

AUSA POSITION PAPER

**A LOOK AT THE FISCAL
YEAR 1978 DEFENSE BUDGET**



ASSOCIATION OF THE UNITED STATES ARMY

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Just five days before he surrendered his office to incoming Secretary of Defense Harold Brown, former Secretary Donald Rumsfeld compared the state of the nation's defenses vis-a-vis the most likely adversary, the Soviet Union, with the physical state of a man who has gone too long without sleep.

A man, Rumsfeld said, can stay up until three o'clock in the morning and perform well the next day. He might even do well for several days but finally the loss of sleep will catch up with him and he will no longer be able to perform as expected. At that point he has no option but to go to bed and try to catch up on his rest.

Rumsfeld pointed out that a series of decisions by past administrations and by Congress over a span of 15 to 20 years have brought the U.S. armed forces to the point of having to rebuild their strength. Just a month later, Dr. Harold Brown, the new defense secretary, made the same points in presenting the Carter budget. Despite the heavy expenditures on defense during the Vietnam War period, most of the money was spent on consumables and when the war ended, the forces found themselves armed with war-weary or obsolescent equipment.

The Soviet Union, in the meantime, was able to concentrate on force improvement. There is little question that the USSR has moved ahead of the United States in a number of areas but there is some uncertainty about what they intend to do with that superiority. In his annual Defense Report, Secretary Rumsfeld said:

"What we are witnessing, at a minimum, is a sustained effort on the part of the leaders in the Kremlin to expand their capabilities sufficiently to become major participants in world geopolitics. In certain respects, they have already broken through or leapfrogged the barriers erected by containment policies of earlier decades. They can be expected to continue this process in the future. Certainly they will have a growing capability to do so."

Defense Secretary Brown summarized it this way: "What we do know, however, is that the Soviet Union commands the full panoply of modern military power and that its investment in nuclear and non-nuclear forces (on land, on - under and over - the sea and in the air) has been increasing for more than a decade. The capability is large in size and growing in sophistication. Much of it is concentrated in fuctions and regions where it can jeopardize the vital interests of the United States and its allies."

The departing Ford administration left behind a proposed Fiscal Year 1978 Department of Defense budget of \$123.1 billion. After stripping out \$9.1 billion for military retired pay and \$1 billion for foreign military assistance the total reflects a 6.7 percent increase in defense spending over FY 77. The comparable increase figure for FY 77 was 5.8 percent.

As the Ford administration conceived this budget, it would strengthen U.S. forces by improving their readiness, quick reaction capability and sustainability. The specific budget goals were to:

- *Modernize the strategic forces, including the initiation of full-scale development of an improved land-based ICBM.

- *Work toward rebuilding the Navy to a force of about 600 combat ships by emphasizing smaller carriers and greater numbers of smaller combatant and support ships.

- *Continue modernization of ground and air forces by procuring new aircraft, tanks, helicopters and anti-tank missiles.

- *Raise inventory levels of munitions and other equipment needed to sustain high intensity combat.

- *Increase training, pre-positioning of equipment and in-theater force mobility to improve U.S. readiness to respond to the outbreak of a European conflict with normal or little warning.

In his briefing on the new budget, former Secretary Rumsfeld described it as "sound and austere."

"The Funds that are being requested are the funds that are needed," he said. "There was no attempt made to please those individuals who have it as their first task every morning when they get up to find out a way to hack the defense budget. That is to say we did not place attractive items in there that can be readily reduced without any damage to the Defense program." (Underlining added.)

Now, after just four weeks in office, the Carter administration has announced a series of recommended changes to the initial Ford defense budget which are designed to get at some of the weaknesses President Carter perceives in the defense establishment. Defense Secretary Brown has detailed a series of changes he would like to see made to the Ford budget which would reduce planned Fiscal Year 1978 defense spending by \$2.755 billion to a total obligational authority of \$120.4 billion. This would represent a growth in real defense spending (with retired pay and foreign military assistance stripped out) of four percent above the current (FY 77) level.

Department of Defense Budget
January and Amended Defense Budget Totals
(Current \$ in Billions)

	FY 1976	FY 1977	FY 1978	Increase
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 1977-78</u>
<u>January 1977 (Ford Budget)</u>				
Total Obligational Authority (TOA)	97.5	110.2	123.1	13.0
Budget Authority (BA)	102.2	106.6	120.5	13.8
Outlays	88.5	98.3	110.1	11.8
<u>February 1977 (Carter Amendments)</u>				
Total Obligational Authority (TOA)	97.5	110.2	120.4	10.2
Budget Authority (BA)	102.2	106.6	117.7	11.1
Outlays	85.5	98.3	109.7	11.4

While not seeming to quarrel with much of the dollar value of the Ford budget, Secretary Brown said he is convinced, "...that additional opportunities exist for improving the efficiency and effectiveness of the Defense establishment. The goals of the military establishment must be to insure that U.S. military forces are fully adequate to their tasks, but at the same time lean and efficient."

