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THE WHITE HOUSE
WASHINGTON

2.26.76

TO:

Jim Connor

For Your Information: _____

For Appropriate Handling: _____

Pres FBI file

RL
Robert D. Lindet

THE PRESIDENT HAS SEEN....
THE SECRETARY OF DEFENSE
WASHINGTON

24 FEB 1976

The President
The White House
Washington, D. C. 20500

MC 7
I'm keeping
material
MC 7

Dear Mr. President:

After the presentation on the FY 1977 Defense Budget at the Cabinet meeting on February 19th, there were several requests for unclassified copies of the charts. Attached is a set of charts, with explanatory notes.

As I said in the briefing, no single chart or group of charts can be expected to tell such a complex story completely. However, they do indicate the weight of effort and the momentum of Soviet activity. The trends these charts depict -- upward movement over the past decade for the Soviets relative to the U.S. -- are of course what your FY 1977 Defense Budget is designed to arrest.

Regards,



Attachment

THE PRESIDENT HAS SEEN....

FY 77 U. S. DEFENSE BUDGET
PERSPECTIVES

DONALD RUMSFELD
SECRETARY OF DEFENSE

26 FEBRUARY 1976

INTRODUCTION

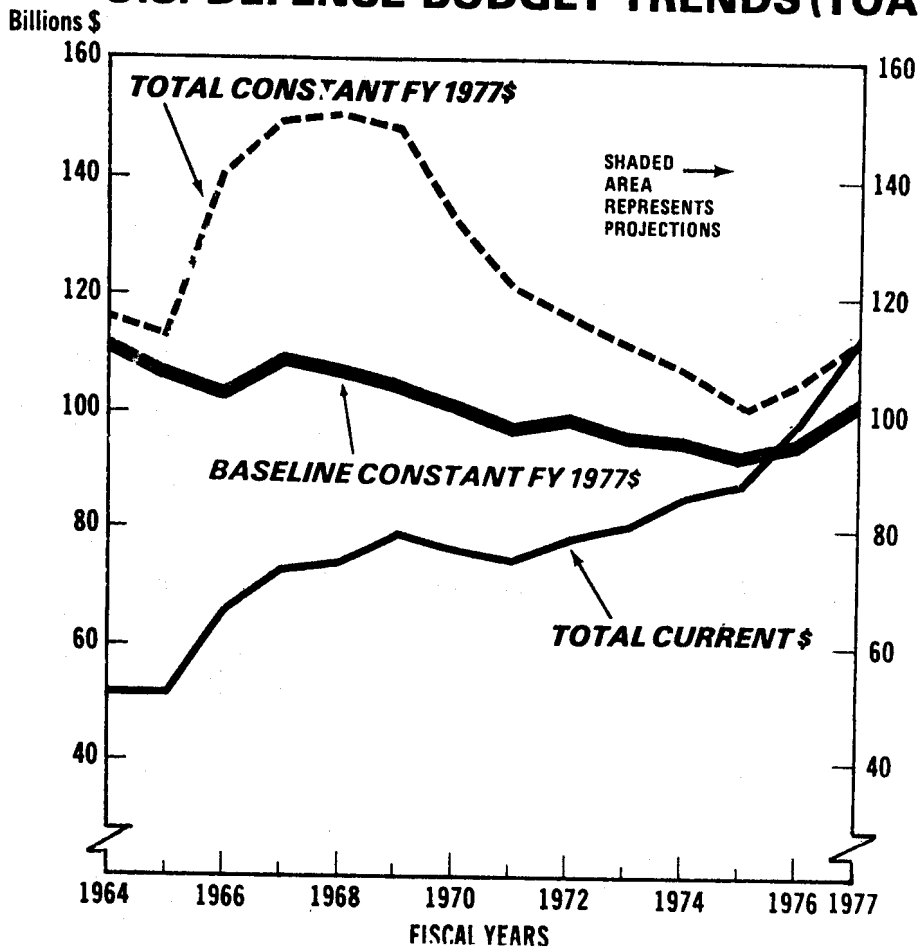
BY MAY 15, 1976, THE CONGRESS WILL HAVE MADE TWO OF THE MOST IMPORTANT DECISIONS IT WILL MAKE THIS YEAR ... THE LEVEL OF TOTAL FEDERAL SPENDING, AND THE PORTION OF THAT TOTAL WHICH WILL BE PROVIDED FOR OUR NATIONAL SECURITY.

THERE IS CONSENSUS THAT U.S. MILITARY CAPABILITY AND STRENGTH CAN TODAY BE DESCRIBED AS "SUFFICIENT" ... THAT IS, WE HAVE "ROUGH EQUIVALENCE" TO THE SOVIET UNION, WHICH IS WHAT U.S. POLICY DEMANDS.

HOWEVER, THE TRENDS OF THE PAST 5-10 YEARS ARE ADVERSE WITH RESPECT TO THE MILITARY BALANCES. NO ONE CHART OR STATISTIC CAN PROVIDE THE COMPLETE PICTURE -- BUT A SWEEPING LOOK AT RESOURCES, PROCUREMENT AND R&D EFFORTS, EQUIPMENT CONSTRUCTION RATES, FORCE LEVEL CHANGES, AND SHIFTS IN RELATIVE CAPABILITY CAN MAKE CLEAR WHAT HAS TAKEN PLACE. A COLLECTION OF SUCH GRAPHICS IS PRESENTED HERE, WITH APPROPRIATE EXPLANATIONS AND CAVEATS.

THE FACTS DRIVE ONE TO THE CLEAR CONCLUSION THAT THE U.S. MUST ACT NOW TO ARREST THESE ADVERSE TRENDS, BY PROVIDING REAL INCREASES FOR NATIONAL SECURITY, UNLESS THE U.S. IS WILLING TO ALTER OUR POLICY OF MAINTAINING "ROUGH EQUIVALENCE." IT IS MY CONVICTION THAT THE AMERICAN PEOPLE ARE NOT WILLING TO ACCEPT A POLICY OF INFERIORITY.

U.S. DEFENSE BUDGET TRENDS (TOA)



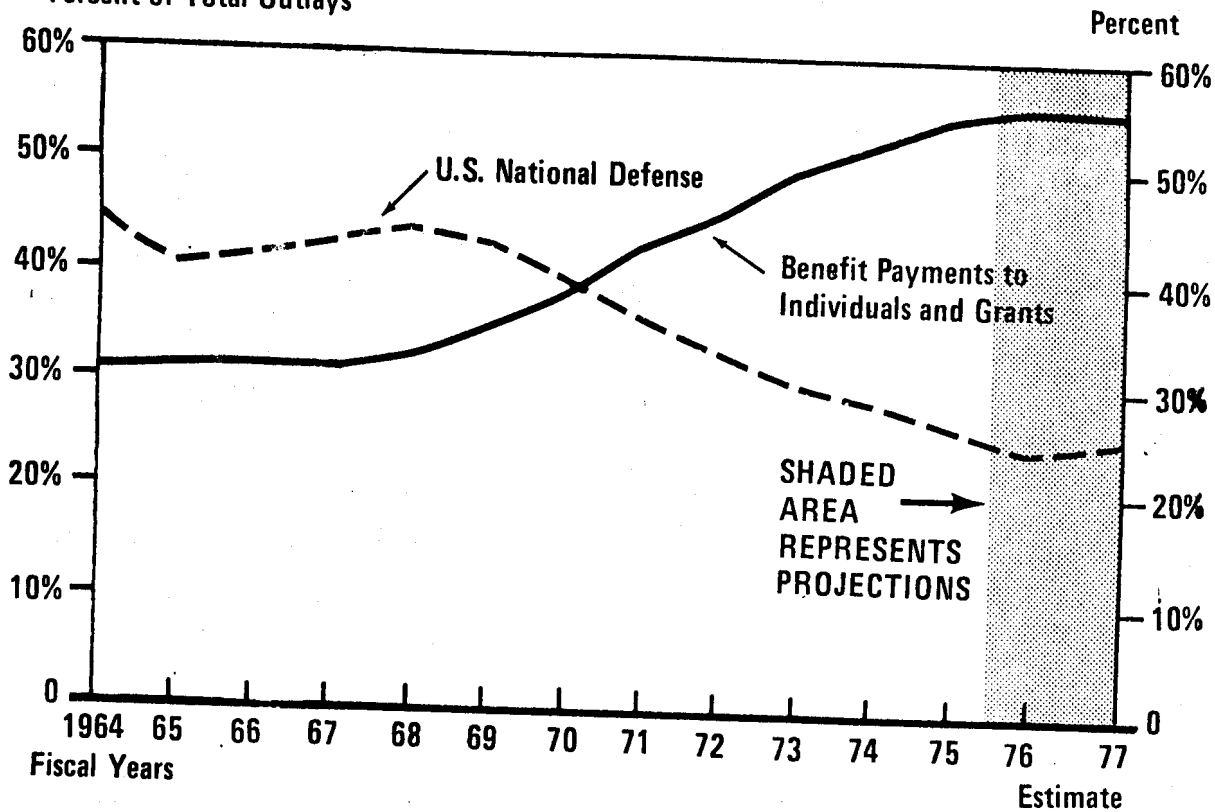
U.S. DEFENSE BUDGET TRENDS

THE U.S. DEFENSE BUDGET HAS DECREASED IN REAL TERMS BY MORE THAN ONE-THIRD FROM THE 1968 WARTIME PEAK. TODAY, IN REAL TERMS (CORRECTED FOR INFLATION), IT IS 14% BELOW THE LEVELS OF THE PREWAR, EARLY 1960'S.

TRENDS ARE SHOWN HERE IN TERMS OF TOTAL OBLIGATIONAL AUTHORITY (TOA). THE BROKEN LINE SHOWS TOTAL TOA (IN CONSTANT FY 77 DOLLARS); THE THICK LINE LABELED "BASELINE" SHOWS THE TREND OF RESOURCES DEVOTED TO MILITARY CAPABILITY (SEASIA WAR COSTS, RETIRED PAY, AND FOREIGN MILITARY SALES HAVE BEEN EXCLUDED); AND THE LOWER CURVE SHOWS THE PROGRESSION OF DEFENSE BUDGETS AS THEY APPEARED IN CURRENT DOLLARS.

