

MEMORANDUM**NATIONAL SECURITY COUNCIL****CONFIDENTIAL**

March 9, 1976

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford
 Donald Rumsfeld, Secretary of Defense
 Brent Scowcroft, Assistant to the
 President
 House Budget Committee Members (list attached)
 Leslie A. Janka (note taker)

DATE AND TIME: Monday, March 8, 1976
 4:40 - 5:40 p. m.

PLACE: Cabinet Room

SUBJECT: Defense Budget

DECLASSIFIED
E.O. 12958 Sec. 3.6MA01-101 #33: OSD/LL 3/2/04del NARA Data 7/20/04

The President: I'm very pleased that you came down here today. I want to discuss with you the imperatives of the Defense Department budget for FY 77. I recommended to the Congress a Defense budget of \$112 billion with increases in several key categories. All of us, Democrats or Republicans, must be concerned with the security of this nation. I recognize that the jurisdictional committees must have their recommendations in to you by March 15 and that your committee must issue its report by April 15. I view these deadlines and this process as a very significant step in rationalizing the budget process and I'm pleased to meet with you today to discuss the Defense budget. I would like to turn now to Secretary Rumsfeld for any comments he may have.

Secretary Rumsfeld: I have already met with the subcommittee of the Budget Committee, and I would just like to make three brief points today.

-- Notwithstanding the President's general call for a restraint in the national budget, the review I undertook upon taking this job indicated that real increases in DOD spending would be essential this year.

-- Today we do have a rough equivalence with the Soviet Union in major areas of defense capability.

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~~TOP SECRET - NOFORN~~
 CLASSIFIED BY: TERRY A. ROSSNER

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-- Our problem is that over a period of time, we have seen a massive power shift, with the USSR becoming a true superpower. It is clear that the Soviets now have a great momentum in defense spending. In contrast our momentum has been to take \$33 billion out of the President's budget requests over the past few years.

-- The overall strategic balance means that our conventional deterrent must be maintained to restrain any adventurism below the nuclear threshold. We have recognized that the budget cuts taken don't hurt the glamorous things, the big weapons systems. Instead, they hit spare parts, overhauls, training time, and so forth, and these things do seriously affect force readiness and our overall capability.

As we put this year's defense budget together, the President built in three major caveats:

-- There are \$3 to \$5 billion worth of restraints built in, such as the Pay-Cap, commissary subsidies, and so forth.

-- There will be a need for strategic weapons increases if the SALT talks are not successful.

-- Increased shipbuilding would be absolutely essential. We now have an NSC study underway on our shipbuilding needs.

In looking at this year's Defense budget, we must look to the future as well as to the short run impact of our decisions. We cannot allow recent trends to continue and lose the rough equivalence we have. We must also counter our own inflationary increases and the strong increases in Soviet defense spending.

The President: In the FY 77 budget we have added \$14 billion in budget authority which works out to about \$8 to \$9 billion in spending levels. These are big increases but as we look at the picture down the road, these expenditures are absolutely essential. This is not a generous budget. Initially, the JCS came in and asked for \$122 billion in total obligational authority. We in turn gave DOD tight budget guidelines, but they appealed these guidelines and, in consultation with the Secretary of Defense and the JCS, I added back \$2 billion to reach the level of \$112 billion.

I know that the House Appropriations Committee has come in at a figure lower than my budget request. The Armed Services Committee, I understand, has come in about \$1 billion over my requested levels. When I looked at the Defense budget, I looked at it from 13 years on the Defense

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Appropriations Subcommittee. When I started out the military retirement levels were less than a billion dollars, and now that figure has gone up to over \$8 billion. The depressing fact is that the \$8 billion doesn't give us a dime of readiness or Defense strength.

In another area, we recognize that Congress would not buy the commissary phase out so we have retreated, and we are trying to do the same thing phased over three years. These are essential economies built into our budget request.

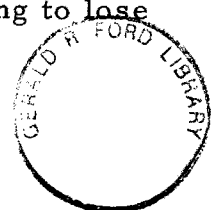
Representative Adams: A number of us who are known as liberals now recognize, Mr. President, that domestic programs can no longer be funded out of the DOD budget. On the other hand, we think there are substantial increases in the DOD budget this year that go far beyond the inflation factor. Other areas of the national budget will not get such increases this year. For example, we have had to cut education even below the inflationary levels. These kind of cuts will be necessary to reduce the budget deficit.

We have to recognize that there was about \$2 billion of real growth in the FY 76 budget. I think a growth of \$7 billion in this year's budget is really too much to swallow, given all the other constraints. We hope we can avoid being locked in now on such items as the B-1, the Trident and ship-building. The commitments to future growth in the FY 77 budget are very great.

We also understand that the pay problem is very serious and we want to work with you to avoid it if we can. Nevertheless, we will have major problems giving real increases to DOD with everyone else getting cut this year.

