

March 3, 1978

THE CARTER DEFENSE BUDGET

FY 1979

INTRODUCTION

The defense budget submitted for Fiscal Year 1979 represents the Carter Administration's first comprehensive statement of its national security policy and the relation of that policy to the larger framework of this country's political and strategic objectives. Yet beyond being indicative of operational defense priorities as expressed in various program funding requests, the budget must necessarily be understood as reflecting the Administration's perception of the global strategic environment and the capacity of the United States to actively pursue its foreign policy interests commensurate with its military strength.

With the Carter Administration now fully in control of the budget formulation process (modifications were introduced into the final Ford Administration report last year), its defense policy objectives and the initiatives required to underwrite them can best be adduced when measured against the overall budgetary direction as well as specific "line-item" recommendations.

This preliminary study will assess the Pentagon's FY 1979 budget from the following perspectives:

1. The overall trends in American defense spending over the past 10-15 years, determined not only as a function of total Federal expenditures and other economic referents, but also as against comparable trends in estimated Soviet military outlays during a similar period;
2. The strategic rationale underlying the Carter Administration's planned force composition and procurements and the emphasis accorded different indexes of military preparedness;

3. The nature of the itemized recommendations submitted and their implications for real growth in military spending levels, and
4. A comparative evaluation of the Carter Administration's first defense budget with its predecessor as well as its impact with respect to the trends established in (1).

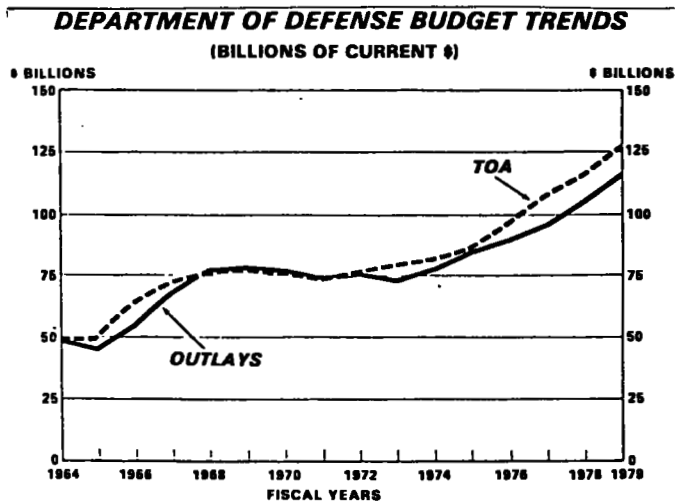
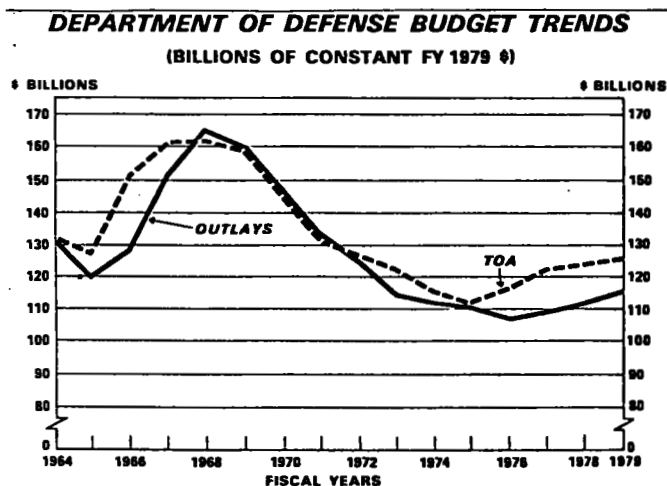
Subsequent analyses will focus on separate dimensions of the budget as they relate to broader defense policy designs.

I. CONTEMPORARY DEFENSE SPENDING IN PERSPECTIVE

By way of introduction to an analysis of the Carter defense budget, and for purposes of placing it in an appropriate context, it is necessary to outline briefly the parameters of recent military authorization programs. Owing largely to the general lack of clarity which often surrounds evaluations of functional military spending, the question of "how much is enough" risks being addressed in polemical rather than substantive terms. While not discounting the "calculated ambiguities" inherent in the preparation of defense spending requests, any meaningful assessment of a given budget should proceed within a framework which considers

- 1) the size of the budget relative to those of previous fiscal years,
- 2) the comparative estimated military spending levels of our principal adversary, the Soviet Union, and
- 3) the fiscal input of defense spending relative to overall national economic activity.

Through criticism of 'excessive' military spending seems to have abated somewhat from the volume of prior years, there nevertheless exists a popular misconception according to which national defense absorbs an increasingly inordinate amount of total Federal outlays, a figure far greater than that required to satisfy legitimate security needs. In fact, when viewed in constant (inflation-adjusted) as opposed to current dollar terms, present expenditures for defense are roughly comparable to the levels achieved before FY 1964.



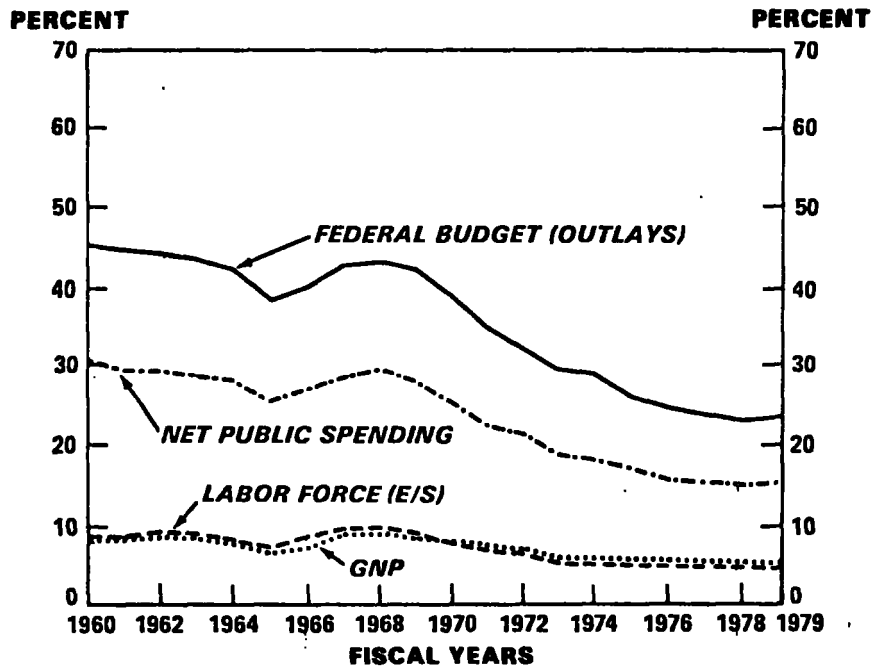
Source: FY 1979 Department of Defense Annual Report, p. 366

The unrelenting growth often attributed to military spending apparently assumes a built-in constancy in the authorization requests which reflected the incremental costs of our involvement in Southeast Asia. While modest aggregate growth in military appropriations has occurred over the past three fiscal years, the impact of such must be measured on a realistically proportional basis to account for

- a. the decline in defense-related allocations in the aftermath of the Indo-China conflict,
- b. the concomitant increase during the past decade of funds earmarked for non-defense portions of the federal budget, especially for proliferating income transfer and security programs,
- c. the attenuating effects of inflation on appropriation levels necessary to maintain even existing defense programs,
- d. Congressional reductions in authorization requests, and
- e. revised estimates of the magnitude of Soviet defense efforts.