Brown promised a careful look ahead at support structure, headquarters and other overhead operations and the base structure in the U.S. and abroad.

The new Secretary of Defense also reaffirmed earlier commitments to reduce personnel-related costs. He intends to re-review the report from the Quadrennial Review of Military Compensation and, although he remains committed to reducing the cost of the military retirement program, he will not pursue any changes until the new review has been completed. He pledged himself to avoid unfair treatment of military personnel "...who have been in the service for some time, who came in with the expectation of retirement benefits under the present system and I think would correctly feel they'd been unfairly treated if changes were applied to them."

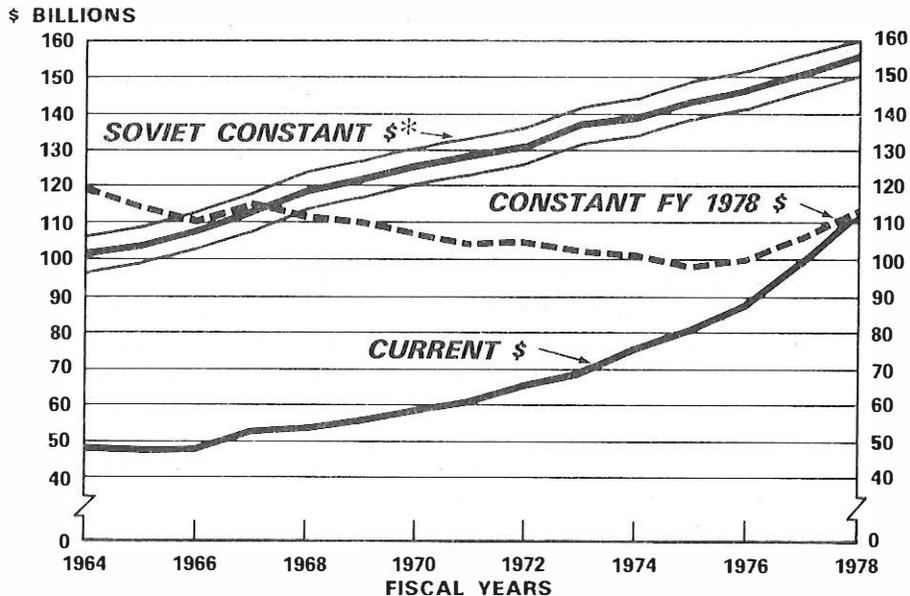
The Carter administration has totalled out in their recommendation the Armed Forces University of Health Sciences, on which about \$20 million has already been spent. They feel that the medical professional needs of the armed forces can continue to be filled by direct recruitment and through scholarship programs in private institutions. The single university building already under construction at great expense at Bethesda Naval Hospital presumably will either be turned over to the adjacent National Institutes of Health or used by the Navy.

The new administration will renew the efforts of its predecessors to make a major (40,000) cut in the paid drill strength of the Naval Reserve.

Service initiatives to expand family travel entitlements for junior enlisted personnel were at first accepted by Secretary Rumsfeld but later dropped out of the budget by the Ford White House Office of Management and Budget. The heavy price tag (\$190 million) was simply too much for the budget to bear at a time when personnel costs overall are coming under very close scrutiny. The Carter budget changes did not restore this item.

Charts prepared by the Department of Defense to support the Ford budget submission show the upturn in U.S. defense spending pointing in the general direction of a similar curve for the Soviet Union.

**DEPARTMENT OF DEFENSE
BASELINE FORCES BUDGET TRENDS
(TOA - \$ BILLIONS)**



* SOURCE: BASED ON INTELLIGENCE DATA FOR SOVIET FORCES ESTIMATED IN CONSTANT U. S. DOLLARS.

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However the same chart makes it apparent that it will take many years of increased U.S. defense spending to make the U.S. and Soviet expenditure lines meet or cross.

BUDGET TERMINOLOGY - What It Really Means

OUTLAYS: Payments actually made.

BUDGET AUTHORITY (BA): Authority provided by law to enter into obligations, usually resulting in outlays.

TOTAL OBLIGATIONAL AUTHORITY (TOA): Current budget authority enacted annually by Congress plus unspent funding authority approved in previous years that has been transferred forward for use until spent.

Put in the perspective of the total federal budget for Fiscal Year 1978 the defense proposal (including the Carter administration recommendations) will remain a constant 5.4 percent share of the U.S. gross national product but decline slightly in its share of the total federal budget and overall public spending. The percentage of the labor force committed to defense activities will increase slightly.

