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Ch. XV (67)

Office of the Secretary of Defense
Chief, RDD, ESD, WHS

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

31 JUL 1972

Date: 21 DEC 2011 Authority: EO 13526

Declassify: X Deny in Full: _____

Declassify in Part: _____

Reason: _____

MDR: 12 -M- 0463

MEMORANDUM FOR THE PRESIDENT

I have read carefully your July 26 message to the Congress calling for a \$250 billion ceiling upon fiscal 1973 expenditures. I fully appreciate the urgency of the overall budgetary and economic situation which prompted the message. However, the proposal of a Congressional limitation on 1973 fiscal year expenditures will have a serious potential impact upon current defense programs and commitments. I want to be sure that you are fully apprised of this potential impact.

While your message mentioned FY 1973 expenditures of \$7 billion over the budget, it is my understanding that our overall administration program, as adjusted by the Congress to date, will produce fiscal 1973 expenditures of about \$256 billion, some \$10 billion above the January estimates and \$6 billion above the limit suggested in last week's message. All major appropriation acts have passed the Congress or are in the final stages except for Defense and Foreign Aid. If Congress takes the steps you propose, tailoring appropriation action to a pre-established ceiling, only Defense and Foreign Aid remain to be tailored -- by some \$6 billion in spending equivalent to \$15 billion in program authority. Conversely, Congress may act upon the remaining appropriations without reference to the ceiling, and enact the ceiling separately. This would leave the administration with the task of reducing spending by some \$6 billion. Controllability and other factors being what they are, Defense would have to bear a heavy share of the cut. If the Congress does not act upon your ceiling proposal, Defense would similarly have to bear a large part of any reduction you might wish to make in order to move toward the \$250-billion goal you have set. In any event, the message is providing a major stimulus for deep Congressional cutbacks in the Defense budget.

It appears to me, then, that there is a strong likelihood of sharp cutbacks in FY 1973 Defense spending under any eventuality. It is evident that I must take steps, as promptly as possible, to bring about a significant reduction in Defense expenditures. The longer we delay, the sharper the ultimate cutbacks will have to be. We can realize the largest expenditure cutbacks in the short term by curtailing some of our operations in Southeast Asia, effective September 1. This would involve the partial withdrawal of B-52 squadrons, carriers, and tactical air units. In addition, I must initiate planning with respect to the following actions:

- Sharp reductions in operating levels (flying hours, steaming hours, and other activity rates) for forces throughout the world.

Classified by ~~Secretary of Defense~~

SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF

EXECUTIVE ORDER 11652. AUTOMATICALLY DOWNGRADED

AT TWO YEAR INTERVALS. DECLASSIFIED ON 31 Dec 2011

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- . Cutbacks in military and civilian personnel accessions.
- . Reductions in inventory levels, to be made up in later years if possible.
- . Stretch-out of production schedules in any case where this will reduce FY 1973 expenditures without prohibitive long-run diseconomies.
- . Base closures, in any cases where these can be accomplished promptly enough to realize an expenditure saving for FY 1973 (in many cases, the one-time costs exceed the savings in the first year).

Even by initiating these steps promptly, it will be several months before we realize a significant downturn in expenditures. If we wait, we will have to accomplish the cutbacks in a much shorter span of time, requiring cutbacks that are several times more severe and could have an adverse impact on our primary foreign policy mission of implementing the Nixon Doctrine of partnership, strength and negotiations.



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