Using the foregoing as a yardstick for measurement, it is evident that U.S. defense spending during the past decade and a half has realized the minimal growth necessary for the protection of national security interests. When calibrated against other major spending programs over the same period to determine relative economic impact, defense authorizations presently consume the lowest fractions of both the Federal budget and the Gross National Product since well before the Vietnam War. Against these and other relevant indicators, the following chart provides a useful referent:

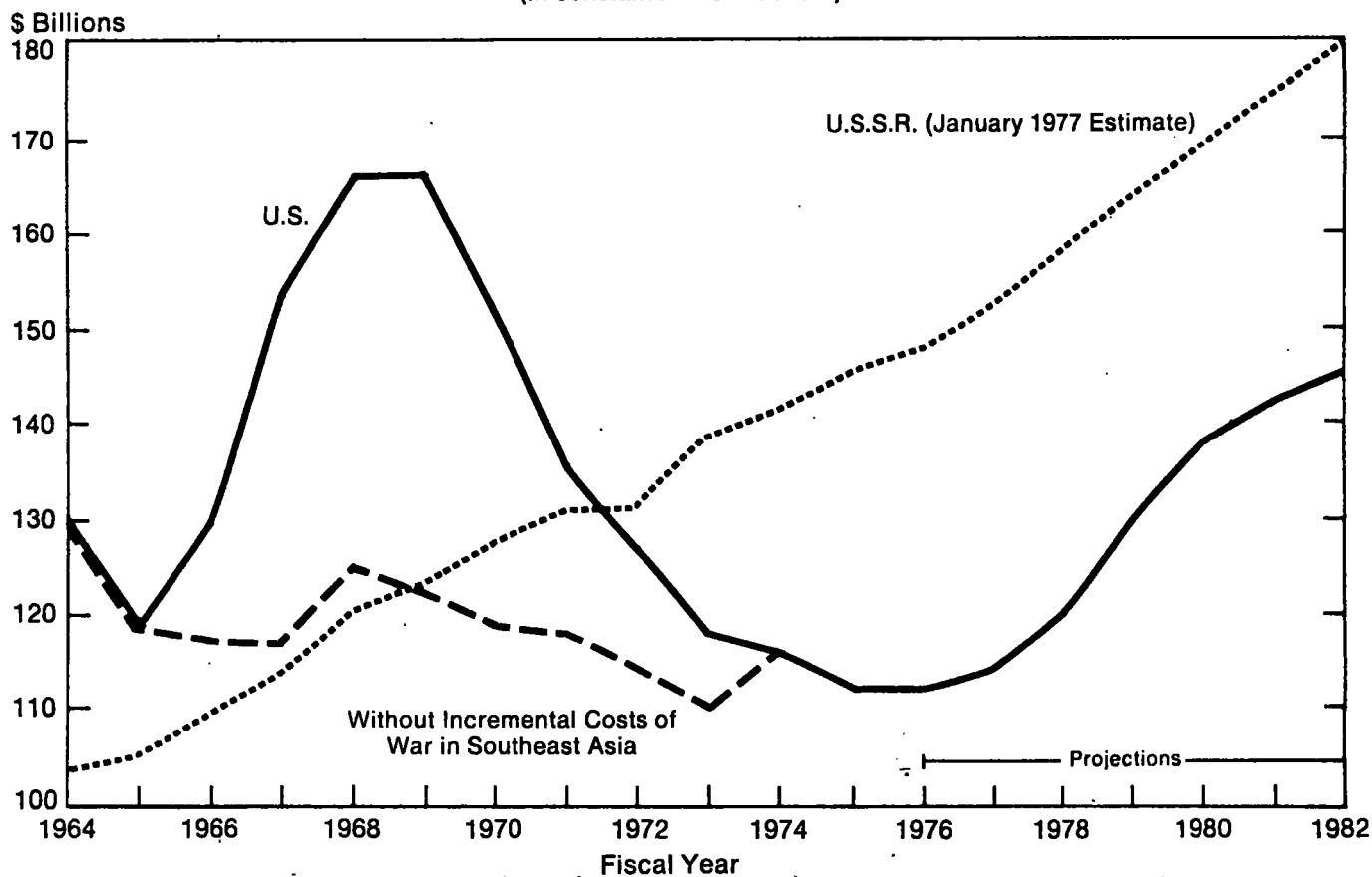
**DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
DOD AS A PERCENTAGE OF:**



Source: FY 1979 Department of Defense Annual Report, p. 371

The notion of military sufficiency, particularly in the thermonuclear age, is innately problematical. Though interpretations differ concerning the efforts appropriate to insure adequate strength at any given time, a comparative evaluation of U.S. and Soviet growth levels in defense spending since FY 1964 reveals a disparity in committed resources which reflects a diminished priority accorded to overall U.S. military authorizations.

**U.S. AND SOVIET DEFENSE PROGRAM TRENDS:
U.S. OUTLAYS AND ESTIMATED DOLLAR COSTS OF SOVIET PROGRAMS**
(in constant FY 1978 dollars)



Source: FY 1979 Department of Defense
Annual Report, p. 117

Assuming the relative accuracy of the data obtained (a recent CIA report notes that the dollar cost estimates of Soviet programs are unlikely to be in error by more than 15 percent), the United States is spending approximately 35-40 percent less for defense in constant dollars than the Soviet Union. After incremental expenditures for the Vietnam War are exempted from calculations of the defense total, Soviet military outlays have exceeded our own since FY 1969. According to the CIA report:

...our general assessment remains the same in its essential aspects -- cumulative costs for the two countries over the past decade are essentially equal; the Soviet level began to exceed that of the United States in the

early 1970's and since then the margin has increased steadily....Moreover, the trend of United States defense outlays during this period was different. Despite increases in current dollar terms, U.S. outlays in constant dollars declined continuously from the Vietnam peak of 1968 through 1976.¹

It is furthermore argued that intelligence estimates of the resources authorized for the expansion and modernization of Soviet military forces have, until recently, consistently undervalued the scope of Soviet efforts by as much as 50 percent.

In light of the sustained growth momentum of Soviet military activities (especially in an era of supposedly muted competition), it is arguable that our defense budgets have, at best, been adequate to keep pace. Underscoring the "quite dissimilar trends" in comparative defense activities between the two countries, the CIA report observes that, in averaging a 3 percent compound annual increase, the U.S.S.R.'s growth is distributed among nearly all the major elements of the military establishment. By contrast, the primary sector of the U.S. budget to have realized steady growth involves allocations for personnel (including costs of the volunteer army) and associated 'social welfare' programs (e.g. military pensions), which presently consume more than half of annual defense authorizations. It is against this background that the FY 1979 budget and prospective military funding programs must be evaluated.

II. THE NATURE OF THE DEFENSE BUDGET AND RELATED CONSIDERATIONS

The defense budget is decidedly complex, and an understanding of its true nature demands attention to several interconnected factors.