U.S. Department of Defense Budget
Financial Summary

	<u>FY 1964</u>	<u>FY 1968</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>
DOD/MAP as Percentage:					
Federal Budget (Outlays)	42.9%	43.6%	24.1%	23.9%	23.8%
Gross National Product	8.2%	9.4%	5.5%	5.4%	5.4%
Labor Force	8.3%	9.9%	5.0%	5.0%	5.1%
Net Public Spending	28.6%	29.7%	15.9%	16.0%	15.9%

The defense budget originally submitted by President Ford included a package of efficiency measures or "restraints" designed to save \$1.3 billion in total obligational authority and \$400 million in actual FY 78 outlays without reducing combat capability. All of these "restraints" are related to personnel costs. They are:

*A renewed effort to establish a "fair market rental" system for assessing the cost of living in government quarters. Also, 25 percent of any active duty pay raise in FY 78 would be shifted into the housing allowance, as was done last year. A first year saving of \$73 million is projected.

*Continued efforts to get Congressional action on retirement modernization. It was hoped these changes would save about \$10 billion cumulatively by the year 2000 (the announcement that the Carter administration will restudy the QPMC and retirement programs seems to put this on "hold").

*Another try at denying paid leave for federal civilian employees when on annual summer training with the reserve components. The plan would limit total payment to these individuals during annual training periods to an amount not to exceed their normal federal civilian pay. First year savings are estimated at \$30 million. Congress rejected a similar proposal last year.

*Putting service academy and ROTC pay on a par. Academy personnel and ROTC cadets in summer training would get all academic expenses plus about \$125 per month for personal expenses. Present cadets and midshipmen are "grandfathered" into the existing scale of one half the pay of an O-1. A small first year saving of \$4.5 million is anticipated.

*Placing severe limits on the number of times an individual can be transferred during specified periods of time and reducing the number of officers by about 2,000. The officer reduction would include about 600 in the grades of O-6 and higher. All reductions would be made by attrition. It is estimated that there would be 110,000 fewer moves in FY 78 than there will be in FY 77. The first year savings from these proposals are estimated at \$99 million but they are predicted to reach \$226 million by FY 79.

*Modifying pay procedures for DOD civilian "Blue Collar" workers to make them conform more closely to existing local civilian rates and practices. First year savings of \$167 million are expected with cumulative savings of \$2.4 billion by FY 1982.

President Carter has made clear since this budget submission that he is still committed to future cuts in the defense budget. Congress now has the final decisions to make.

The budget now being considered by Congress will support the broad force structure programs of all the military services. Initial recommendations by the Carter staff to cut Army strength by 10,000 in the form of two active Army brigades and replace them with two affiliated reserve component brigades eventually succumbed to the logic of the Army leadership. Nevertheless, there was an initial scare and an indication of the extremes to which the new administration might go to get an immediate reduction in personnel costs. In this case the possible saving was estimated at \$67 million.

In General terms the forces to be supported by the Fiscal Year 1978 Defense Budget look like this:

**DEPARTMENT OF DEFENSE
SUMMARY OF SELECTED ACTIVE MILITARY FORCES**

	ACTUAL	ACTUAL	ESTIMATED	
	JUNE 30, 1964	JUNE 30, 1976	SEPT 30, 1977	SEPT 30, 1978
STRATEGIC FORCES:				
Intercontinental Ballistic Missiles:				
MINUTEMAN	600	1000	1000	1000
TITAN II	108	54	54	54
POLARIS-POSEIDON MISSILES	336	656	656	656
Strategic Bomber Squadrons	78	26	24	24
Manned Fighter Interceptor Squadrons	40	6	6	6
Army Air Defense Firing Batteries	107	.0	.0	.0
GENERAL PURPOSE FORCES				
Land Forces:				
Army Divisions	16 1/3	16	16	16
Marine Corps Divs.	3	3	3	3
Tactical Air Forces:				
Air Force Wings	21	26	26	26
Navy Attack Wings	15	13	13	12
Marine Corps Wings	3	3	3	3
Naval Forces:				
Attack & Antisubmarine Carriers	24	13	13	13
Nuclear Attack Submarines	19	63	67	72
Other Warships	370	177	171	172
Amphibious Assault Ships	133	62	63	63
AIRLIFT & SEALIFT FORCES:				
Strategic Airlift Sqdns:				
C-5A	-0-	4	4	4
C-141	-0-	13	13	13
Troopships, Cargo Ships and Tankers	100	48	48	48

*The Army's total force of 24 divisions (16 active and eight reserve) will complete most of its unit activations and will be preparing to convert two light divisions to the heavy configuration in the succeeding two fiscal years.