Shares of the U.S. Budget

Percent of Total Outlays

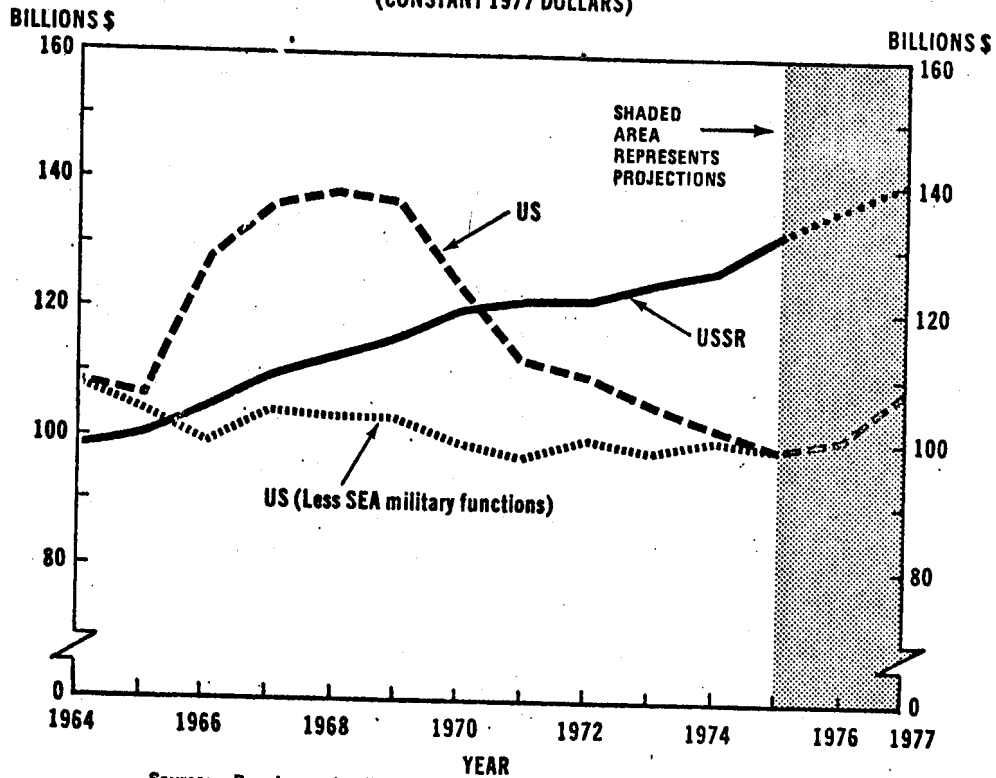


SHARES OF THE U.S. BUDGET

U.S. DEFENSE SPENDING TODAY IS ABOUT 25% OF THE TOTAL FEDERAL BUDGET -- THE LOWEST SHARE SINCE FY 1940, SHORTLY BEFORE PEARL HARBOR -- HAVING DROPPED FROM 43% IN PREWAR 1964.

AS SHOWN, BENEFIT PAYMENTS TO INDIVIDUALS AND GRANTS HAVE INCREASED FROM A 30% SHARE OF THE FEDERAL BUDGET TO MORE THAN 55% DURING THE SAME PERIOD.

US / USSR DEFENSE PROGRAM TRENDS
 (US EXPENDITURES AND ESTIMATED DOLLAR COSTS OF SOVIET PROGRAMS)
 (CONSTANT 1977 DOLLARS)



Source: Based upon intelligence estimates of the constant-dollar cost of Soviet military activities, and of US expenditures on a comparable basis. Transformed by DoD from constant 1974 dollars to constant FY1977 dollars. SEA adjustment based on DoD data only.

SOVIET PROGRAM DEFENSE TRENDS

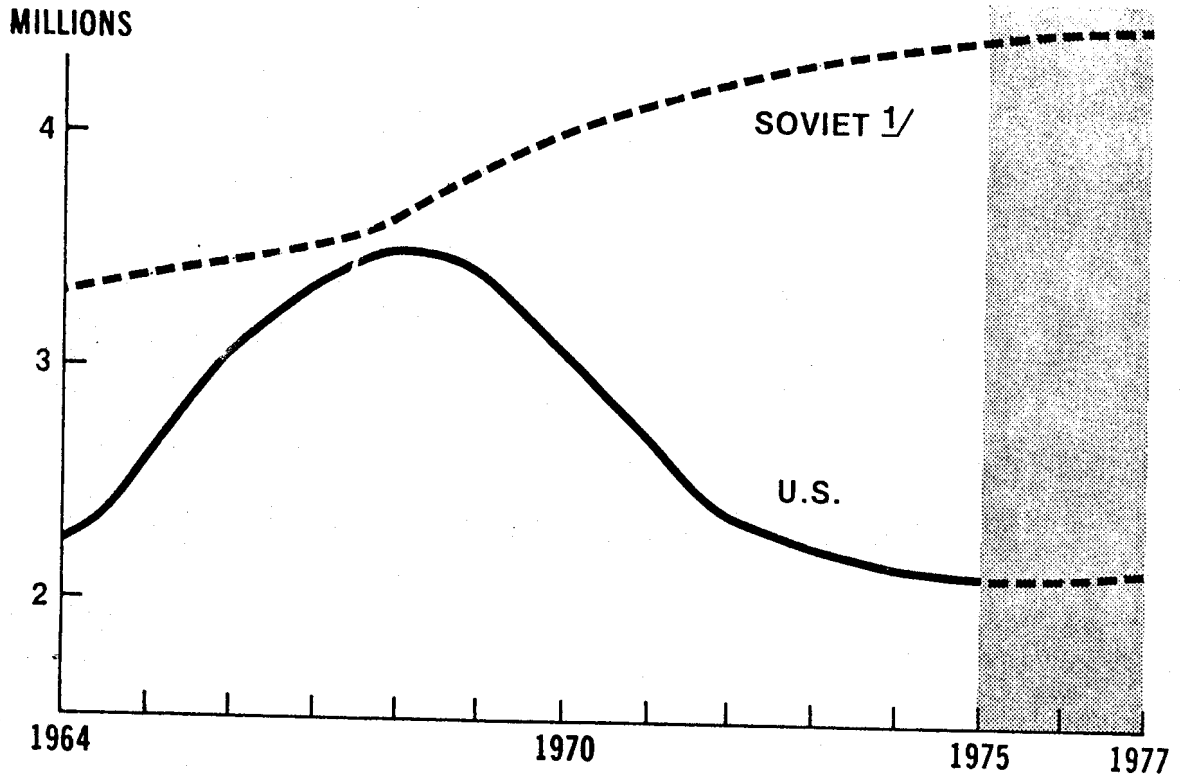
WHILE THESE REDUCTIONS HAVE BEEN GOING ON IN THE U.S., THE SOVIET UNION HAS BEEN MOVING STEADILY IN THE OTHER DIRECTION.

THE INTELLIGENCE COMMUNITY HAS WORKED AT THE COMPLEX TASK OF ESTIMATING THE MAGNITUDE OF SOVIET EFFORT. THERE REMAINS SOME DISAGREEMENT AMONG ANALYSTS AS TO THE ABSOLUTE VALUE OF MILITARY EFFORTS IN THEIR CONTROLLED ECONOMY. HOWEVER, THE CONSTANT 1977 DOLLAR VALUE OF THE RESOURCES ALLOCATED TO SOVIET NATIONAL DEFENSE APPEARS TO HAVE GROWN FROM 102 BILLION IN 1965 TO 135 BILLION IN 1975, AN AVERAGE ANNUAL INCREASE OF AT LEAST 3%.

THE SOLID CURVE SUPERIMPOSES AN ESTIMATE OF SOVIET PROGRAM COSTS ON COMPARABLE CURVES OF U.S. EXPENDITURES.

THE EVIDENCE WE HAVE OF THE WEIGHT OF EFFORT AND THE MOMENTUM IN SOVIET MILITARY PROGRAMS IS FULLY CONSISTENT WITH THESE ESTIMATES OF EXPENDITURES.

U.S./U.S.S.R. MILITARY MANPOWER



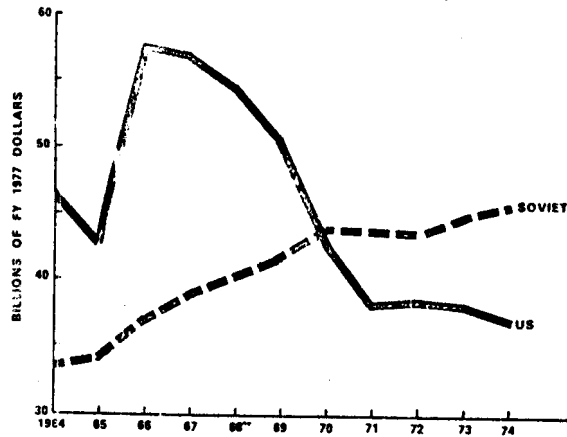
¹ EXCLUDES MILITARY SECURITY FORCES.

COMPARATIVE MILITARY MANPOWER - U.S./USSR

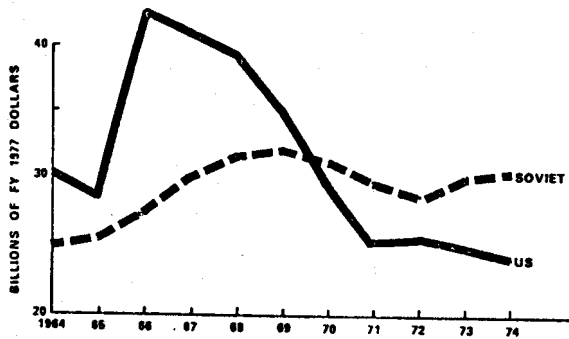
THE SOVIETS HAVE INCREASED THE NUMBER OF MEN UNDER ARMS (NOT INCLUDING SOME 400,000 MILITARY SECURITY FORCE MEMBERS) FROM 3.4 TO 4.4 MILLION SINCE 1964.