Unlike many other government agencies, where a significant fraction of expenditures is derived from 'entitlements' not requiring regular Congressional appropriations, virtually all of the funds spent by the Department of Defense are subject to the annual authorization process on Capitol Hill. Thus, funding requirements for the multiple program categories involved must be formally reaffirmed under intensive Congressional scrutiny, especially where considerable increases in program outlays are projected.

The current defense budget comprises approximately 23 percent of total federal expenditures and 5.2 percent of the GNP, the lowest such proportions since Fiscal Year 1950. Defense-related allocations represent about one-half of the presumably controllable or discretionary funds within the entire budget. By contrast, Professor Lawrence J. Korb of the United States Naval War College contends that

1. Cited in Aviation Week and Space Technology, January 23, 1978, p. 15.

...almost none of the funds for HEW, the Veterans Administration or other agencies are controllable. These agencies must pay the claims of individuals who establish eligibility for programs like social security or the GI bill. Therefore, defense is the primary area in the federal budget in which national priorities can be established.²

Several methods are employed for calculating defense spending and thus different figures are used interchangeably to account for the same budget. For example, the total obligational authority (TOA) for the FY 1979 budget is \$126 billion. Though not all the money requested will be spent in the coming fiscal year (beginning October 1), this sum essentially represents the aggregate cost of the programs cited in the budget, plus funds appropriated in prior years but still unobligated. In actual outlays for the same period, however, the proposed budget amounts to \$115.2 billion. When assessed in terms of outlays for the government's "national defense function," the new budget amounts to \$117.8 billion. This includes military expenditures beyond the Defense Department's jurisdiction, involving funds for advanced research and development conducted by other government agencies, such as the Department of Energy.

Of similar importance are the longer-term implications of the funds appropriated for defense in a given fiscal year, not only as they affect the development of a credible force posture, but also in their impact on the state of the national economy several years hence. Consequently, the combined criteria applied in determining the size and distribution of defense resources (and the executive-legislation compromises and trade-offs to be anticipated) must take into account various inputs, including:

- a. Estimates of the military strength of potential adversaries, the perceived momentum of their weapons programs, and the array of conceivable threats we face;
- b. The doctrinal basis and operational design of our own national security policy, as well as the type of force structure necessary to support and/or implement it;
- c. The need to accommodate competing service interests in a judicious and cost-effective manner without sacrificing the requisite elements of the force structure for the missions envisioned;

2. Lawrence J. Korb, "The Price of Preparedness: The FY 1978-1982 Defense Program," AEI Defense Review, June 1977, p. 2.

- d. The effects of the foregoing on inflation-adjusted estimates of the unit and aggregate costs of projected programs;
- e. The claims of identifiable political constituencies whose productive motivation depends in large measure on the defense budget's job-creating (and sustaining) potentialities;
- f. Related to (e), the fiscal considerations attending different sectors of the proposed budget and the sum of their costs and benefits to the entire economy. (These would include, in addition to hardware acquisition authorizations, such items as military assistance programs, foreign military sales, expenditures for a variety of manpower programs, construction, operations and maintenance costs, etc.).

III. PRINCIPAL POLICY ASSUMPTIONS OF THE BUDGET

Force posture and policy should interact on a coordinated, mutually supportive basis. Policy must be reasonably attuned at all times to the forces in existence or those which a nation is able and willing to commit to its defense inventory. On the other hand, the force posture should be configured to assure the viability of the established policy.³ In light of this maxim, how is the Pentagon's FY 1979 budget to be measured?

As proposed, the defense budget generally purports to

- Preserve the strength of United States strategic forces
- Enhance the combat capabilities of U.S. forces assigned to NATO
- Increase cooperative efforts with NATO alliance partners
- Attain more efficient management of defense resources
- Reflect inflated personnel costs in the military establishment⁴

In effect, the budget incorporates the findings of an inter-agency report on the contemporary world military balance and the adequacy of implementable American policy options in specific contingencies. Titled "Military Strategy and Force Posture Review," the study was completed last June and sent to President Carter by Secretary of Defense Harold Brown as part of a more extensive government analysis of global power relationships, known as Presidential Review Memorandum 10.

3. See Korb, Op. Cit., p. 3.

4. Aviation Week and Space Technology, January 30, 1978, p. 18.

The principal conclusion is that under present conditions of "essential strategic equivalence" between the superpowers, a nuclear war would be "unwinnable" in any meaningful or functional sense. Consequently, prudent planning requires a concerted upgrading of conventional forces to redress existing or emerging regional imbalances, especially in strategically vital areas (i.e. Europe) or those where the likelihood of conflict at the sub-nuclear level is greatest.

Though deterrence of a surprise nuclear attack (large-scale or limited) against the United States or its allies remains central to our national security planning and thus compels continued modernization of strategic forces, the budget places increased emphasis on war-fighting capabilities consistent with the 1½ war concept. This means that, besides engaging in a major conflict in Europe, the United States must have a mix of forces sufficient for rapid deployment and controlled response in a peripheral theater of combat, such as the Persian Gulf.

The "significant reordering of priorities" accompanying the budget's preparation is illustrative of the Administration's philosophical approach toward defense issues. The unprecedented Soviet buildup across the spectrum of military capabilities has had an unsettling effect on policymakers. Previously stated efforts to stabilize or restrain this growth primarily through the vehicle of arms control agreements are now balanced by a commitment to strengthened operational capabilities for the 1980's.

It is in central Europe where the heightened threat from augmented Soviet military power is most acutely perceived, and the budget is clearly geared toward improvements in our NATO force posture in the ground, air, and munitions fields. "In the present international environment," comments Secretary Brown, "the most important measure of relative military strength is the balance that exists" between the North Atlantic Treaty Organization and the Soviet-Bloc forces in Europe.⁵

Current realities do not lend themselves to complacency. According to the International Institute for Strategic Studies in London, the military balance in the critical northern and central European areas shows the following comparison in active force levels:

	<u>NATO</u>	<u>WARSAW PACT</u>
Manpower	630,000	950,000
Tanks	7,000	20,500
Attack Planes	1,650	1,475

Source: The Military Balance 1978, International Institute for Strategic Studies, London; cited in Congressional Quarterly, January 28, 1978, p. 168

5. The Wall Street Journal, January 20, 1978, p. 2.

In light of the countervailing force ratio, General George S. Brown, Chairman of the Joint Chiefs of Staff, contends that

...the ability of the United States to defend successfully against a major conventional attack is open to increasing question....The conventional military balance is not reassuring. The balance for the future is more troubling still.⁶

Addressing himself to the core problem of the NATO military posture, General Brown offers this assessment:

Early combat capability is necessary for successful defense, but alone is not sufficient. Sustainability is also required. There must be the capability to continue the fight as long as necessary to achieve our security objectives. A serious shortcoming in the United States military posture, and of NATO forces generally, is lack of this sustaining capability.⁷

IV. CONVENTIONAL FORCES (HIGHLIGHTS)

Much of the new Army and Air Force equipment proposed in the budget is thus designed to counter blitzkrieg-type enemy armored thrusts spearheaded by a combined heavy tank/air support assault. Increased appropriations are sought for Army and Marine Corps helicopter gunships and attack planes, artillery, ammunition, anti-tank weapons and tanks, including initial "quantity production" of the Chrysler Corporation's XM-1 main battle tank (110 units) and continued manufacture of the M-60 (508 units). Furthermore, reserve war stocks of pre-positioned unit equipment sets in Europe are to be substantially supplemented to serve the additional general purpose forces that would be deployed there in a conflict. (It is also worth recalling in this context that President Carter recently pledged to increase the United States ground force contingent in NATO by 8,000 troops, though the effect of this initiative is largely symbolic).