*The Air Force will continue on its way toward organization of 26 tactical fighter wings. There will continue to be a total of 24 B-52 and FB-111 squadrons.

*The Navy will continue to operate 13 attack carriers and 12 air wings. The Marine organization of three active divisions and three air wings will also continue.

*Strategic missile forces will remain constant in FY 78. There will be 450 MINUTEMAN II missiles, 550 MINUTEMAN III missiles, 54 TITAN II missiles, 10 POLARIS submarines and 31 submarines carrying the POSEIDON missile.

*The Navy will increase its nuclear-powered attack submarine fleet with five new ships, bringing the total to 72. The overall size of the surface Navy will be increased by one ship with deliveries of 13 new vessels being mostly offset by inactivation of 12 older ships.

As now proposed by President Carter, military personnel strength in the Army and Air Force would each go up by 1,000 but there would be a partially offsetting reduction of 1,000 Navy personnel. There would also be a 5,000 reduction in Defense civilian personnel with 3,000 coming from the Navy/Marines and 1,000 each from the Air Force and Defense agencies.

While not challenging at this time the long-term goals of the Ford Defense budget, Secretary Brown recommended these changes:

*Bolstering the readiness of Army equipment prepositioned in Europe (POMCUS) by improving maintenance facilities (\$60 million added).

*Seriously slowing progress on the Army's Advanced Attack Helicopter program by cutting funding in half (from \$200 million to \$100 million).

*Terminating the Army's Non-nuclear Lance missile program and shifting remaining FY 77 funds to procurement of additional nuclear missiles (no saving involved).

*Increasing the survivability of U.S. aircraft stationed in Europe (\$60 million was added to improve shelters and passive defense measures).

*Increasing the number of Civil Air Reserve Fleet Aircraft (CRAF) being modified to carry heavy cargo.

*Reducing the backlog of deferred maintenance for all services (\$280 million added - Army share \$115 million).

*Deferring full-scale development of the mobile MX strategic missile until FY 79 (\$160 million reduction in this budget).

*Reducing the initial buy of B-1 strategic bombers from eight to five pending further evaluation (\$280 million reduction in this budget).

*Cutting back on F-15 fighter production for the Air Force (from 108 per year to 78) pending further review of the long-range requirement (saving \$334 million in this budget).

*Deferring for one year (at a presumed saving in this budget of \$277 million) planned procurement of the Air Force Advance Tanker/Cargo Aircraft pending study of future requirements.

*Reducing the number of Air Force Airborne Warning and Control aircrafts (AWACS) to be bought in FY 78 from six to three (saving \$150 million in this budget).

The Army's budget was cut by a total of \$580 million. In the language of Secretary Brown's statement on the budget, adjustments were made possible "...because situations have been identified in which the FY 1978 request would finance deliveries which are more appropriately financed in FY 1979 or in which low levels of early production would be maintained in order to provide for an orderly transition from development to production."

Details of the Army cuts will be discussed later in this paper.

According to Secretary Brown one of the factors that entered into the formulation of the Carter recommendations was a sensing that the Ford administration had tried too hard last year to get the defense budget back on an upward swing. As Brown sees it, the result of the effort during FY 77 was a series of unidentified inefficiencies that must now be overcome by the reviews and reconsiderations he outlined.

The new administration goes along with the Ford decision to drop a new nuclear aircraft carrier from the Navy's shipbuilding program. It also wipes out all plans for a new nuclear powered strike cruiser to be armed with the AEGIS air defense missile system. Development of AEGIS will continue but, in the meantime, another type of vessel will be designated to carry it.

Former submariner Carter even went along with a recommendation to hold up on plans to overhaul some of the older POLARIS submarines to keep them going until the much improved TRIDENT submarines can join the fleet. The old POLARIS boats will not leave the fleet, they will simply not be overhauled. Navy plans to build and test much larger hydrofoil and surface-effects ships will also be cutback sharply.

While outlining the Carter amendments to the Pentagon newsmen, Secretary Brown made short work of a question about the emphasis the Soviet Union seems to be putting on recovering after a nuclear exchange.

"After a full nuclear exchange, damage would be so great that recovery would be impossible to determine," Brown said. "Our emphasis will continue to be on the retaliatory capability." This is borne out by continuation of a meager \$91 million budget for civil defense in 1978, the same figure allotted last year.