DURING THE SAME PERIOD, U.S. UNIFORMED MILITARY STRENGTH INCREASED FROM A PREWAR 1964 LEVEL OF 2.7 MILLION TO A PEAK OF 3.5 MILLION DURING THE WAR IN SOUTHEAST ASIA, THEN DECLINED TO 2.1 MILLION TODAY. THERE ARE FEWER AMERICANS IN UNIFORM TODAY THAN AT ANY TIME SINCE THE FALL OF 1950.

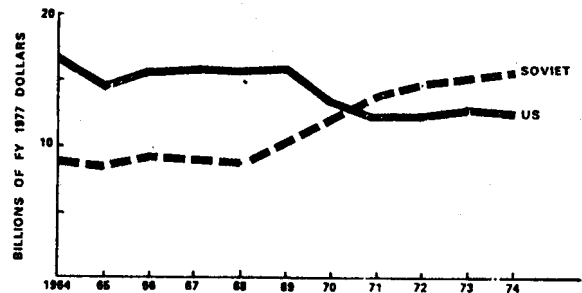
COMPARATIVE US AND SOVIET INVESTMENT*
(PROCUREMENT, FACILITIES, RD&E)



COMPARATIVE US AND SOVIET PROCUREMENT*
AND FACILITIES CONSTRUCTION



COMPARATIVE US AND SOVIET*
MILITARY RD&E



*BASED ON INTELLIGENCE ESTIMATES IN CONSTANT 1973 DOLLARS; CONVERTED TO CONSTANT FY 1977 DOLLARS BY DOD.

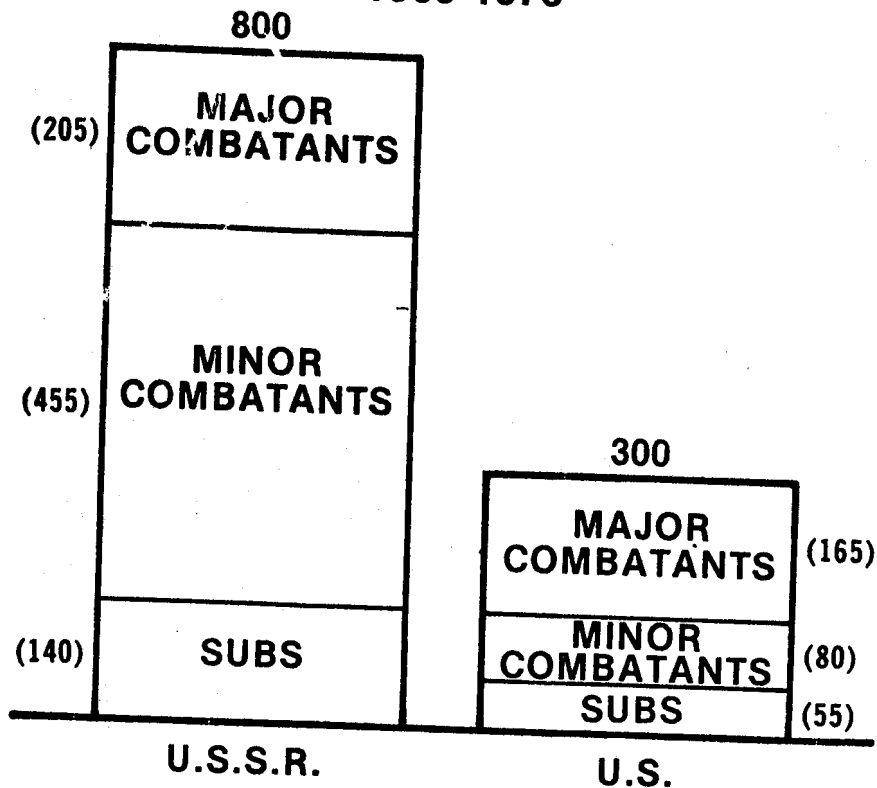
U.S./USSR COMPARATIVE INVESTMENT
IN
PROCUREMENT, FACILITIES, RDT&E

OVER THE PAST 10-12 YEARS, SOVIET INVESTMENT, IN REAL TERMS, IN DEVELOPMENT AND PROCUREMENT OF NEW SYSTEMS AND FACILITIES FOR PRODUCTION HAS CLEARLY EXCEEDED THAT OF THE U.S.

THE TOP CHART DISPLAYS AGGREGATED DATA; THE CHART IN THE LOWER LEFT-HAND CORNER SEPARATES PROCUREMENT AND CONSTRUCTION TRENDS FROM RDT&E. MILITARY RESEARCH AND DEVELOPMENT IS SHOWN IN THE LOWER RIGHT-HAND CORNER.

THE SOVIETS HAVE DEVELOPED AN INDUSTRIAL BASE WHICH HAS QUANTITATIVELY OUTPRODUCED THE U.S. IN MOST CATEGORIES OF MILITARY HARDWARE. THE WEIGHT OF THE SOVIET EFFORT AND THE MOMENTUM DEVELOPED ARE OF SERIOUS CONCERN.

U.S.S.R./U.S. NAVAL SHIP CONSTRUCTION 1965-1975

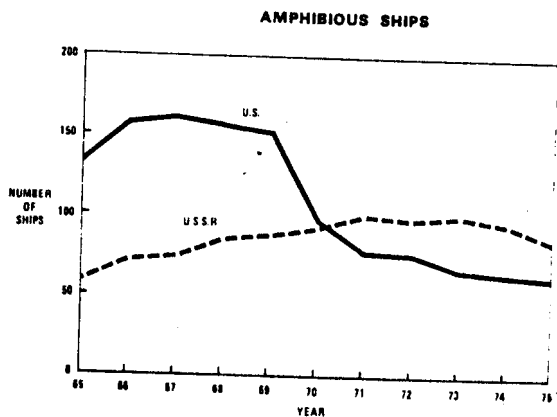
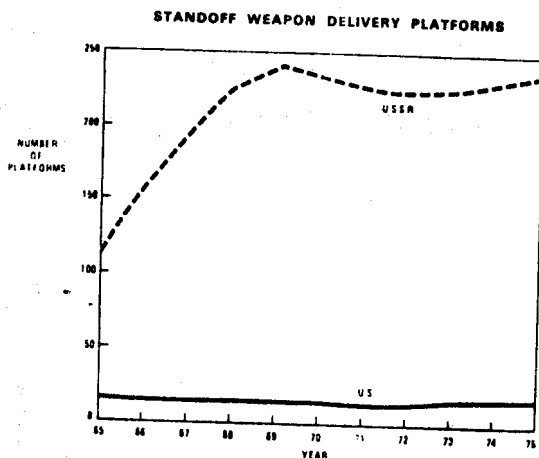
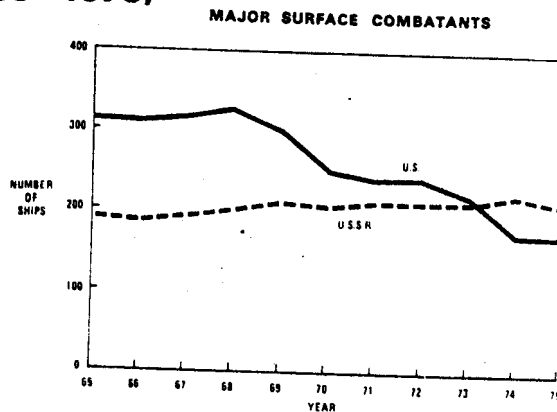
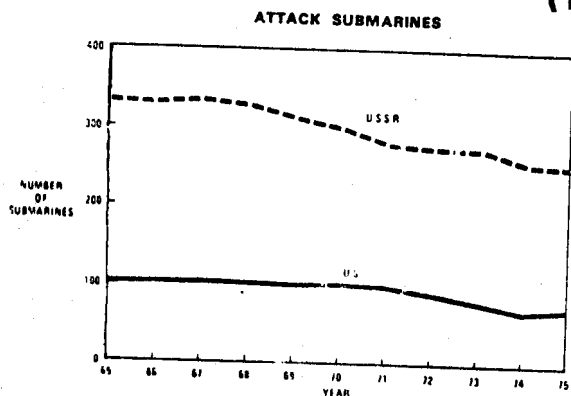


COMPARATIVE NAVAL SHIP CONSTRUCTION - U.S./USSR

SINCE 1962, WHEN THE SOVIETS BEGAN EXPANDING THEIR MARITIME POWER IN EARNEST, THEY HAVE BUILT MORE THAN FOUR TIMES AS MANY SHIPS FOR THEIR NAVY AS HAS THE U.S.

THE TWO COLUMNS ON THIS CHART COMPARE QUANTITATIVELY USSR AND U.S. SHIPBUILDING PROGRAMS -- MAJOR COMBATANTS, MINOR COMBATANTS (1,000 TONS OR LESS), AND SUBMARINES -- FOR THE 1965-1975 PERIOD.