Though purchases of anti-tank missiles have slackened after several years of stockpiling, an accelerated buildup in artillery firepower (in particular 155 mm cannon) continues.

Reflecting the Pentagon's evaluation of tactical air power for conventional war missions, funds are requested for the procurement of the Fairchild A-10 tank-killing aircraft, the McDonnell-Douglas

6. Aviation Week and Space Technology, February 13, 1978, p. 17.

7. From statement by General George S. Brown (USAF), Chairman of the Joint Chiefs of Staff, on the FY 1979 Department of Defense Authorization Request before the House Armed Services Committee on February 2, 1978.

A-4, and the General Dynamics F-16 fighter bomber, all of which are earmarked for NATO service. Authorizations for the F-15 interceptor have been cut back in favor of the less expensive F-16 in a calculated cost-effective judgment, since the latter can be configured as either an interceptor or a ground attack plane. Electronic countermeasure capabilities (ECM) against enemy radar in combat are being modernized through conversion of early-model F-111's for use in this regard.⁸

Acquisition funding for the McDonnell-Douglas/Northrop F-18 fighter has likewise been authorized, as have funds for the McDonnell-Douglas advanced tanker/cargo version of the DC-10 jetliner to augment our airlift reinforcement capabilities. Similarly, money is included to continue modification of the Lockheed C-5A transport wing.

No funds were provided for a proposed short take-off jet (known as AMST) to shuttle European combat forces. The Pentagon is instead conducting a review of alternative costs, including a later model of the C-130 Hercules transport. However, production is being stepped up for the new Black Hawk troop-ferrying helicopter and for updated versions of two cargo helicopters, the Army's CH-47C and the Marines' CH-53E.⁹

In measures toward achieving the goal of standardization of NATO combat equipment, the Pentagon has requested procurement of the French-German designed Roland surface-to-air missile system and is likewise committed to maximizing interoperability between the United States' XM-1 tank and West Germany's Leopard II (including a decision to arm those XM-1's produced in the mid-1980's with the German smooth-bore 120 mm gun).

For additional protection against the expanding Soviet fleet of attack planes, acquisitions of anti-aircraft missiles proceed. Besides the short-range Roland, funds are requested for medium-range Hawks, hand-portable Stingers, and the new Patriot air-defense missile system.

Stressing the need for systems with variable penetration capabilities against targets at different thresholds of combat, the budget requests a classified number of tactical nuclear (or dual-capable) weapons designated for NATO missions. These include the 70-mile range Lance, the 400-mile range Pershing, and a 2,000-mile range ground-launched version of the cruise missile (which is reportedly nearing production).

Funds are also requested for several command, control and communications systems which will facilitate mission coordination

8. Congressional Quarterly, January 28, 1978, p. 170.

9. Ibid., p. 170.

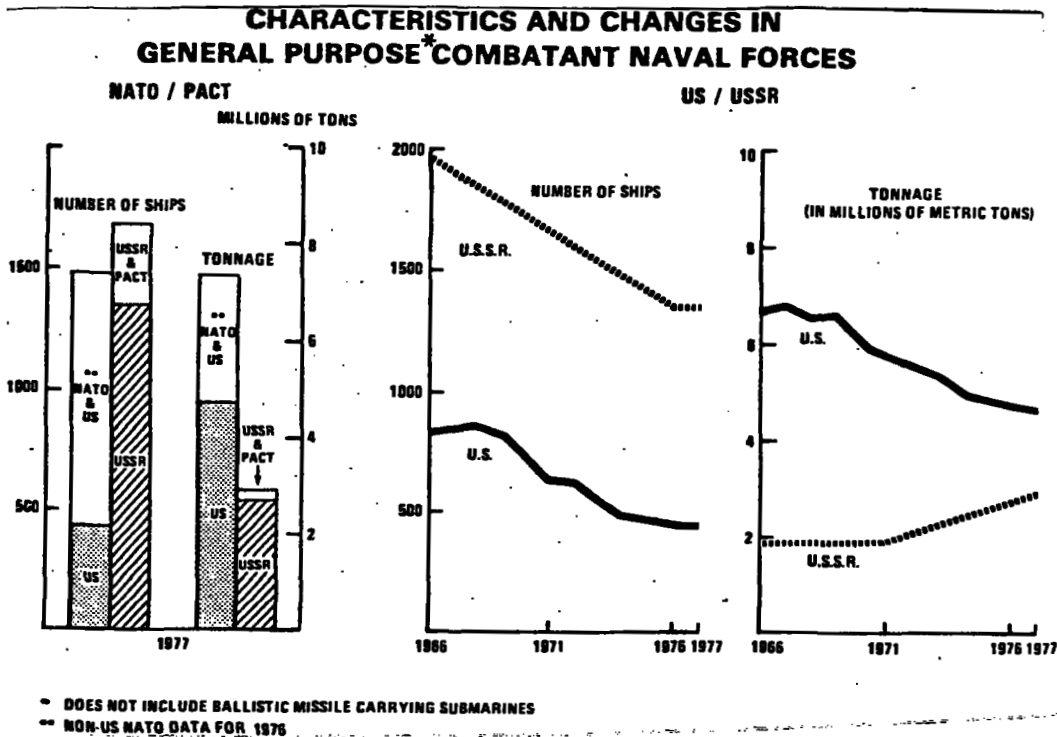
in a conventional war environment. Active duty military manpower levels will be reduced by 20,000 in FY 1979 through what Secretary Brown calls "planned efficiencies" in training programs. Reserve strength will decline by roughly 14,000 and civilian jobs will be cut by 13,000.

The nature and geographic distribution of the cuts in active forces still requires elaboration. Some portion would presumably involve the initial phase of the Administration's troop withdrawal plan for South Korea. Given the fact that current U.S. manpower levels are the lowest since 1964, the timing and scope of the force reductions could engender a negative symbolic value if perceived as a signal of retrenchment.

NAVY

The United States naval shipbuilding program has been substantially reduced in the proposed budget (from 29 to 15 vessels). This development owes primarily to recurring disputes between the Navy and commercial shipyards which have resulted in huge cost overruns and delays in ship delivery, and to the Administration's still uncertain conception of the Navy's future wartime role beyond escorting reinforcements to combat areas, notably Europe.

The decelerating trend in procurement requests is symptomatic of the indecision which has characterized assessments of the Navy's conventional operations capabilities and mission designation over a period of several years, a period which has similarly witnessed a marked expansion in Soviet naval capabilities:



Source: FY 1979 Department of Defense Annual Report, p. 77

Strategic maritime routes vital to the security and economic well-being of the industrialized West and Japan have become increasingly vulnerable to interdiction by the enhanced Soviet flotilla of surface combatants and hunter/killer submarines. For purposes of maintaining open sea-lines of communication and to protect reinforcement and amphibious convoys against Soviet submarines and bombers, the budget provides funds for eight additional missile patrol frigates. Another attack submarine and three sonar surveillance vessels are likewise sought to counter the expanding Soviet underwater fleet.