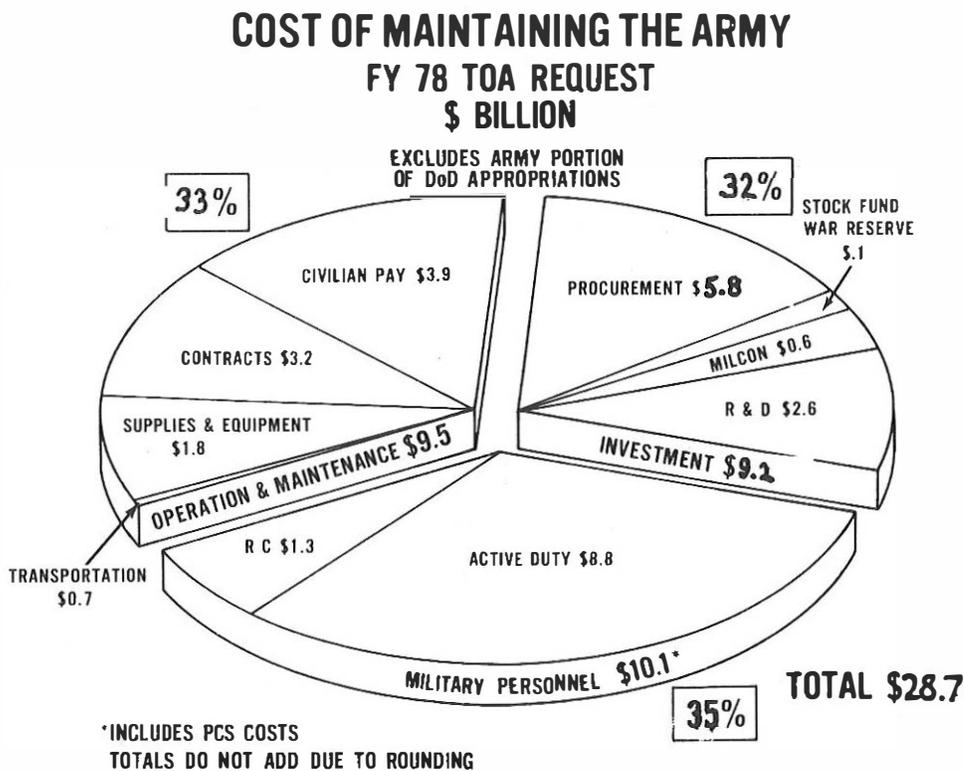
Throughout his defense of the Carter recommendations, Secretary Brown referred to the need for improving our conventional and general purpose forces, primarily with the goal of keeping the nuclear threshold high. Unfortunately, the net effect of the dollar cuts does not match the intent. Of the total \$2.8 billion budget cut recommended by Brown, the general purpose forces - and equipment intended for their use - are asked to absorb a whopping \$2.3 billion.

Department of Defense Budget
Summary of TOA Changes in FY 1978 Budget Totals
By Major Program
(\$ in Millions)

<u>Military Program</u>	FY 1978 (Jan)	<u>Changes</u>	FY 1978 (Feb)
Strategic Forces	\$ 11,015	\$ -396	\$ 10,619
General Purpose Forces	44,348	-2,313	42,035
Intelligence & Communications	8,239	--	8,239
Airlift and Sealift	1,674	-17	1,657
Guard and Reserve Forces	7,162	-50	7,112
Research and Development	11,067	-251	10,816
Central Supply & Maintenance	11,790	226	12,016
Training, Medical, Other General Personnel Activities	24,335	51	24,386
Administration & Associated Activities	2,260	-25	2,235
Support of Other Nations	<u>1,259</u>	<u>-2</u>	<u>1,257</u>
 Total Direct Program (TOA)	 \$123,150	 \$-2,777	 \$120,373

One encouraging aspect of the Carter reexamination of the budget was the fact that active military manpower spaces remained intact. This assumes even greater impact during this difficult period where the reserve components are not able to meet their strength requirements.

The \$580 million Army fund cut assessed by the Carter-recommended reductions impacts most heavily (\$528 million) on the Army's procurement account. The \$100 million withdrawn from early procurement of the Advanced Attack Helicopter was easily the most serious. In light of the expanding Soviet armor threat the Army can ill-afford delays in getting this superb tank-killer in the inventory. The increase in costs which this delay occasions will similarly be harmful in the future.



Perhaps the biggest Army "plus" among the Carter recommendations was the addition of \$115 million to upgrade materiel readiness. The money will be used to provide depot-level maintenance and should result in a significant increase in the number of items of equipment that are in a "ready-for-combat" condition. The new administration has directed that wherever possible the work will be done by commercial sources.