CHANGES IN NAVAL FORCE LEVELS -- U.S./U.S.S.R. (1965 - 1975)



CHANGES IN NAVAL FORCE LEVELS - U.S./USSR

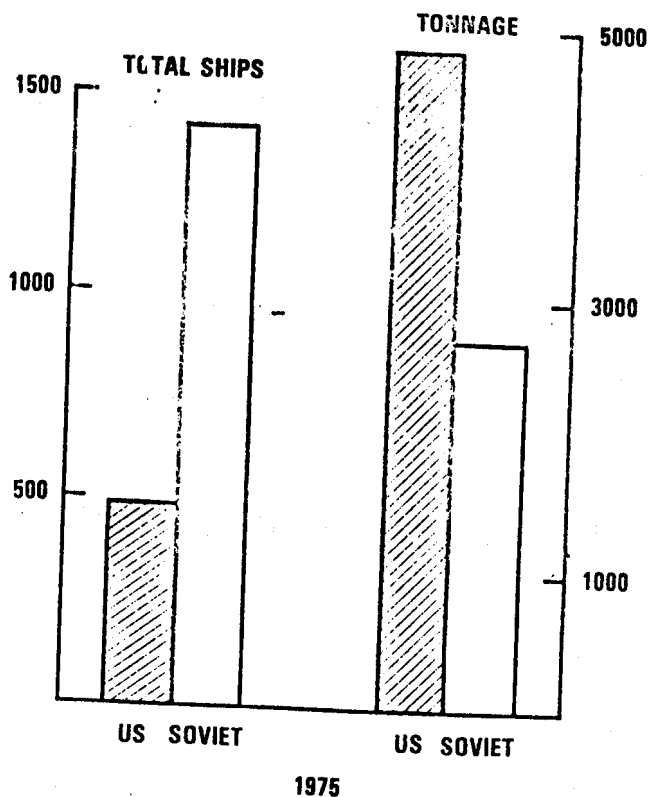
THE SOVIET FORCE HAS BECOME SMALLER WITH THE RETIREMENT OF LARGE NUMBERS OF DIESEL SUBMARINES. HOWEVER, THE SOVIETS RETAIN A 2.5-TO-1 ADVANTAGE IN ATTACK SUBMARINES.

THE SOVIETS HAVE 20% GREATER NUMBERS OF MAJOR SURFACE COMBATANTS -- AIRCRAFT CARRIERS, CRUISERS, DESTROYERS, AND FRIGATES -- ALTHOUGH THE U.S. HAS AN UNQUESTIONED LEAD IN SEA-BASED AVIATION.

THERE IS A MARKED ASYMMETRY IN THE WAY THE TWO NAVIES HAVE DISPERSED OFFENSIVE, STANDOFF WEAPONS CAPABILITY ... THE U.S. STANDOFF, OFFENSIVE STRENGTH LIES ALMOST ENTIRELY IN 13 AIRCRAFT CARRIERS, WHERE THE SOVIETS HAVE SOME 240 SHIPS WITH STANDOFF WEAPONS CAPABILITY.

THE SOVIETS HAVE BUILT A FORCE OF AMPHIBIOUS LIFT SHIPS WHICH NUMERICALLY EXCEEDS OURS, HOWEVER, U.S. ASSAULT CAPABILITY AND FLEXIBILITY VASTLY EXCEEDS THEIRS.

NUMBER AND TONNAGE OF MAJOR U.S. AND USSR SHIPS



COMPARATIVE NUMBERS AND TONNAGE OF U.S./USSR NAVAL SHIPS

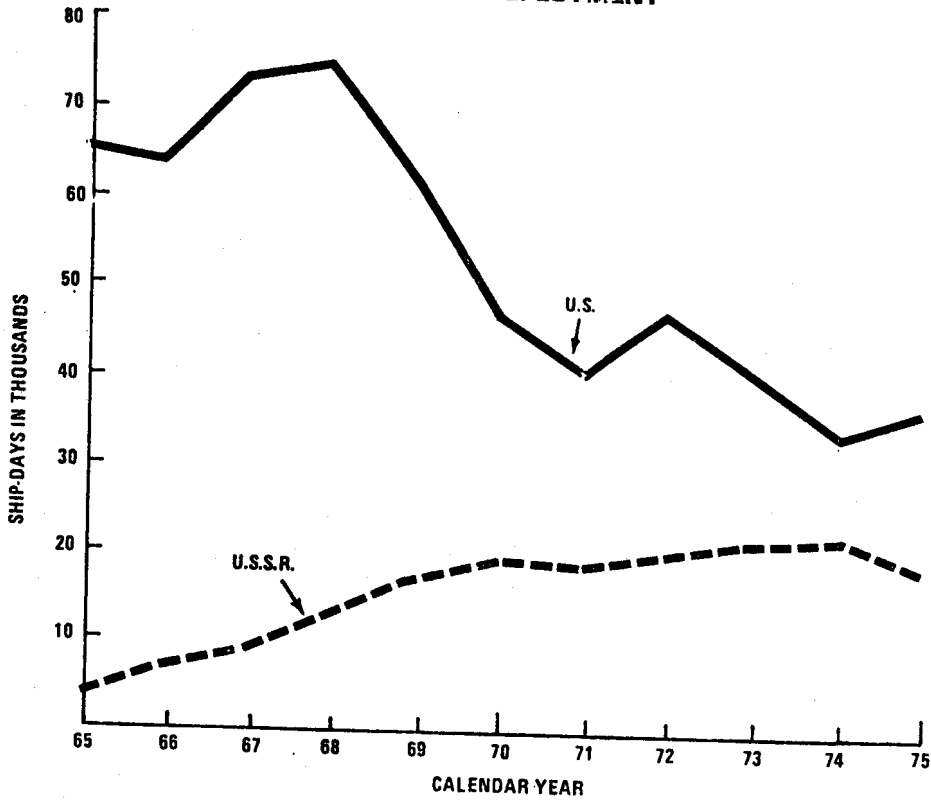
A 1975 COMPARISON OF THE NUMBERS OF SHIPS AND TOTAL TONNAGE OF THE TWO NAVIES SHOWS TWO ASYMMETRIES. FIRST, THE SOVIETS HAVE MORE SHIPS (MANY OF WHICH ARE SMALLER THAN 1,000 TONS), CONSISTENT WITH THE TRADITIONAL VIEW THAT THEIR NAVY IS THE SEAWARD EXTENSION OF THE RED ARMY, LARGELY COASTAL IN ORIENTATION.

SECOND, THE U.S. LEADS IN DISPLACEMENT BECAUSE WE HAVE BUILT SHIPS FOR ROUTINE OPERATION ON DISTANT DEPLOYMENT. (ABOUT 60% OF THE U.S. ADVANTAGE IN TONNAGE RELATES TO OUR 13 AIRCRAFT CARRIERS.)

THE MIX OF SHIPS IN THE SOVIET NAVY IS CHANGING STEADILY AS THEY BUILD BIGGER, MORE CAPABLE SHIPS AND ADD HELICOPTER AND VSTOL AIRCRAFT CARRIERS.

WHEN THE CONTRIBUTIONS OF PRINCIPAL ALLIES ON BOTH SIDES ARE INCLUDED, THE NUMBERS AND TONNAGES TEND TO EQUATE.

U.S./U.S.S.R. COMBATANT SHIP-DAYS ON DISTANT DEPLOYMENT



INCLUDES AIRCRAFT CARRIERS, MAJOR SURFACE COMBATANTS, GENERAL PURPOSE SUBMARINES, MINOR SURFACE COMBATANTS, AMPHIBIOUS SHIPS, AND MINE WARFARE SHIPS.

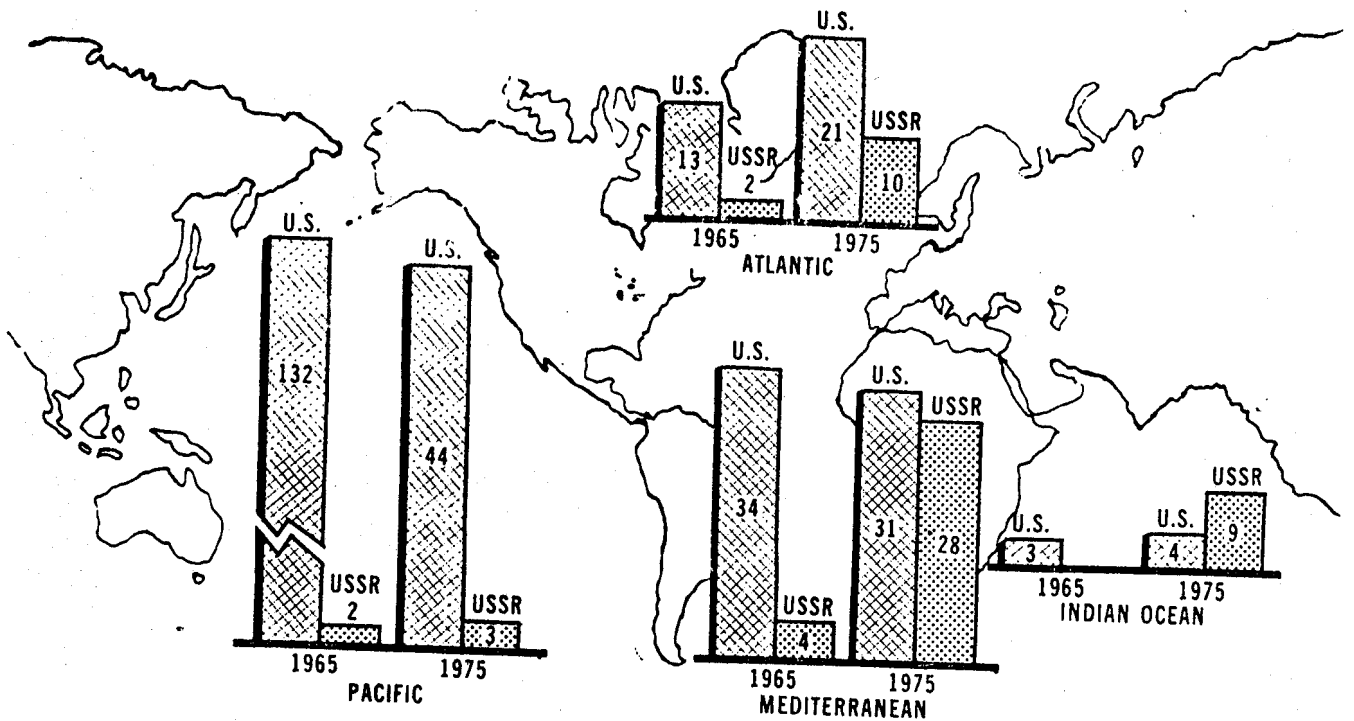
U.S./USSR COMBATANT SHIP-DAYS ON DISTANT DEPLOYMENT

AS INTERESTING AS THE GROWTH OF THE SOVIET NAVY IS THE WORLDWIDE DEPLOYMENT OF THEIR SHIPS ON A ROUTINE BASIS, BEGINNING IN THE EARLY 1960's.

