve Components

We have already alluded to the increasing responsibilities of our Reserve Component force and our greater reliance upon them. The FY-76 budget request for the Reserve Component forces is \$5.6 billion. The following table outlines the Army's portion.

RESERVE COMPONENT APPROPRIATIONS  
(\$ IN MILLIONS)

<u>APPROPRIATION</u>	<u>FY-1975</u>	<u>FY-1976</u>
ARMY RESERVE	815	847
Personnel	(487)	(465)
Operations & Maintenance	(284)	(332)
Construction	( 44)	( 50)
NATIONAL GUARD	\$1338	\$1438
Personnel	(671)	(697)
Operations & Maintenance	(608)	(678)
Construction	<u>( 59)</u>	<u>( 63)</u>
TOTAL	\$2,153	\$2,285

HIGHLIGHTS:

Paid Drill End Strength:

(000's)

NATIONAL GUARD	400	400
ARMY RESERVE	212	212

Technician End Strength:

NATIONAL GUARD	28,831	29,524
ARMY RESERVE	8,438	9,698

We are reaching the outer limits of the responsibilities we can ask our citizen soldiers to assume in our total defense programs. One would have to assume that the citizen-military man can only afford to give so much time to his military duties and still earn a living. Current programs approach those limits. This makes it all the more imperative that the Budget programs to facilitate their contribution be supported strongly.

Strategic Mobility

In our analysis of the FY-75 Defense Budget last April, we

commented in some detail about the serious inadequacies of our strategic mobility. There is no discernible improvement in the situation since that time. Secretary of Defense Schlesinger made this point abundantly clear in his recent Annual Report: "Unless we are willing to make the necessary investment in strategic lift, we run the risk of several unpalatable consequences. Either we will have to deploy more forces forward with resulting decreases in strategic flexibility and increases in both budgetary and balance of payment costs, or we will have to accept the risk that an opponent, by a rapid buildup, would overwhelm U.S. and allied deployed forces before reinforcement could arrive." He went on to

set the rock-bottom minimum requirements. "- - - if we have the capability to move (on the average) about 10,000 tons a day in wide-bodied aircraft over a distance of about 4000 nautical miles (without any dependence on intermediate bases), we should be able to meet most of the demands on our strategic airlift. In other words, if we are able to lift a division with all its equipment each week from the CONUS to bases in Europe, we should have in hand the capability to deal with most of the other contingencies which could arise." Our best guess is that we could not now move a division to Europe with all of its equipment in less than 19 days. Nor does the modest program being proposed by DOD really face up to the problem. We need to do more than just stretch the capacity of C-141's, modify some of the wide-bodied equipment of the civilian airliners and add some tankers. What we really need is a few more squadrons of an aircraft with the capability of the C-5.

To make matters worse, there is no plan -- or probably much capability -- to expand our sealift. What early support we will be able to muster for any conflicts we may encounter will have to be by air or through our forward deployments and prepositioned equipment until we can round up merchant shipping and press it into service. This is a sorry state of affairs for a great nation in today's world.

#### Conclusion

Before concluding this brief summary of the budget, there is an important point that is little mentioned but that should be of great interest to every taxpayer. The Department of Defense is by any measurement the best-managed department in our government. Even the most severe critics of defense spending have made this point. It may have to do with the fact that the Department operates in a much clearer fishbowl and under much closer scrutiny than any other agency of the government -- most especially including Congress.

But whatever the reasons, the taxpayer can be assured that on a comparative basis he's getting better management of his tax dollar in DOD than any place in the government. Moreover, efforts to tighten up and manage better are a continuous part of the operation. We think the taxpayer ought to know this.

Those who favor cutting the defense budget willy-nilly without reference to the facts or our needs and commitments, would be well-advised to heed some words spoken earlier this year by the Defense Secretary: "When you refer to what DOD wants, I think I should underscore one point. The Department of Defense is not something aside from the American people or the American society. The Department of Defense represents the shield of the American society for whatever commitments the society decides to embark upon. It is not an interest apart from other interests. Therefore, when we consider reductions in the Department of Defense, we should keep clearly in mind that we are doing something to ourselves, to our defense posture, to our foreign policy, and we are not simply forcing DOD, as it were, to tighten its belt."

The Defense budget in total rests on several salient facts. Foremost among these is reflected in Secretary Schlesinger's happy phrase "we have been driven out of the paradise of isolation and non-involvement which characterized the America of the nineteenth and twentieth century." Obviously, we cannot return. He went on to summarize several other points. The United States continues to have large and growing interests in an interdependent world even as it faces a number of problems at home. The areas of greatest interest to the United States are beset by a number of internal and external difficulties. Despite detente, the sources of potential differences and conflict among the powers remain numerous. Lastly, large and diversified military capabilities remain in the hands of powers with whom our relationships have to some degree

improved, but powers who have not traditionally wished us well or looked with cordiality upon our interests. In our view, this is the most conservative estimate of the current dangers we face that one in a position of responsibility could make. But there can be no gain-saying that the opportunities for calamity are abundant.

We support strongly the view that our defense must be based on external realities and not wishful thinking. There is no point to an inadequate defense budget and -- Freedom does have a substantial price. It is a price we can well afford to pay.