DEPOT MAINTENANCE UNFINANCED BACKLOG
OF SELECTED ITEMS, END FY 78
(\$)

ITEM	OVERHAUL COST (UNIT)	PROCUREMENT COST (UNIT)	OVERHAUL/ PROCUREMENT RATIO	UNFINANCED BACKLOG QUANTITY	COST TO OVERHAUL UNFINANCED BACKLOG	FORCE EQUIVALENCE
OH-58 OBSERVATION HELICOPTER	60,270	143,782	1:2	130	7,835,100	2 <u>1/</u>
AH-1G ATTACK HELICOPTER	104,173	1,564,096	1:5	52	5,416,996	1.6 <u>1/</u>
M578 RECOVERY VEHICLE	33,340	168,197	1:5	212	7,068,080	3 <u>2/</u>
M577A1 COMMAND POST VEHICLE	25,265	89,596	1:4	279	7,048,935	2.3 <u>2/</u>
M113 PRSNL CARRIER	22,263	76,110	1:3	577	12,845,751	.8 <u>2/</u>
M60A1 TANK	130,899	644,005	1:5	135	17,671,365	2.7 <u>3/</u>
CHAPARRAL MISSILE	116,362	329,538	1:3	62	7,214,444	5.2 <u>4/</u>

- 1/ Infantry Divisions
- 2/ Mechanized Division(s)
- 3/ Armored Battalion
- 4/ Air Defense Battery

The departing Ford budgeteers had scrapped almost all military construction projects for Fiscal Year 1978 in the hope of getting a better handle on the relationship between base structure and force structure before doing any more building. The Carter recommendations will now let the Army go ahead with a limited number of projects. The projects recommended for the upcoming year are:

*Fort Ord, California - tactical equipment shops and maintenance facilities.

*Fort Polk, Louisiana - hospital, airfield facilities and tactical equipment shops and family housing.

*Fort Benning, Georgia - brigade maintenance facilities, dental clinic, health clinic, barracks, branch exchange, post office, recreation center and reception center.

*Fort Sill, Oklahoma - health clinic, barracks, chapel, gymnasium.

*U.S. Military Academy, West Point, New York - printing plant.

In at least one way the Carter budgeteers reacted to recently publicized concerns about the ability of NATO forces to react to a no-warning or short-warning attack from the east. A total of \$50 million has been added to the 1978 budget for the construction of improved equipment storage (POMCUS) in Europe.

In another direction, however, they may have ignored the advice of critics that NATO conventional forces are deficient in long-range artillery support. The Non-nuclear Lance missile program has been scrubbed entirely in FY 78 and remaining FY 77 funds (\$64.6 million) will be used to buy spare nuclear-armed missiles and to balance off the cost of terminating the non-nuclear program. Even with extended-range ammunition now available to NATO artillery units, they are still outranged by the Soviet and Warsaw Pact cannonneers facing them across the borders.

There is also a mixed bag as far as the Army's program to provide squad integrity, both in the air and on the ground, is concerned. The new helicopter squad carrier, UTTAS, has the green light for production but its counterpart on the ground is being held up. The new armored personnel carrier (MICV) is still experiencing some minor developmental problems. The decision has been made to delay procurement of the first 27 vehicles until Fiscal Year 1979. The Army's initial request had been for 107 vehicles in FY 78 and another 143 in FY 79.



Major items of equipment to be procured by the Army during Fiscal Year 1978 include:

MAJOR ITEMS OF EQUIPMENT FOR
PROCUREMENT IN FISCAL YEAR 1978

UTTAS HELICOPTER	56
AH-1S (COBRA/TOW) HELICOPTER	83
IMPROVED HAWK MISSILES	509
STINGER MISSILES	258
DRAGON	6965
ARMORED PERSONNEL CARRIER, M113A1	960
HOWITZER, SP, 155MM, M109 SERIES	250
HOWITZER, SP, 8 INCH, M110 SERIES	209
TANK, M60 SERIES	859
HOWITZER, TOWED, 105MM, XM 204	8
HOWITZER, TOWED, 155MM, M198	148
TRUCK, 1/4 TON	3880
TRUCK, 5 TON	1616
COMMERCIAL VEHICLES	7975

There has also been a cut of more than \$105 million in the Army's ammunition production request. This compounds the problem of rebuilding depleted stocks and improving readiness.

The FY 78 budget will permit the Army to complete the urgent formation of its three new divisions and to proceed with the conversion of stateside divisions whose mission is primarily NATO-oriented to the "heavy" configuration. Congress is already well aware of the growing Warsaw Pact armor threat and has been supportive of efforts to increase the numbers of TOW and Dragon missiles, double the number of missile-firing Sheridan vehicles and upgrade helicopter antitank forces. That's what makes the Attack Helicopter cut so unwise.

The decision has already been made to activate the 2d Brigade, 24th Infantry Division in the heavy configuration rather than forming it as a light brigade then increasing its combat weight later.

There continues to be great emphasis on the role of the Army National Guard and the Army Reserve in the Total Army although they continue to have major problems in recruiting and retaining personnel. For the upcoming fiscal year the Army Guard has been assigned a strength of 390,000 - down 10,000 from its goal in FY 77. Reserve force leaders consider this a realistic target for the Guard to work toward. On the other hand, the Army Reserve will find itself with strength goal of 219,000 - an increase of 14,000 that is considered entirely unrealistic by many reservists.