RECENTLY, THE SOVIETS HAVE MAINTAINED A STEADY-STATE NAVAL PRESENCE AT A LEVEL ABOUT TWO-THIRDS THAT OF THE U.S.

US/USSR COMBATANT DEPLOYMENTS*

(AVERAGE CY 65 AND 75)



* INCLUDES AIRCRAFT CARRIERS, GENERAL PURPOSE SUBMARINES, MAJOR SURFACE COMBATANTS, MINOR SURFACE COMBATANTS, AMPHIBIOUS SHIPS, AND MINE WARFARE SHIPS.

FEBRUARY 1976

GEOGRAPHICAL DISTRIBUTION OF U.S./USSR COMBATANT DEPLOYMENTS

THE SOVIET UNION HAS ADOPTED A NAVAL DEPLOYMENT PATTERN QUITE DISSIMILAR TO THAT OF THE U.S.

THIS CHART SHOWS 1965 COMPARISONS TO THE LEFT AND 1975 COMPARISONS TO THE RIGHT, BY MAJOR OCEAN AREA. THE NAVAL CONTRIBUTIONS OF THE NATIONS ALLIED WITH THE U.S. AND THE USSR ARE NOT INCLUDED IN THESE COMPARISONS.

U.S./USSR RELATIVE PRODUCTION RATE ESTIMATES



USSR
1973-75 AVG
2,600
3,900
1,400
950

U.S.
1973-75 AVG
450
1,410
156
572

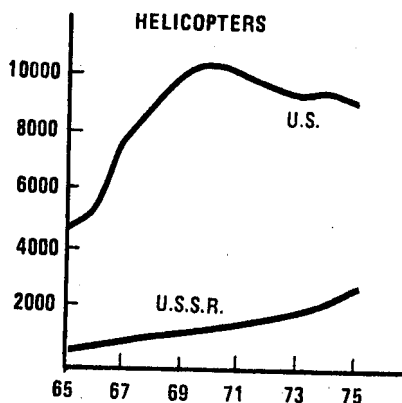
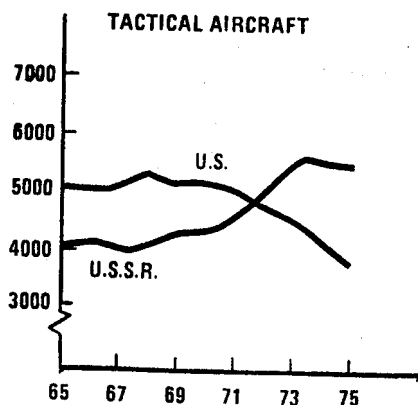
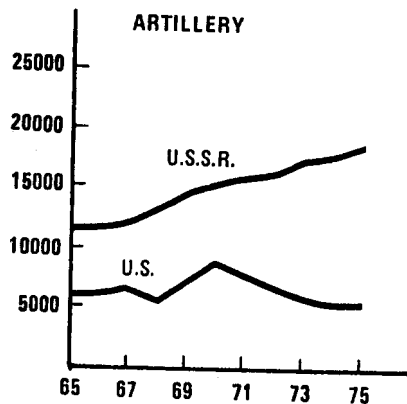
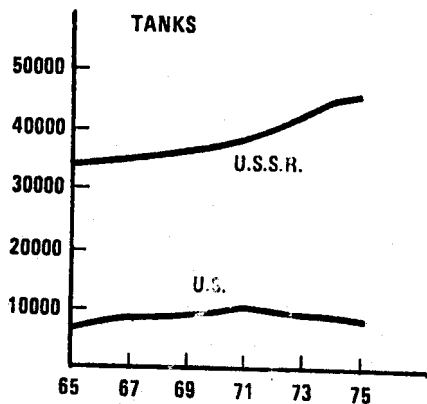
USSR/U.S.
1973-75
5.8:1
2.8:1
9:1
1.7:1

U.S./USSR RELATIVE PRODUCTION RATES
FOR
GROUND AND TACAIR FORCE EQUIPMENT

AVERAGE SOVIET PRODUCTION OF MAJOR ITEMS OF GROUND WARFARE EQUIPMENT --
TANKS, ARMORED PERSONNEL CARRIERS, ARTILLERY PIECES, AND TACTICAL AIRCRAFT --
DURING THE PERIOD 1973-1975 IS ESTIMATED TO HAVE EXCEEDED QUANTITATIVELY
THAT OF THE U.S. BY THE MARGINS INDICATED.

CHANGES IN QUANTITIES OF MILITARY EQUIPMENTS -- U.S./U.S.S.R.

(1965-1975)



GROUND AND TACAIR FORCE MILITARY EQUIPMENT - U.S./USSR

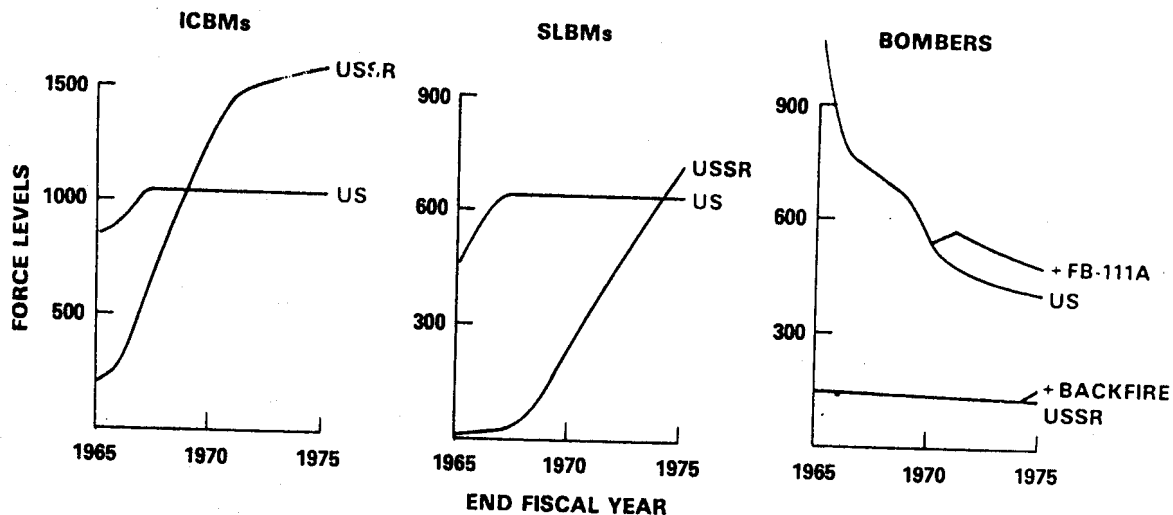
SOVIET TANK INVENTORIES EXCEED THOSE OF THE U.S. BY ROUGHLY 4-TO-1, AND ARE INCREASING.

THE SOVIETS HAVE 2.5 TIMES AS MUCH ARTILLERY.

THEY HAVE BUILT A MODERN, CAPABLE TACTICAL AIRCRAFT FORCE WHICH IN NUMBERS, BUT NOT QUALITY, EXCEEDS OURS BY 30%.

IN HELICOPTERS THE U.S. MAINTAINS SUPERIORITY, BUT THE SOVIETS ARE NOW BUILDING HELICOPTERS IN QUANTITY.

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



CHANGES IN STRATEGIC NUCLEAR FORCES - U.S./USSR

THE SOVIETS HAVE INCREASED FROM ABOUT 225 ICBMs IN 1965 TO SOME 1,600 TODAY, HAVING OVERTAKEN THE U.S. IN THE LATE 1960'S.

THE SOVIET SUBMARINE-LAUNCHED BALLISTIC MISSILES HAVE GROWN FROM 29 TO MORE THAN 700, WHILE THE U.S. HAS BEEN LEVEL AT 656.

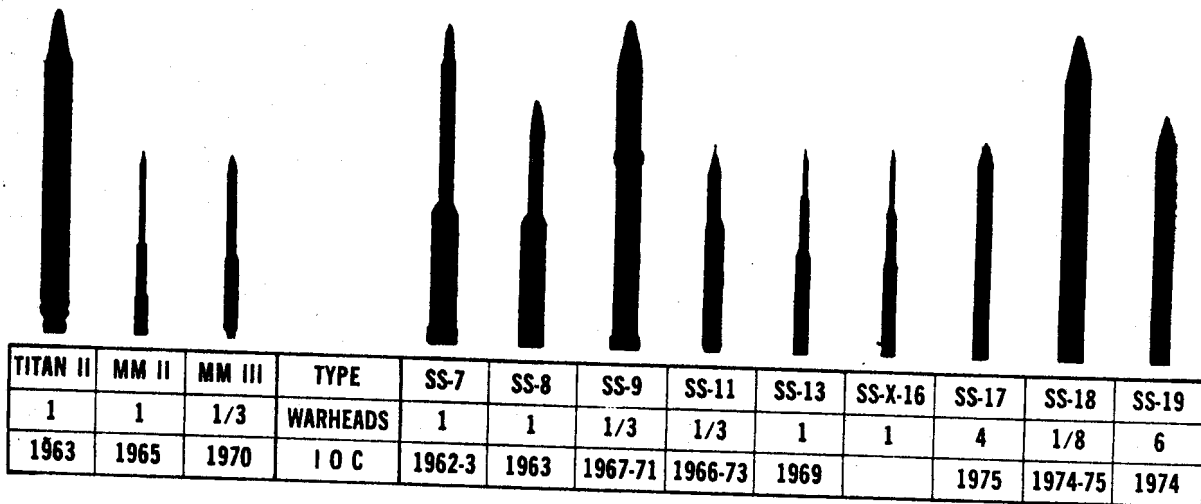
IN THE BOMBER FORCE, THE U.S. MAINTAINS A LEAD.

THESE COMPARISONS DO NOT ADDRESS QUALITATIVE DIFFERENCES IN THE TWO FORCES.