Representative Giaimo: Mr. President, we recognize that this is a critical year which will determine expenditures for the next five years, and the levels we set will have an impact on Soviet and other countries' perceptions of the United States. I have supported the requests for all major weapons systems. We need a new bomber and the B-1 is also very symbolic of our strategic intentions. However, there are a lot of nonweapons items that don't affect our military strength. I believe we can find significant savings in this area without sending the wrong signal to the world.

Another question I have is do we have to do everything this year? We have to meet our needs but we still must find some savings somewhere. We also agree with you on the need for various restraints in the budget but, quite frankly, many cannot buy such cuts and I think you're going to lose some of them.



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The President: Well, for example, the Navy Reserve training program is totally unjustified. My brother is a Reservist and I can tell you it is a sorry operation. Those Reservists would be absolutely no help if war came. Nevertheless, I understand the lobbying pressure you are under.

Representative Giaino: I think the public does not want to see big defense cuts this year, and in light of this, I suspect that we are seeing the Defense Department picking up in this year various categories of expenditures to ride this wave of interest.

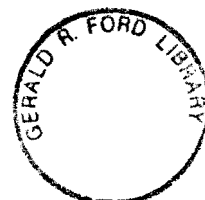
The President: I remember how we always tried to cut maintenance and operation, but let me tell you that when you cut steaming time and flying time, you inevitably cut into readiness. There comes a point where you just can't trade away anything more.

Secretary Rumsfeld: That's absolutely right. For example, this budget only provides for 25 percent of the needed ship overhauls. As I see it, the risk we run is cutting into our deterrence capability below the strategic level. These cuts in our readiness have the effect of lowering the nuclear threshold.

Representative Latta: I just came from a secret briefing by DIA on the Soviet defense spending momentum. It was both a very impressive briefing and it was very frightening. It is clear that now is the time we have to catch up. There's very little we can do to cut much from this budget. I would say that the hearings we've held this year are the best ever. DOD and JCS have done a very fine job. It is my belief that we are now paying for letting DOD budgets take a backseat for too long.

Secretary Rumsfeld: We've offered that DIA briefing to every Member of Congress. It discusses only the Soviet effort, however, in showing the tremendous momentum of Soviet programs. There is also a briefing by Malcolm Currie on an out-year comparison of U. S. -Soviet capabilities based on current R&D expenditures.

Representative Gibbons: I support the restraints you have proposed, Mr. President. Have you seen the research done by Charles Schultz up at Brookings? He has some very interesting figures on GNP, which show how we have cut into DOD for domestic programs. Nevertheless, I am concerned about the vulnerability of such major weapons as the B-1 and aircraft carriers. It seems to me that we ought to develop some alternative like the cruise missile since flying the B-1 into the Soviet air defenses would simply be suicidal today.



The President: Let me say that in my view the B-1 is viable only with air-launched cruise missiles.

Representative Gibbons: I simply don't see how our big carriers are going to survive in modern war. I am also very concerned about the high pay of federal employees. I believe that we've gone beyond the level of comparability. I also wish that we could delay buying the B-1 to further examine the cruise missile option.

The President: The cruise missile is a very important and impressive weapon but we have to recognize that it is only subsonic. It is not a replacement for the ballistic missile. The cruise missile would take 12 hours to reach the Soviet Union and cannot replace a ballistic missile which only takes 30 minutes. The cruise missile has many desirable aspects and we will continue to push it very actively.

Representative Leggett: I have been known as a liberal, a term which we are today calling progressive, but I think that we cannot any longer take from DOD to spend on domestic programs. In fact, Mr. President, your budget may represent the "dove" position this year. Frankly, however, we do have real reservations on the great escalation of R&D programs. It will be difficult to make reductions, but I think the votes are there to eliminate the B-1.

Representative Cederberg: What we have going on now is a process where all of the subcommittees are coming in with budget figures set very high to protect against the cuts they expect the budget committee to make.

The President: Do you set levels by programs or by lump sums?

Representative Adams: Basically, by the lump sum approach but we still do identify major issues within those sums. (Representative Adams explained to the President how the committee budget resolution is drafted in the committee to avoid line item budgeting.) After the current budget resolution is set, we then allocate to the various committees overall levels which they divide up into specific programs.

Secretary Rumsfeld: The budget restraints are very important this year because of their cost avoidance impact over the next few years. As you know, the President is also allowing us to move ahead on base realignments this year. We must do this in order to bring our base structure in line with our modern budget. The President did not put dollars or people into this year's budget. So if we cannot carry out our base realignment, we will have to find the dollars in some other programs.



Representative O'Neill: I am confident the President will not cut Massachusetts facilities like his predecessor tried to do solely on the basis of philosophical grounds.

Mr. President, I believe we need our sophisticated weapons systems. We also need a structure to fight a conventional war, but the Reserves are just a big joke. Therefore, I tend to vote for sophisticated weapons as our best means of deterrence. Nevertheless, I am concerned because in your overall budget, Mr. President, you came in with far more than normal growth for DOD. This means that we will clearly have problems on the floor. Your budget of \$395 billion is simply too low. It is sure to kick off a recession.