For the fourth consecutive year a program to provide expanded travel entitlements for junior enlisted personnel has dropped out of the budget. No one denies it is an expensive item (\$111 million for the Army alone) but it is a step in the direction of providing equity for junior personnel who can afford to be married but cannot afford the extra burden of family separations while the service member is on overseas assignment. Short of an inconceivable regulation against young soldiers marrying, there does not seem to be any other way to let them serve overseas without the threat of financial hardship or personal trauma.

The Army had hoped to improve the readiness of HAWK missile units by providing a "maintenance float" of six equipment sets to replace those requiring extensive overhaul. A \$35.3 million item had been requested to cover this procurement but it was stricken by the Carter changes and the Army was instructed to find another way to solve its problem.

One of the major goals of the Army's Research and Development program is to overtake the lead of the Soviet armed forces in air defense weapons. While the aging HAWK missile system is still being upgraded to improve its capabilities R&D is continuing on PATRIOT (formerly SAM-D), a missile system that will be able to fill the entire air defense envelope from high to low altitude and permit the retirement of both the HAWK and Nike Hercules systems. Funding of \$215 million will be sought from Congress for work on PATRIOT.

Developmental work will also continue on the U.S. version of the ROLAND missile system, a short-range, highly mobile weapon that can move readily with maneuvering troops. It is funded at \$64 million for the upcoming year, mostly for final, pre-production testing.

The Army has chosen the Chrysler Corporation's version of the new XM-1 main battle tank for final development and eventual large-scale procurement. Continuing developmental work on the XM-1 will be funded at a level of \$118 million in FY 78.

While the Army is being permitted to go ahead with development and procurement of a wide variety of chemical warfare protective and warning devices, there is no movement toward an improved retaliatory capability in the form of binary weapons. The service had hoped to be able to move ahead with construction of a production facility that would permit the gradual replacement of current - and aging - stockpiles of nerve agents with the safer binary weapons. The arguments in favor of this course apparently fell on deaf ears in both the Ford and Carter administrations.

Several actions have been proposed to get at the growing problem of reserve component personnel strength. The budget requests an increase in the reserve recruiting advertising program and an expanded number of full-time recruiters and career counselors. A separate legislative package has also been prepared to create new incentives

for reserve enlistment and retention. This action has been supported by the Association of the United States Army and other military associations who have proposed legislation to Congress without having to clear Department of Defense and White House budget hurdles.

While the shriveled funding for the Selective Service System is not part of the Army's budget, the inability of the reduced system impacts heavily on Army mobilization planning and on its ability to react to a major emergency. The Army has consistently maintained that the system should be able to meet its basic requirement of having the first selectees to training posts within 30 days of a mobilization order. The existing system might be able to get inductees ready for training in 180 to 210 days, creating a time lag of nine to twelve months before trained inductees can enter the replacement pipeline.

ESTIMATED U.S./USSR RELATIVE PRODUCTION RATES (1972 - 1976)

	USSR 1972-76 AVG	U.S. 1972-76 AVG	USSR/U.S. RATIO 1972-76
	2,770	469	5.9:1
	4,990	1,556	3.2:1
	1,310	162	8:1
	1,090	573	1.9:1
	666	733	0.8:1
 1/	27,000	27,351	1:1

1/ Ground launched antitank missiles

Overall, the budget proposed for the Army in Fiscal Year 1978 will maintain its current strength and permit some limited improvements in readiness. Final action by Congress is still pending, of course, but there seems little chance of significant progress in closing the weapons gap that has been created by years of low-level procurement.

Every budget, whether it is for the defense of the United States or the annual operations of a Boy Scout troop, is a series of compromises. Only during an all-out war could an administration operate on the assumption that there were no limits to the amount to be spent

on defense. At all other times this function must take its place in the broad perspective of government operations, with priorities set by existing need.

The proposed 1978 Defense budget fits that pattern and, if it had no other shortcomings, might be acceptable. The impression of this budget, however, is that it was generated as much from uncertainty as from compromise.

It is certainly understandable that the new administration, with barely four weeks in office at the time they proposed their changes to the original version prepared by its predecessors, might still be groping for answers. It is even understandable that they feel responsible for at least addressing some of the campaign promises they made.

The decision to slow, rather than stop, initial production of the B-1 strategic bomber appears to have the superficial appearance of a rational, reasoned compromise with one of the campaign promises. In the months that will elapse between this first compromise decision and the first day of June, when a more final decision must be made, President Carter, Secretary Brown and the others involved in the decision will have had adequate time to learn every aspect of the problem and to make a reasoned judgment.