COMPARISON OF US AND USSR ICBMs

US

USSR

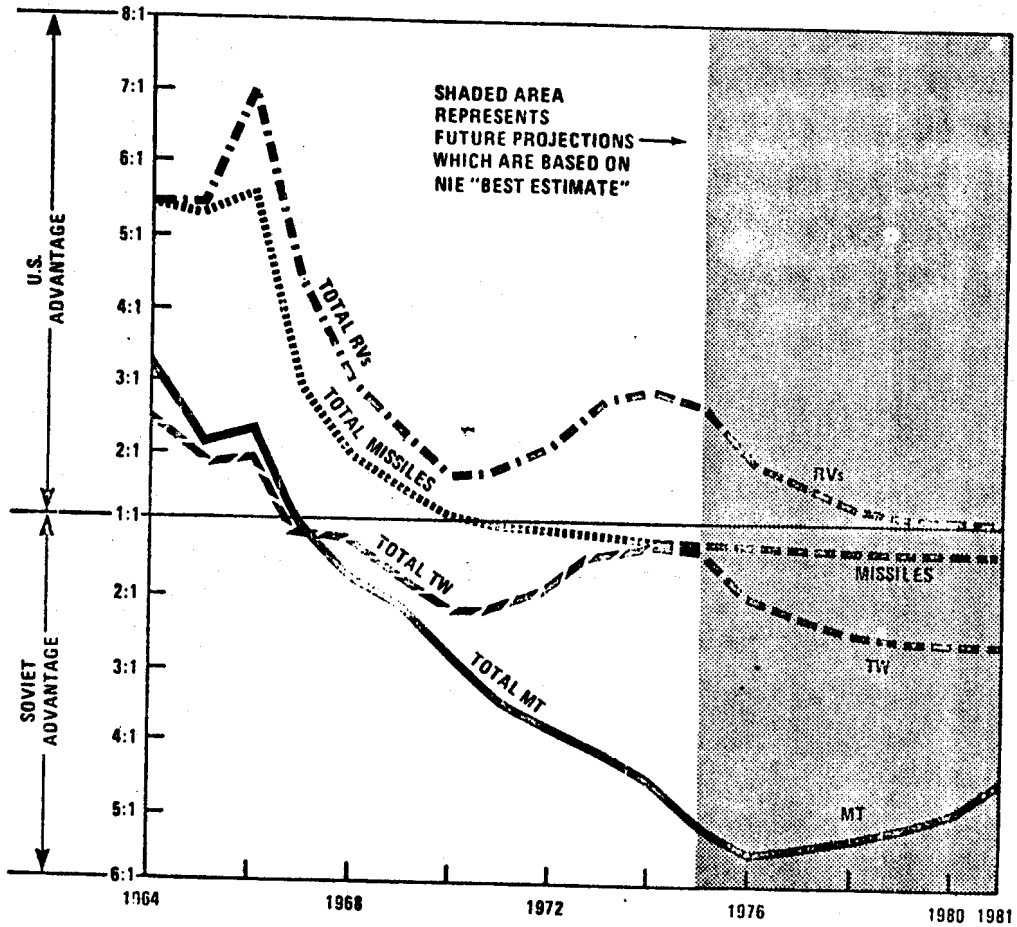


COMPARISON OF U.S./USSR ICBMs

THE SOVIETS HAVE DEVELOPED FOUR NEW ICBMs IN THE PAST FEW YEARS, TWO OF WHICH ARE CURRENTLY BEING DEPLOYED WITH MULTIPLE INDEPENDENTLY TARGETABLE REENTRY VEHICLES (MIRVs). FOLLOW-ON MISSILES ARE IN R&D.

THIS CHART SHOWS ON THE LEFT THE THREE ICBMs WHICH MAKE UP THE U.S. INVENTORY -- BY NAME, NUMBER OF WARHEADS, AND YEAR OF INITIAL OPERATIONAL CAPABILITY -- AND THE NINE SOVIET COUNTERPARTS. WHERE THE NUMBER OF WARHEADS IS DEPICTED WITH A DIAGONAL, IT INDICATES THAT THE LATER VERSIONS OF A GIVEN MISSILE HAVE MULTIPLE WARHEAD CAPABILITY.

U.S. / U.S.S.R. STRATEGIC MISSILE ADVANTAGE

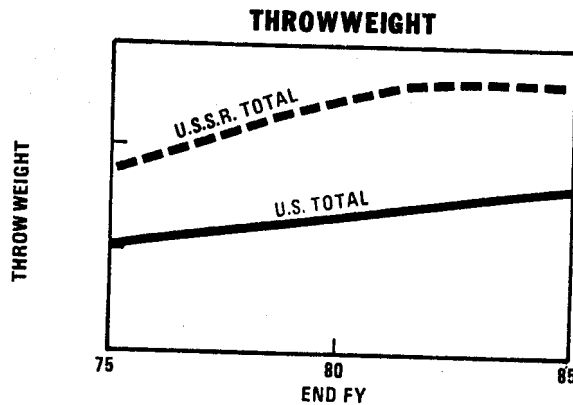
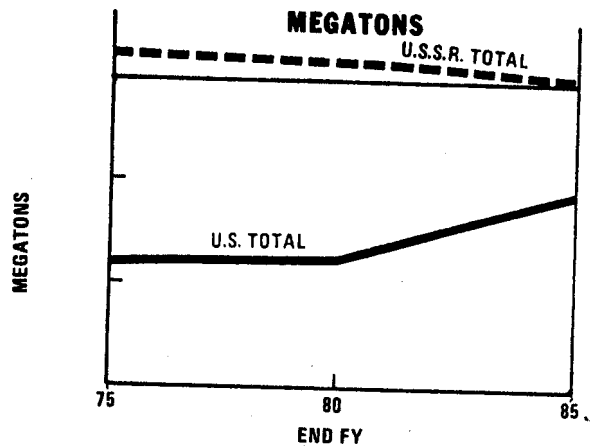
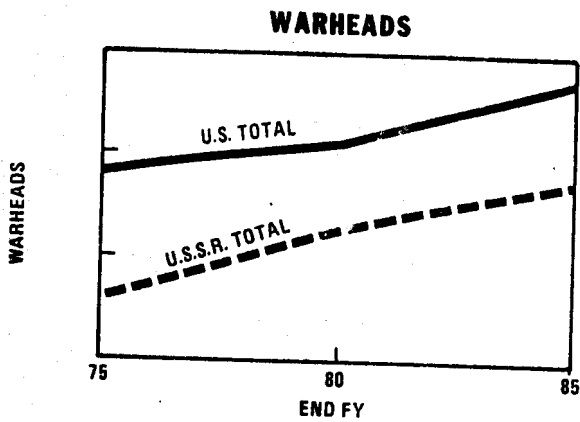


U.S./USSR Strategic Missile Advantage

THIS CHART -- WHICH EXCLUDES STRATEGIC BOMBER FORCES, AN AREA IN WHICH THE U.S. HAS AN ADVANTAGE -- SHOWS HOW THE STRATEGIC MISSILE ADVANTAGE HAS SHIFTED AWAY FROM THE U.S. OVER TIME.

TAKING SOVIET IMPROVEMENTS AND U.S. DEVELOPMENTS INTO CONSIDERATION, WE CAN EXPECT A CONTINUED SOVIET ADVANTAGE IN THROWWEIGHT AND MEGATONS, ALTHOUGH THE U.S. SHOULD RETAIN A LEAD IN NUMBERS OF WARHEADS. ABOVE THE HORIZONTAL LINE WHICH DIVIDES THE CHART, THE ADVANTAGE RESIDES WITH THE U.S.; BELOW THE LINE, IT FALLS TO THE USSR.

PROJECTED INVENTORY U.S./U.S.S.R. (2400 SNDV/1320 MIRV LEVEL)



PROJECTED NUCLEAR INVENTORIES - U.S./USSR

FROM THE STANDPOINT OF THE TOTAL STRATEGIC NUCLEAR INVENTORY -- WHICH INCLUDES MISSILES AND BOMBERS -- PROJECTED TRENDS INDICATE A U.S. LEAD IN NUMBERS OF WARHEADS, WITH THE USSR MAINTAINING THE ADVANTAGE IN MEGATONS AND THROWWEIGHT.

THESE PROJECTIONS ASSUME THAT THE VLADIVOSTOK AGREEMENT LIMITS OF 2,400 STRATEGIC NUCLEAR DELIVERY VEHICLES (SNDV) AND 1,320 MULTIPLE INDEPENDENTLY TARGETED REENTRY VEHICLES (MIRV) WILL BE EVENTUALLY AGREED UPON BY BOTH SIDES IN A TREATY.

CENTRAL EUROPEAN BALANCE (NON-MOBILIZED 1975)

NATO

727,000
6,000

WARSAW PACT

GROUND FORCES ^{1/} 925,000
TANKS ^{1/} 15,000

NATO LEADS

- ARMORED PERSONNEL CARRIERS
- ANTI-TANK GUIDED MISSILES
- MORTARS

GROUND WEAPONS

PACT LEADS

- ARTILLERY
- MULTIPLE ROCKET LAUNCHERS

- GROUND ATTACK
- RECONNAISSANCE
- HELICOPTERS

AIRCRAFT

- AIR DEFENSE

^{1/} 1974 MBFR DATA

CENTRAL EUROPEAN BALANCE - NATO/WARSAW PACT

CENTRAL EUROPEAN FORCE POSTURES AND DEVELOPMENTS SUGGEST THAT, UNLESS COUNTERBALANCED, INCREASING SOVIET FIREPOWER AND MOBILITY COULD BEGIN TO GIVE THE WARSAW PACT FORCES AN UNACCEPTABLE ADVANTAGE.