The complexity of the United States' priority interest in controlling accessibility to vital sea lanes must be considered in assimilating operational requirements for our naval forces. The Soviet Union, which is essentially a land power, has the comparatively simpler task of effective sea denial, particularly by concentrating on designated strategic "choke points."

The remainder of the Navy's shipbuilding plans must await a decision on the optimal role of the naval air forces. Critics of aircraft carriers allege that they are too costly and too vulnerable to the arsenal of Soviet anti-ship missiles. Increasingly cited are the prohibitive costs of nuclear-powered vessels (nearly \$2 billion each) when calibrated against the limited missions envisioned. The Navy anticipates the eventual use of vertical, short take-off and landing (V/STOL) combat jets which can be deployed aboard smaller, less expensive, conventionally powered ships to be built in large quantities. Funding for advanced V/STOL research and for procurement of two prototypes of an updated version of the Harrier V/STOL attack plane used by the Marines is included among budget requests.

However, the budget does request funds for the initial production of five F-18 fighters, which can double as a ground-attack plane and thus augment carrier versatility. Purchases of the Grumman F-14 Tomcat fighter, with its superior long-range missile capability for attacking bombers and anti-ship missiles, have been reduced to 24.¹⁰

Since no decision has been reached on whether to deploy aircraft carriers against concentrated Soviet tactical air power (or "Frontal Aviation") in a future conflict, funding has been deleted for carrier escorts armed with the Aegis anti-aircraft system, as well as for the nuclear-powered Aegis cruiser.

Until studies of the nature of future shipbuilding programs and military roles are completed, the Pentagon has cancelled construction of a technologically sophisticated, frigate-sized surface-effects-ship (SES). The budget does allocate funds, however, for preliminary warship modernization programs which will extend the active life of the eight Forrestal-class aircraft carriers and add new missile systems to the 23 Adams-class destroyers.¹¹

10. Ibid., p. 172.

11. Ibid., p. 172.

The apparent curtailment of our naval program, particularly in the accelerated development and application of advanced technologies, is at least marginally reflected in the absence of certified budgetary priorities. In light of a compelling Soviet maritime threat, the proposed naval authorization requests of the Carter budget seem essentially incapable of arresting the adverse trends of the past decade. Unless and until there exists a more rational linkage between the definition of operations and the combination of forces necessary to implement them, naval policy will continue to operate in something of a vacuum.

V. STRATEGIC FORCES

Constraint marks budgetary allotments for modernization of strategic nuclear forces. The numerical levels of our current inventories of intercontinental delivery vehicles are to remain constant.

DEPARTMENT OF DEFENSE
SUMMARY OF SELECTED ACTIVE MILITARY FORCES

	ACTUAL	ACTUAL	ACTUAL	ESTIMATED	
	6-30-64	6-30-68	9-30-77	9-30-78	9-30-79
STRATEGIC FORCES:					
Intercontinental Ballistic Missiles:					
MINUTEMAN	600	1000	1000	1000	1000
TITAN II	108	54	54	54	54
POLARIS-POSEIDON MISSILES	336	656	656	656	656
Strategic Bomber Squadrons	78	40	24	24	24
Manned Fighter Interceptor Squadrons	40	26	6	6	6
Army Air Defense Firing Batteries	107	81	0	0	0
GENERAL PURPOSE FORCES:					
Land Forces:					
Army Divisions	16 1/2	17	16	16	16
Marine Corps Divisions	3	4	3	3	3
Tactical Air Forces:					
Air Force Wings	21	30	26	26	26
Navy Attack Wings	15	15	12	12	12
Marine Corps Wings	3	3	3	3	3
Naval Forces:					
Attack & Antisubmarine Carriers	24	23	13	13	13
Nuclear Attack Submarines	19	33	66	70	73
Other Warships	370	377	168	166	172
Amphibious War Ships	133	153	62	64	65
AIRLIFT & SEALIFT FORCES:					
Strategic Airlift Squadrons:					
C-5A	0	0	4	4	4
C-141	0	14	13	13	13
Troopships, Cargo Ships & Tankers	100	130	48	48	48

Source: FY 1979 Department of Defense
Annual Report, p. 378

Though the Minuteman III ICBM production line has been closed, development tests will continue on the new-generation M-X mobile ICBM.

The budget does not request funds to move the program into "full-scale engineering development," the stage at which actual prototypes would be constructed. Such construction has been deferred primarily because cost and survivability tests of the trench-tunnel version of the system are incomplete. Alternative basing modes are being studied, and resolution of the issue this year could accelerate program development and achievement of an initial operational capability (IOC).

Plans were scrapped for development of an updated model of the FB-111 bomber designed to penetrate Soviet air defenses in a manner similar to the cancelled B-1. (The Administration also supports rescission of supplemental funds appropriated in the FY 1978 budget for construction of B-1 prototypes numbers 5 and 6). Accelerated development of air-launched cruise missiles (ALCMs) continues, however, with an eye toward attaining a significant stand-off capability to compensate for lack of a manned penetrating bomber. Also proceeding are modifications of the B-52's that will carry cruise missiles through the mid-1980's and tests of wide-bodied commercial jets that might eventually assume similar missions.

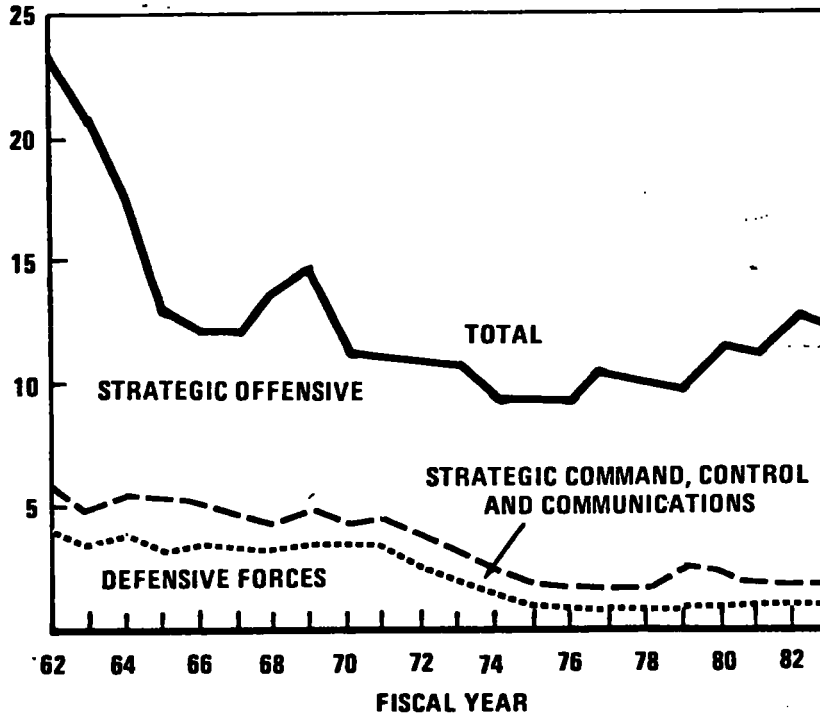
Funds for the sixth Trident submarine were requested as were 86 additional Trident I missiles (though production has been slowed to meet the planned deployment schedule). Research is to continue on a longer-range Trident II SLBM which would presumably have a hard-target kill capability. Also requested are funds for research into new concepts for missile warheads, including advanced development of the MK 12-A warhead for emplacement on existing ICBM's.