It is more difficult to fathom the rationality in the decision to slow procurement of the Army's advanced attack helicopter. All government reports indicate the AAH program has been well-managed and has produced a superior aircraft that meets a clear requirement accepted by at least two previous administrations.

There appears to be a major conflict, too, in Secretary Brown's conclusion that well-prepared general purpose forces will force the nuclear threshold upward while, at the same time, he was outlining a cut of more than a half-billion dollars in the Army's procurement account.

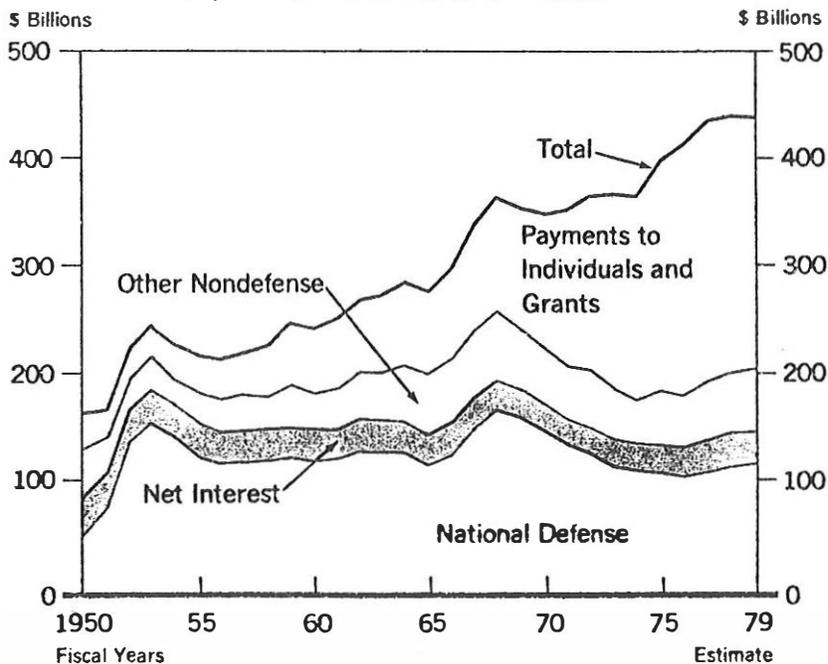
No one has challenged the validity of statistics showing a continually widening gap in conventional weapons production between the United States and our ever-most-likely adversary, the Soviet Union. In fact, Secretary Brown agrees with this in his testimony. This gap is the basis for some conclusions that Warsaw Pact combat power close to the NATO borders is now so great that they could mount a major attack without noticeable reinforcement. The amended budget now being considered by Congress does little to close that gap.

It would have been comforting to find in either the Ford budget or the Carter revisions some implicit recognition of the critical support required by the Army Reserve and Army National Guard. Instead, the Ford budget programmed a major increase in Army Reserve strength that appears to be an impossibility and the Carter proposals threatened to substitute two reserve combat brigades for two active army brigades.

It has been comforting - and cost saving - to political leaders to embrace the concept of a Total Army, with active and reserve members walking hand-in-hand toward a balanced and effective force. But despite repeated warnings from both the participants that the idea had to be supported in more than concept, the needed financial support has not materialized. The most shocking revelation of all, that the strength of the Individual Ready Reserve is rapidly dropping to the point of being worthless, has been met with apathy and by emasculating cuts in the capabilities of the only other source of emergency replacements, Selective Service.

The problem of strategic mobility is another that gets little more than lip service. The Carter recommendations support conversion of a total of eight aircraft from the Civil Reserve Air Fleet to heavy cargo capability. But the overall budget reflects little appreciation for the magnitude of the problem of making a major reinforcement across an ocean into a hot war. There needs to be a firm acknowledgement that aircraft alone cannot do the job and that ambitious measures are needed to assure the availability of properly equipped cargo ships. Similarly, the Navy requires the ships that can, in fact, keep vital sea lanes open.

Federal Outlays - Constant 1978 Dollars



What this budget does not address, nor have its immediate predecessors, is the fact that our whole defense spending trend has to be reversed if we are to progress. Even though the defense budget is large we are not spending money in the proportions that we did in the past. The defense budget has not even kept up with inflation. The present budget, for example, in funds for R&D and procurement, reflects only a 39 percent increase since 1964 as compared with an 89 percent increase in the wholesale price index. Thus, funds for defense spending have increased at less than half the rate that would be needed to just stay even with inflation.

This is not the route to an adequate national defense--to give our country the option to seek - regardless of Soviet intentions - the means to serve peace through a systematic resistance to pressure and through conciliatory responses to moderate behavior. The first claim on our national resources should be to keep our form of society secure.

We are dedicated to that effort.