ASYMMETRIES THAT INFLUENCE THE ASSESSMENT INCLUDE THE FOLLOWING:

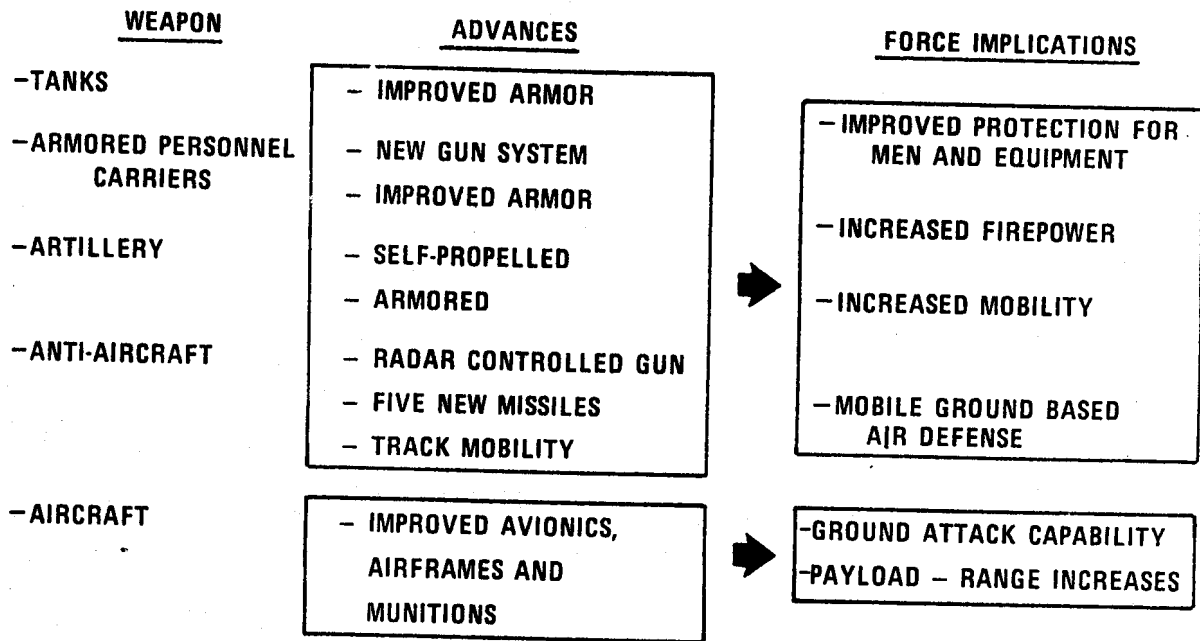
-- NATO HAS SEVERAL ADVANTAGES:

- A DEFENSIVE MISSION WITH ADVANTAGES OF INTERIOR LINES AND FAMILIAR TERRAIN.
- SUPERIOR TACTICAL AIRPOWER.
- MORE ANTI-TANK WEAPONS, HELICOPTERS, AND ARMORED PERSONNEL CARRIERS.

-- THE WARSAW PACT HAS:

- THE INITIATIVE IN CHOOSING THE TIME AND NATURE OF ATTACK.
- MORE TANKS AND ARTILLERY PIECES, AND MODERN SOPHISTICATED BATTLEFIELD AIR DEFENSE SYSTEMS.

SOVIET WEAPON ADVANCES 1965-1975



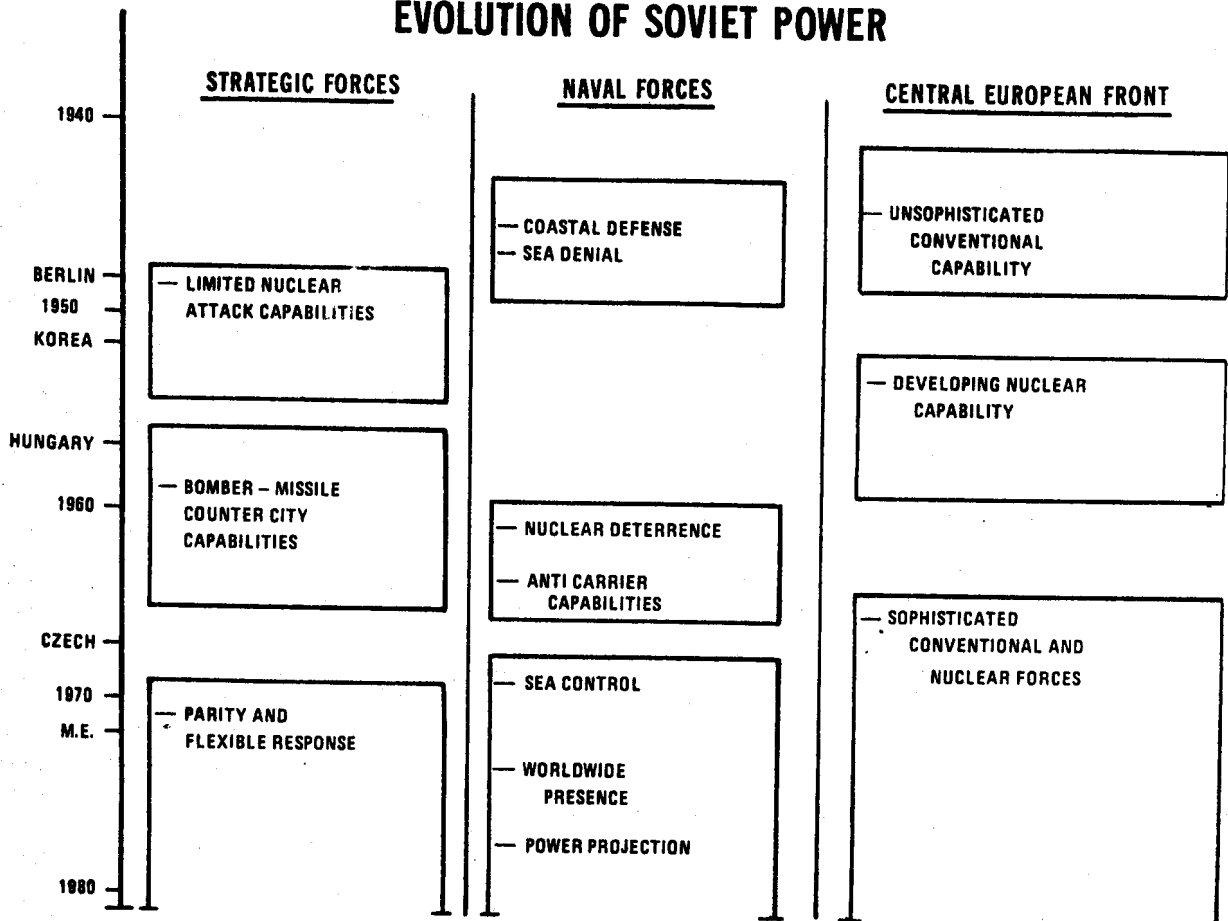
SOVIET WEAPON ADVANCES

THE SOVIETS FOR SOME TIME HAVE STRESSED AN OFFENSIVE DOCTRINE FOR A BLITZKRIEG-TYPE WAR. IN THE PAST DECADE THEY HAVE MADE PROGRESS TOWARD BUILDING A FORCE WHICH COULD IMPLEMENT THAT DOCTRINE. SINCE THE MID-1960'S, THEY HAVE INTRODUCED FIVE NEW TYPES OF AIRCRAFT AND PROVIDED THEIR GROUND FORCES WITH A NEW GENERATION OF WEAPONS IN MOST MAJOR CATEGORIES.

THESE WEAPONS HAVE BEEN, IN MOST CASES, NEW DESIGNS -- AND ARE SOPHISTICATED. FOR EXAMPLE, SOVIET DIVISIONS HAVE BEEN EQUIPPED WITH AS MANY AS FIVE DIFFERENT SURFACE-TO-AIR GUN AND MISSILE SYSTEMS, EACH WITH OVERLAPPING AIR DEFENSE CAPABILITIES AND USING DIFFERENT METHODS TO ACQUIRE, TRACK AND ENGAGE AIRCRAFT. THEIR ARMORED PERSONNEL CARRIER CARRIES TROOPS, ENABLES THEM TO FIGHT FROM WITHIN THE VEHICLE, AND MOUNTS ANTI-TANK WEAPONS.

MAJOR IMPROVEMENT IN GROUND BASED AIR DEFENSE HAS FREED THE SOVIET AIR FORCE FOR AN AIR SUPPORT ROLE.

EVOLUTION OF SOVIET POWER



EVOLUTION OF SOVIET POWER

WHEN ONE CONSIDERS THE STRATEGIC NUCLEAR, NAVAL, AND CENTRAL EUROPEAN FRONT BALANCES TOGETHER, IT IS APPARENT THAT SIGNIFICANT CHANGES IN SOVIET CAPABILITIES HAVE OCCURRED IN THE PAST 15 YEARS. THE SOVIETS HAVE COME FROM THE UNSOPHISTICATED, CONTINENTALLY CONFINED, ARMED FORCES OF THE POST WORLD WAR II DAYS TO CLEAR MILITARY SUPERPOWER STATUS IN THE 1970'S.

THERE IS POWERFUL MOMENTUM IN SOVIET MILITARY PROGRAMS AND IN THE EMERGING PATTERN OF EXTERNAL PROJECTION OF SOVIET POWER.

U.S. DEPARTMENT OF DEFENSE BUDGET

DEFENSE BUDGET TOTALS

(\$ IN BILLIONS)

<u>CURRENT DOLLARS</u>	<u>FY 1964 ACTUAL</u>	<u>FY 1974 ACTUAL</u>	<u>FY 1975 ACTUAL</u>	<u>FY 1976 ESTIMATE</u>	<u>FY 1977 ESTIMATE</u>	<u>INCREASE FY 1976-77</u>
Total Obligational Authority (TOA)	50.7	85.1	87.9	98.3	112.7	14.4
Budget Authority (BA)	50.7	88.9	91.5	100.7	113.8	13.1
Outlays	50.8	78.4	86.0	91.2	100.1	8.9
<u>CONSTANT FY 1977 DOLLARS</u>						
Total Obligational Authority (TOA)	115.4	107.3	100.7	105.3	112.7	7.4
Budget Authority (BA)	115.5	112.6	104.8	108.0	113.8	5.8
Outlays	113.8	101.7	89.1	98.2	100.1	1.9

U.S. DEFENSE BUDGET TOTALS

IT IS CLEAR TO THOSE WHO LOOK AT THE MILITARY BALANCE WHICH RESULTS FROM THE TRENDS DESCRIBED THAT, IF THE U.S. IS TO MAINTAIN "SUFFICIENCY" AND WORLD STABILITY, THESE TRENDS MUST BE ARRESTED NOW.