The Administration's recommendations with respect to our inventory of strategic nuclear forces appear premised in part on an anticipated comparable restraint by the Soviet Union in the development of its own intercontinental strategic forces. The available evidence, however, suggests that the United States may be engaging in a form of unilateral arms control, reflected in the essentially static levels of budgetary resources allotted to strategic systems: (See chart on the following page, Strategic Forces Budget Trend.)

The competitive initiatives, both quantitative and qualitative, undertaken by the U.S.S.R. have not only complicated an arms control equation already characterized by dubious American concessions, but also have raised new questions about the survivability of the various components of our strategic deterrent triad. Though the strategic balance is currently defined as one of approximate "parity" in counterpoised deterrent power, the longer-term viability of the situation demands, in the absence of reciprocal and genuine Soviet concessions, a more thoughtful analysis of the follow-on requirements of our intercontinental forces which is not unduly mortgaged to the abstractions and atmospherics of detente. (See chart on the following page, Changes in U.S./U.S.S.R. Strategic Levels.)

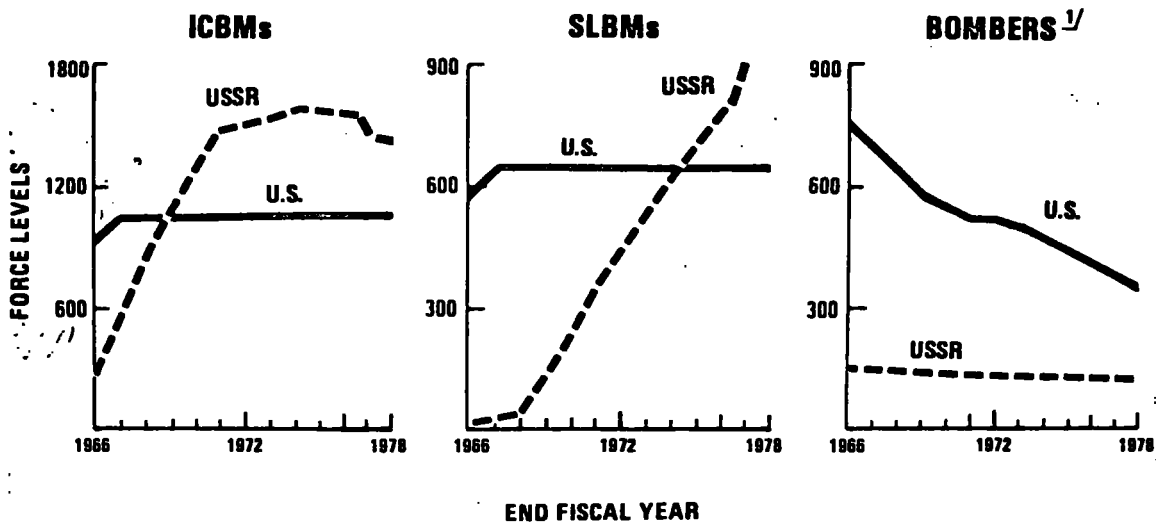
STRATEGIC FORCES BUDGET TREND

**BILLIONS OF CONSTANT
FY 1978 DOLLARS**



Source: FY 1979 Department of Defense Annual Report, p. 43

CHANGES IN U.S./U.S.S.R. STRATEGIC LEVELS



^{1/} F8-111 and BACKFIRE are excluded.

Source: FY 1979 Department of Defense Annual Report, p. 46

VI. FISCAL ANALYSIS OF THE BUDGET

In amending the final Ford Administration budget for FY 1978, President Carter's defense requests amounted to \$120.4 billion in total obligational authority, a cut of nearly \$3 billion from the budget authority planned by Mr. Ford for the current fiscal year. Further budget reductions were made by the Administration and Congress, and the figure finally approved came to \$116.6 billion (with \$105 billion in estimated actual outlays).

The FY 1979 Defense Budget Requests \$126 billion in total obligational authority, of which \$215.57 billion is in new budget authority requiring congressional appropriations. This exceeds the FY 1978 figure in TOA by \$9.2 billion, though the \$126 billion figure is itself \$4-10 billion less than the amount requested by the Pentagon, which was overruled in projected spending authority levels by the Office of Management and Budget.

Based upon the Pentagon's calculation of a 6.1 percent inflation rate for defense expenditures, the real (i.e. inflation-adjusted) growth in total obligational authority is approximately two percent. By comparison, the anticipated outlays of \$115.2 billion are \$9.9 billion above the FY 1978 level, a real increase of three percent in the base-line defense figure.

Does the budget as proposed vindicate then-candidate Jimmy Carter's pledge to reduce military spending by \$5-7 billion and still maintain adequate strength, particularly in light of the sustained growth in Soviet defense spending over the last 10-15 years? A breakdown of the figures is revealing in terms of assessing both the complexity of the issue and the overall fiscal impact of projected defense allotments.

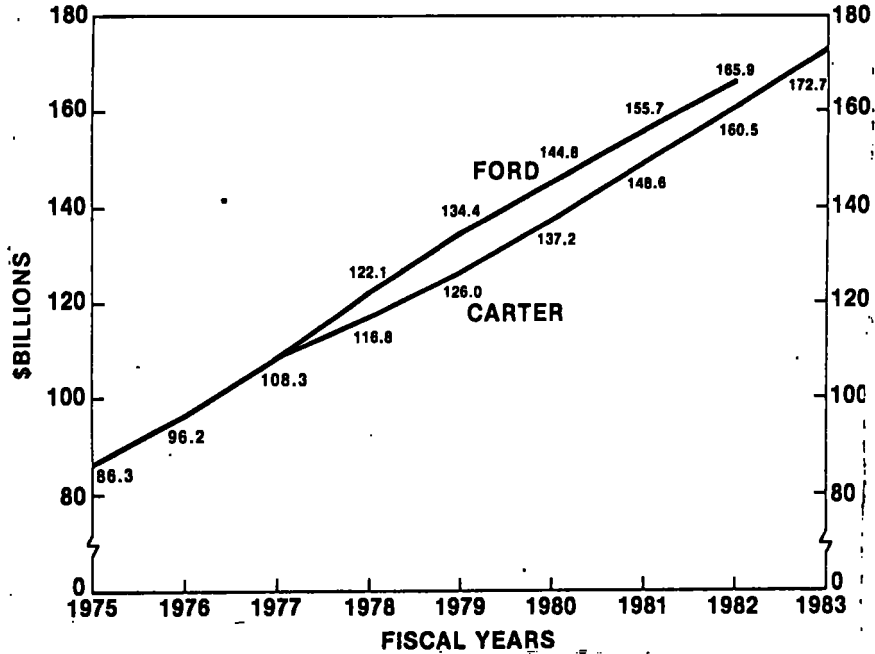
Though defense spending in aggregate terms has increased, Secretary Brown asserts that President Carter has nonetheless redeemed his campaign promise, since the Ford Administration's comparable FY 1979 projections (as well as those through FY 1983, upon which the pledge was ostensibly based), were \$8.4 billion higher for total obligations and \$5.6 billion more for spending authority than the Carter budget.