The President: What we really believe and what we want to do is to urge you to take a very hard look as it's what the jurisdictional committees recommended to you. I hope you can accept their levels.

Representative Ashley: You can see, Mr. President, that most of us do not have an ax out for the DOD budget. Our concern is that a \$395 billion budget can lead us back into recession. You are asking a lot of us to accept your DOD increases within your strict \$395 billion budget ceiling.

The President: But don't overlook that we did add growth to education and housing. The point of this meeting today is to make sure we get a fair shake on an increased DOD budget.

Representative Gibbons: I strongly feel that we ought to pull out the DOD retirement fund into a separate category since it distorts the true picture of DOD spending.

Representative Conable: One major problem is that this DOD budget requires a lot of explaining and you know the rule is that if you have to explain it, people won't buy it. We need to maintain a strong dialogue on Defense issues to maintain public support for Defense. You cannot count on the Members of this House to do your explaining for you.

The President: we are scheduling a series of meetings where I will be speaking to Republicans and Democrats because I believe we are coming to a critical crossroads on our defense posture. The decisions we make this year carry great risks for whoever is President four or five years from now.

Representative Conable: We need to keep a flexible response capability in order to avoid a nuclear response on every issue. We can overlook this fact only to our detriment. Cutting conventional capabilities makes us only more and more dependent on a nuclear response.

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The President: Let me give you an illustration although I cannot be very specific about the details of the incident. Not long ago we were faced with a decision to use a certain ship in a particular operation. Don Rumsfeld spoke up and said the cost of using the ship would be very great. I decided to do it anyway but when we have to consider the cost factors involved in doing something, it frankly scares me that we are getting awfully thin. It cannot be good for this country to make military decisions on the basis of the dollars involved.

Thank you all for coming. I think this discussion was very helpful to all of us. I will be looking for your support this year.



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March 8, 1976

MEMORANDUM FOR: RUSSELL ARMENTROUT
 FROM: MAX FRIEDERSDORF
 SUBJECT: Place Cards

Russ, I need by 3:30 p.m. today, place cards like the one attached for:

- Chairman Adams 1
- Congressman O'Neill 19
- " Wright 24
- " Ashley 2
- " Giaimo 9
- " -Smith 22
- " ~~O'Hara~~ 18
- " Leggett 15
- " Mitchell 17
- " Burleson 4
- " Landrum 13
- " Gibbons 10
- " ~~woman~~ Mink 16
- " -Stokes 23
- " Derrick 8
- Congresswoman Holtzman 12
- " Holt 11
- Congressman Latta 13
- " Cederberg 5
- " -Schneebeili 20
- " Broyhill 3
- " Clawson 6
- " -Shriver 21
- " Conable 7

- Secretary Rumsfeld
- Assistant Secretary Brehm
- Mr. Marsh
- General Scowcroft
- Mr. O'Neill
- Mr. Ogilvie
- Mr. Friedersdorf
- Mr. Wolthuis

Many thanks.



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NATIONAL SECURITY COUNCIL

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ATTACHMENT

INFORMATION
March 9, 1976

MEMORANDUM FOR: BRENT SCOWCROFT

FROM: LES JANKA *lj*

SUBJECT: Meeting with House Budget Committee,
Monday, March 8, 1976

Attached for your review is a Memorandum of Conversation drawn from my notes of the President's meeting with members of the House Budget Committee on the Defense Budget on Monday, March 8, 1976.

RECOMMENDATION:

That you review and approve the Memcon at Tab A.

 B APPROVE

_____ DISAPPROVE



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INITIAL ACTION OF

NSC CORRESPONDENCE PROFILE

TO: PRES _____ FROM: SECSTATE *Janka* S/S _____ UNCLAS LOG IN/OUT
 SCOWCROFT *F* SECDEF _____ LOU NO FORN NOOIS
 HYLAND _____ DCI _____ X REF *C* EYES ONLY EXOIS
 DAVIS _____ STATE EXSEC _____ S CODEWORD
 OTHER _____ TS SENSITIVE

SUBJECT: *Memorandum of Draft Mtg w/ House Budget Com Mar 8, 1976*

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FAR EAST/PRC					
INTELLIGENCE					
LATIN AMERICA					
MID EAST/NO. AFRICA					
NSC PLANNING					
PROGRAM ANALYSIS					
SCIENTIFIC					
SUB-SAH/AFRICA/UN					

ACTION REQUIRED

MEMO FOR SCOWCROFT _____

MEMO FOR PRES _____

REPLY FOR _____

APPROPRIATE ACTION _____

MEMO _____ TO _____

RECOMMENDATIONS _____

JOINT MEMO _____

REFER TO _____ FOR _____

ANY ACTION NECESSARY? _____

CONCURRENCE _____

DUE DATE: _____

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

DATE	FROM	TO	STATUS	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	DUE	CY TO
3/9		<i>Draft</i>	X	<i>Decision</i>	3/17	
3/15			C	<i>Scowcroft approved report</i>		
3/15		<i>Janka</i>	S	<i>any further action</i>	(3/22)	

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