THIS CHART SHOWS WHERE THE FY 77 BUDGET -- WITH WHICH WE ARE ATTEMPTING TO CHECK THESE RELATIVE TRENDS BY STOPPING THE DOWNTREND (IN REAL TERMS) IN U.S. DEFENSE SPENDING -- STANDS WITH RESPECT TO BUDGETS OVER PAST YEARS. THE TOP THREE LINES DISPLAY DATA, WITH PREWAR FY 64 FOR REFERENCE, IN TERMS OF CURRENT OR "THEN YEAR" DOLLARS. THE BOTTOM PORTION OF THE CHART PRESENTS THE SAME DATA IN REAL TERMS ... CONSTANT FY 77 DOLLARS.

ECONOMIES AND RESTRAINTS IN FY 1977 U.S. DEFENSE BUDGET

(\$ in Billions)

- CUTBACKS IN EMPLOYMENT AND PERSONNEL COSTS, FY 1976-77		\$.9
- PAY RAISE ASSUMPTIONS GS/MILITARY PAY RAISE CAP, NEW/EXISTING GS GUIDELINES		.8/2.6
- COMMISSARIES AND RETIRED PAY "KICKER"		.2
- MILITARY CONSTRUCTION AND FAMILY HOUSING CONSTRUCTION		.9
	SUBTOTAL	2.8/4.6
- STOCKPILE ITEMS		.7/8
	TOTAL	\$ 3.5/5.4

ECONOMIES AND RESTRAINTS

WHILE THE PRESIDENT'S BUDGET PROPOSES IMPROVEMENTS IN FORCE MODERNIZATION AND READINESS, IT ALSO PROPOSES TO TIGHTEN THE BUDGET IN THE FOLLOWING WAYS:

- RESTRAINING PERSONNEL COSTS WHILE WORKING TO MAINTAIN THE QUALITY AND PROFESSIONAL STANDARDS OF THE ALL VOLUNTEER FORCE.
- INSTITUTING FURTHER EFFICIENCIES INCLUDING BASE REALIGNMENTS, HEADQUARTERS REDUCTIONS, REDUCED TRAINING COSTS, STOCKPILE LEVEL ADJUSTMENTS, AND CIVILIAN MANPOWER REDUCTIONS.
- THESE RESTRAINTS ADD UP TO \$3.5 TO \$5.4 BILLION, DEPENDING ON THE MAGNITUDE OF THE PAY CAP ACHIEVED.

IF CONGRESS FAILS TO APPROVE THE RECOMMENDED BELT-TIGHTENING MEASURES, ADDITIONAL APPROPRIATIONS WILL BE REQUIRED TO AVOID UNACCEPTABLE FORCE REDUCTIONS.

U.S. DEPARTMENT OF DEFENSE BUDGET *FINANCIAL SUMMARY*

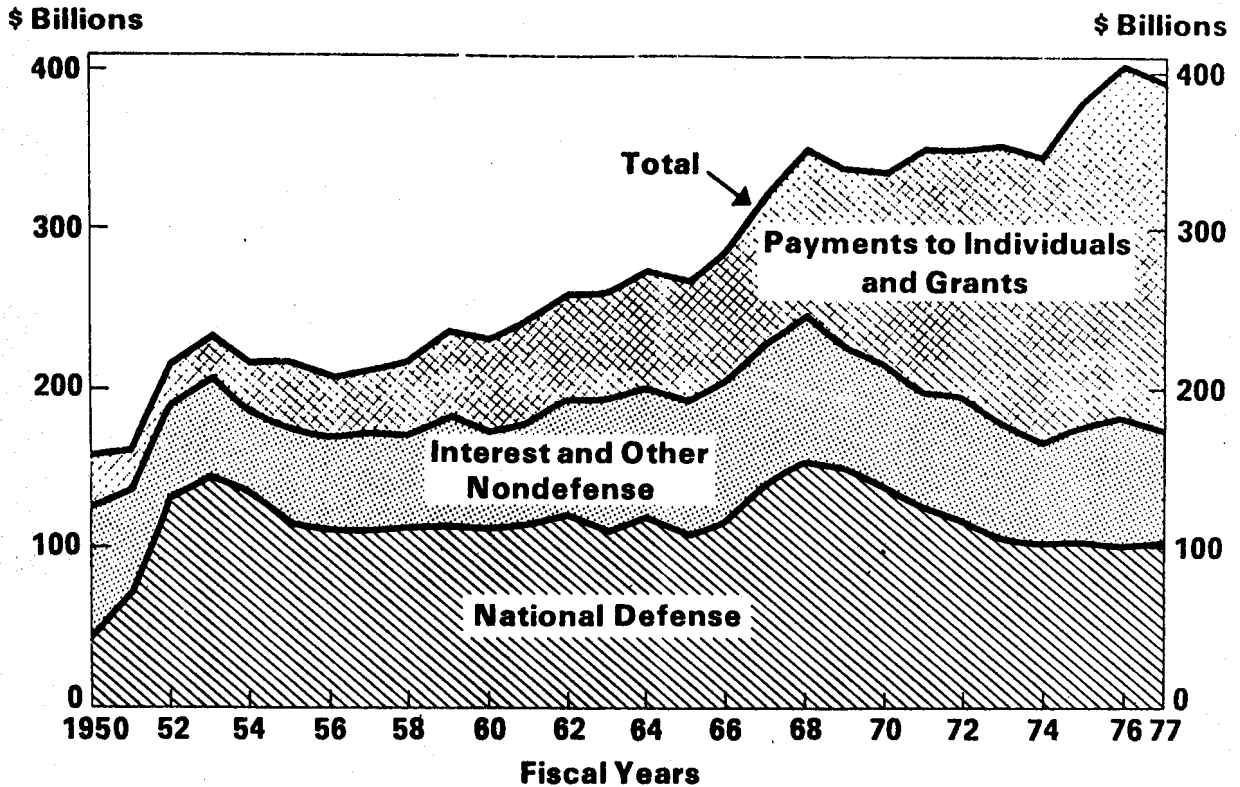
	<u>FY 1964</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
DOD/MAP as Percentage:					
Federal Budget (Outlays)	42.8%	29.2%	26.5%	24.4%	25.4%
Gross National Product	8.3%	5.8%	6.0%	5.7%	5.4%
Labor Force	7.9%	5.2%	5.0%	4.8%	4.8%
Net Public Spending	28.1%	17.4%	17.3%	16.4%	16.5%

U.S. DEPARTMENT OF DEFENSE BUDGET FINANCIAL SUMMARY

ALTHOUGH DoD OUTLAYS INCREASE \$8.9 BILLION FROM FY 1976 TO FY 1977 -- UP FROM \$98.2 BILLION TO \$100.1 BILLION -- THE PORTION OF THE NATION'S ECONOMIC RESOURCES ALLOCATED TO DEFENSE REMAINS VERY LOW, IN SOME CASES THE LOWEST LEVEL IN OVER A QUARTER OF A CENTURY.

- DEFENSE REPRESENTS 25.4% OF THE FEDERAL BUDGET, UP SLIGHTLY FROM FY 1976. IT REPRESENTS THE LOWEST LEVEL SINCE PRIOR TO PEARL HARBOR.
- DEFENSE AS A PERCENT OF GNP WILL BE 5.4% IN FY 1977, THE LOWEST SHARE SINCE PRIOR TO THE KOREAN WAR.
- DEFENSE EMPLOYMENT (INCLUDING MILITARY, CIVILIAN AND DEFENSE INDUSTRY) REPRESENTS 4.8% OF THE LABOR FORCE, THE LOWEST LEVEL SINCE PRIOR TO PEARL HARBOR.
- IN TERMS OF NET PUBLIC SPENDING (FEDERAL AND STATE AND LOCAL) DEFENSE WILL REPRESENT 16.5% OF THE TOTAL, EXCEPT FOR FY 1976, ALSO THE LOWEST RELATIVE SHARE SINCE PRIOR TO PEARL HARBOR.

U.S. FEDERAL OUTLAYS - CONSTANT 1977 DOLLARS



TOTAL U.S. FEDERAL OUTLAY PATTERN

OUR NATION'S NON-DEFENSE SPENDING CAN NO LONGER BE FUNDED OUT OF THE DEFENSE BUDGET. TODAY, NON-DEFENSE EXPENDITURES ARE NEARLY THREE TIMES THOSE OF DEFENSE.

IN THE EXTREME:

- A 10% INCREASE IN NON-DEFENSE SPENDING, TAKEN FROM THE DoD BUDGET, WOULD MEAN A CRIPPLING 30% CUT.
- A 33% INCREASE IN NON-DEFENSE SPENDING, FUNDED FROM DEFENSE SPENDING, WOULD WIPE OUT THE DEFENSE ESTABLISHMENT ALTOGETHER.

CONCLUSION

CONTINUING THE TRENDS OF THE PAST YEARS WOULD HAVE TO BE CONSIDERED A CONSCIOUS DECISION TO ABANDON THE POLICY OF MAINTAINING "ROUGH EQUIVALENCE" WITH THE SOVIET UNION.

WHEN, AS WOULD BE INEVITABLE, THE FACT THAT THE UNITED STATES HAD MADE A DECISION TO SLIP TO AN INFERIOR STATUS WAS APPRECIATED BY THE WORLD, WE WOULD BEGIN LIVING IN AN UNSTABLE WORLD, FUNDAMENTALLY DIFFERENT FROM THE ONE WE HAVE KNOWN DURING OUR LIFETIMES.