Though FY 1983, the Carter Administration projects nearly \$34 billion less for Pentagon programs than did the Ford Administration. (Estimates are for the five-year military preparedness program which anticipates real growth levels sufficient to keep pace with Soviet defense programs).

(See charts on the following page.)

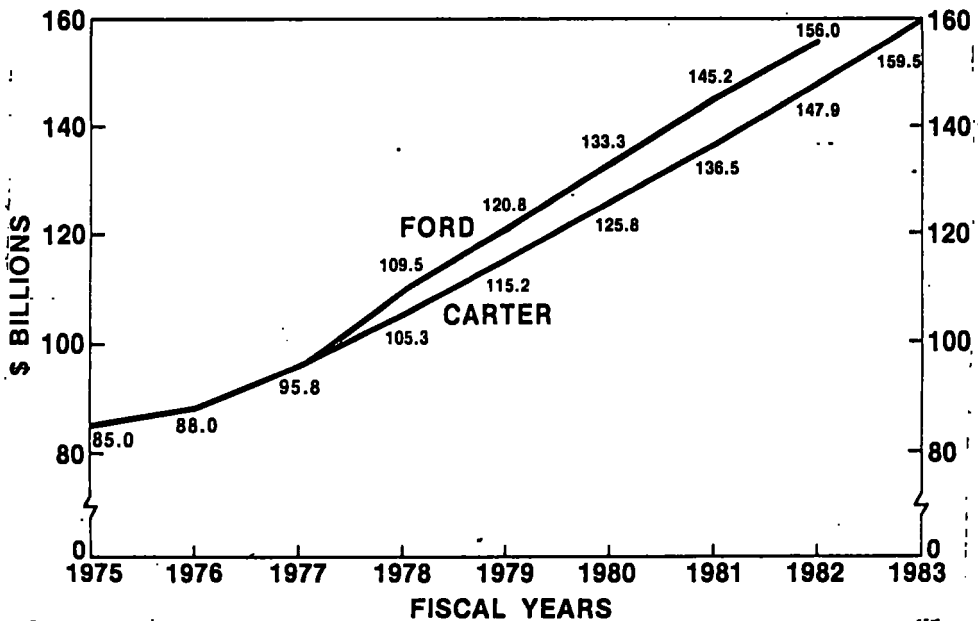
**DEPARTMENT OF DEFENSE
BUDGET PROJECTIONS—TOA**

(CURRENT PRICES EXCLUDING MILITARY ASSISTANCE)



**DEPARTMENT OF DEFENSE
BUDGET PROJECTIONS—OUTLAYS**

(CURRENT PRICES EXCLUDING MILITARY ASSISTANCE)



Source: FY 1979 Department of Defense Annual Report, p. 366

Though the Carter Administration's spending level projections for defense anticipate less aggregate growth than the Ford Administration's estimates for the same period, defense spending as a percentage of total Federal outlays is still expected to increase:

DEFENSE SPENDING: AS A PERCENTAGE OF ALL OUTLAYS

<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
23.5%*	23.7%*	24.2%#	24.6%#	24.9%#
		*Estimate		#Projection

Source: Office of Management and Budget ¹²

The projected growth of defense spending must be kept in perspective, however. Given the anticipated level of increase for military authorizations at the end of the five-year reference time frame, defense spending would still constitute the smallest proportions of overall federal outlays and Gross National Product since before the Korean War. (FY 1979 defense spending has declined to approximately 5.1 percent of GNP).

The priorities implied in the spending levels and resource distribution of the FY 1979 budget attest to the Carter Administration's emphasis on upgraded general purpose forces, which comprise over 37 percent of projected outlays. The budget is divided along the following lines (in percentages of Total Obligational Authority):

Conventional War Forces.....	37.1%
Strategic Nuclear Forces.....	7.8%
Training.....	20.7%
Supply, Maintenance.....	10.0%
Research.....	8.8%
Intelligence, Communications.....	6.6%
Reserve Forces.....	5.3%
Other.....	3.7%

Source: Office of Management and Budget ¹³

Moreover, the Administration claims to have honored its commitment to increase by 3 percent annually (above inflation) that portion of the defense budget earmarked for weapons systems, facilities and personnel in support of NATO. Secretary Brown insists that, despite allegations of having vitiated that pledge because of non-NATO related

12. Cited in The New York Times, January 24, 1978, p. 15.

13. Cited in The Washington Post, January 24, 1978, p. 15.

procurement requests, most of the substantial increases in requests for weapons purchases and equipment would directly benefit the Alliance. (Purchases of Army equipment, which Brown characterizes as a "real initiative" are up 18 percent in real terms). Of the budget's \$9.2 billion growth in TOA from FY 1978, \$4.3 billion is allocated to general purpose forces for new equipment and to improve the readiness and mobility of existing forces, as well as the NATO logistical infrastructure. Strategic nuclear forces, by contrast, gained only \$500 million in new authorization requests.

The budgetary breakdown by services, in terms of current dollar TOA, shows the following:

	<u>FY 1979</u>	<u>FY 1978</u>	<u>Change</u>
Army	\$32.1 billion	\$28.9 billion	+ \$3.2 billion
Navy	\$41.7 billion	\$39.7 billion	+ \$1.5 billion
Air Force	\$35.6 billion	\$33.2 billion	+ \$2.4 billion

General procurement requests subdivide as follows:

	<u>FY 1979</u>	<u>FY 1978</u>	<u>Change</u>
Aircraft	\$11.9 billion	\$10.4 billion	+ \$1.5 billion
Missiles	\$ 4 billion	\$ 4.3 billion	- \$.3 billion
Ships	\$ 4.7 billion	\$ 5.8 billion	- \$1.1 billion
Combat Vehicles Weapons	\$ 2.1 billion	\$ 1.9 billion	+ \$.2 billion
Other	\$ 9.6 billion	\$ 7.8 billion	+ \$1.2 billion

According to Defense Department Comptroller Fred Wacker, there are 93 weapons systems slated for procurement and acquisition, and 30 presently in research and production that are considered high priority projects. ¹⁴

In spending terms, the FY 1979 budget, when adjusted for inflation, appears to continue the downward trend of defense authorizations as a function of relevant economic indicators. The distribution of resources within the budget, with the exception of allocations for the improvement of general purpose forces, does not seem to offer notable initiatives.

(See charts on the following page.)

14. Aviation Week and Space Technology, January 30, 1978, p. 20.

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
BY MAJOR PROGRAM—CONSTANT PRICES
(BILLIONS OF \$)

<u>MILITARY PROGRAM</u>	CONSTANT FY 1979 DOLLARS TOTAL OBLIGATIONAL AUTHORITY		
	FY 1977	FY 1978	FY 1979
Strategic Forces	\$10.6	\$ 9.8	\$ 9.8
General Purpose Forces	43.1	45.1	46.9
Intelligence and Communications	8.4	8.3	8.3
Airlift and Sealift	1.7	1.7	1.8
Guard and Reserve Forces	6.7	7.0	6.7
Research and Development	11.2	10.9	11.0
Central Supply and Maintenance	12.6	12.7	12.8
Training, Medical, Other Gen. Pers. Activ.	25.7	25.5	26.0
Administrative and Assoc. Activities	2.3	2.4	2.4
Support of Other Nations (Excludes Map)	<u>.2</u>	<u>.3</u>	<u>.3</u>
TOTAL	\$122.6	\$123.7	\$126.0

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
BY APPROPRIATION CATEGORY
(BILLIONS OF \$)

<u>APPROPRIATION TITLE</u>	CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY		
	FY 1977	FY 1978	FY 1979
Military Personnel	\$25.9	\$27.3	\$28.7
Retired Pay	8.2	9.2	10.2
Operation and Maintenance	32.0	35.0	38.1
Procurement	27.5	30.3	32.0
RDT&E	10.6	11.4	12.5
Military Construction	2.4	1.9	2.7
Family Housing	1.3	1.4	1.6
Civil Defense	.1	.1	.1
Revolving and Management Funds	<u>.2</u>	<u>.2</u>	<u>.1</u>
TOTAL	\$108.3	\$116.8	\$126.0

Source: FY 1979 Department of Defense
Annual Report, pp. 386-387

VII. THE FY 1979 DEFENSE BUDGET -- SUMMARY

Though the final shape of the Carter Administration's defense budget has not yet been determined, subject as it is to Congressional review, the funding recommendations made are sufficiently illustrative of the thrust of contemporary American defense policy and its implications for our national security objectives.

The assumptions underlying preparation of the budget suggest varying perceptions of the nature of the Soviet threat and lead to somewhat contradictory initiatives. For example, the growth stabilization of strategic nuclear forces derives in large measure from the Administration's calculus for understanding the concept of nuclear deterrence and the political utility of existing forces. Since, according to the working premise of PRM-10, nuclear war under all circumstances is unwinnable, deterrence is maintained so long as an important portion of Soviet industrial and population centers can be targeted and attacked by "residual" U.S. forces (i.e., those surviving a postulated Soviet first strike). A corollary of this premise is the low priority accorded civil defense programs. Implicit is the notion that the Soviet Union essentially shares our interpretation of what constitutes stable mutual deterrence (i.e., an assured retaliatory capability), though Soviet military literature and the magnitude of enhanced war-fighting capabilities do not corroborate this thesis.

Similarly, despite rhetoric to the contrary, the apparent restraint in developing technologically advanced strategic systems reflects a perhaps unwarranted faith in the eventuality of reciprocal, mutually advantageous arms control agreements. In lieu of such agreements, the budgetary reductions in (and outright cancellations of) certain systems with potentially high bargaining value in the SALT negotiations (as well as operational effectiveness as deployed forces) have been undertaken without sufficient consideration of either their substantive or symbolic significance. The Administration has justified cancellation of the B-1 bomber program and delayed development of the M-X and Trident II missile systems in a manner which emphasizes fiscal prudence and efficient management independently of the larger strategic context of responsible policy-making.

Critics contend, moreover, that the systems upon which the credibility of our deterrent posture is to rely (e.g. multiple launch-mode cruise missiles) risk being sacrificed in the arms control talks ostensibly aimed at stabilizing the superpower strategic relationship. The combined effects of these measures may ultimately produce a disincentive to meaningful and equitable arrangements. What is imperative is that strategic arms limitation agreements do not foreclose technological developments or "exploitation of strategic nuclear technologies which allow the United States to compensate for Soviet advantages."¹⁵

¹⁵. Aviation Week and Space Technology, February 13, 1978, p. 18.

Secretary Brown asserts that

...The issue is how to make it clear to the Soviets that they cannot gain any military or political advantage from their strategic forces.... Insistence on essential equivalence guards against any danger that the Soviets might be seen as superior -- even if the perception is not technically justified.¹⁶

Yet perceptions do not require technical justification to assume the nature of political realities. The inevitable obsolescence and vulnerability of weapons systems that are the products of investments made in the 1950's and 60's cannot be viewed as devoid of political significance in the face of the accelerated modernization and expansion of Soviet military forces. To insist on essential equivalence while exercising relative restraint in our own force modernization programs is to jeopardize the tenuous balance between policy and force structure alluded to earlier.

From a fiscal standpoint, delayed production of systems that are expected to be introduced into the operational inventory or used as "bargaining chips" in arms control negotiations will almost invariably result in a continual upward revision of estimated program costs adjusted for inflation. Moreover, the notion of fulfilling a campaign promise for the sake of personal credibility may prove vacuous at best and dangerous at worst if, in the process, vital security interests are compromised. As a recent editorial poignantly concludes:

...The implications of the arguable disparity between dollars and rhetoric are largely political. The fact is that, after a year of leadership, the president simply has discovered that his responsibility for maintaining the country's defenses -- the credibility of its military capacity and the health of its alliances -- cannot be reconciled with the assurances of sweeping Pentagon budget slashes so glibly made 15 months and more ago in the heat of political contest.¹⁷

The Carter Administration's defense budget (like its predecessor) does undertake noteworthy initiatives to upgrade general purpose forces, but the substantive value of such efforts depends on a sense of time-urgency (given the critical lead-time factor in weapons development) to rectify existing military disparities and enhance force credibility for potential political leverage. This must be sustained by judicious procurement requests and an expanded research and development base.

Furthermore, the apparent tendency to respond to sectors in defense planning can be counterproductive to the policy objectives

16. The Christian Science Monitor, February 3, 1978, p. 1.

17. Cited in Current News, February 13, 1978, p. 2E, (Kansas City Times, January 30, 1978.)

enunciated. Strengthening the NATO force posture while downgrading naval shipbuilding efforts, despite the ominous emergence of a Soviet "blue-water" navy capable of increased power projection, may represent less a manifestation of priority distribution within the context of a rational strategy and more an ad hoc response to a threat which is invariably perceived as divisible.

The recommendations incorporated into the FY 1979 defense budget require their elaboration over time. The debate over budgetary directions, as part of a more general assessment of the contemporary U.S. force posture, will inevitably focus on the priorities established as well as the adequacy of committed resources in pursuit of specified ends. Comments General Brown:

...In light of the extensive growth in the military capabilities of the Soviet Union, it is questionable whether what has been done is enough to assure the security and well-being of our country in the coming years.¹⁸

The Carter budget has been criticized by some as not addressing itself forcefully enough to the scope and magnitude of our defense needs, particularly in the development of those advanced technologies which provide the United States with the means for an effective response to potent external challenges. A definitive evaluation of the authorized FY 1979 defense program must await elaboration of the policy initiatives for which a credible force posture is an indispensable basis. If, however, the Carter defense program feeds a perception of declining American military strength and lack of resolve in protecting security interests, our capability for effective deterrent action would be measurably eroded and the prospects for tension and further clashes of interest with the Soviet Union and other potential adversaries would be correspondingly heightened.

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18. Aviation Week and Space Technology, February 13, 1978, p. 18.