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MEMORANDUM

NATIONAL SECURITY COUNCIL

March 12, 1976

MEMORANDUM OF CONVERSATION

PARTICIPANTS:	President Ford Donald Rumsfeld, Secretary of Defense Brent Scowcroft, Assistant to the President Senate Budget Committee Members (list attached) Leslie A. Janka (note taker)
DATE AND TIME:	Wednesday, March 10, 1976 12:00 - 12:40 p.m.
PLACE:	Cabinet Room
SUBJECT:	Defense Budget

The President: This morning's meeting is one of a series of meetings on the Defense budget. I have already met with the Armed Services and Appropriations Committees from both Houses and I met on Monday with the House budget committee. What we are concerned about is how to get a Defense budget of $112 billion of budget authority which works out to about $100.1 billion of expenditures. The $14 billion increase in this year's bill is absolutely essential and I intend to make more of an effort this year to meet with Congress and to give them my pitch so that they will understand the great need we are facing. The procedures and deadlines required by the budget act make it important that we meet with the committees to discuss the recommendations they will make to your committee.

What we are most concerned about is that the budget actions recommended by your group not be set at levels that would preclude item-by-item authorizations by the jurisdictional committees. We have to be sure they can authorize and fund items which we badly need to maintain our strategic and conventional forces. (to Rumsfeld) Don, do you have anything to add at this point?

Secretary Rumsfeld: Mr. President, I met with this committee for three hours yesterday. I recommended that recent budget trends be reversed to put dollars into the Defense budget. There has been a question of why this year. It was your judgment, Mr. President, and that of General Brown and myself that we can't wait another year to reverse the downward trends in the DOD Budget. To wait would inject a fundamental instability in world affairs. People act not only on what is, but will be. All of our briefings show the tremendous momentum of the Soviets. We would create a very dangerous trend in the world if we allowed this disparity to continue.

Senator Moss: The committee has not yet really come to grips with the DOD budget. I missed yesterday's briefing and have not had time to read into the subject yet.

Senator Bellmon: The thing that was incongruous to me was that we are supposed to have detente with the Soviets and yet we have to increase the Defense budget this year. Does this mean that detente is over?

The President: How we are able to deal with the Russians depends to a very large degree on our own strength. I can assure you that the United States is not No. 2 today, and anyone who claims otherwise is wrong and irresponsible but if we are going to deal with the Russians we have to have a strong capability and they have to perceive our strength. However, the trend lines are all down now. If this continued they would perceive that we are weaker than we really are, and, of course, if the trend continues it could become true that we are, in fact, No. 2. Therefore, I made the decision to reverse the trend line this year.

If we don't get a SALT agreement this year, I will have to make additional requests for increases in strategic weapons. The present budget will reverse the current trends and keep the U. S. strong.

Senator Dole: What about this $3 billion cut insurance we have heard about?

The President: There's no such thing as cut insurance in this budget. Let me tell you what happened. Last fall we gave budget guidelines to all departments and agencies. At the same time, each part of DOD was also given guidelines. The total of all of the elements of DOD for this year's budget came up to a total of $122 billion plus. Our original guidelines for all of DOD were for $110 billion in budget authority and $98 billion in expenditures. Then we went through the regular process of appeals under these guidelines. Don came in here with all of the JCS to make an appeal on certain items. They made a very persuasive case for certain individual items, and I ended up giving back $2.2 billion, so therefore there is certainly not any cut insurance in that $112 billion level.

Secretary Rumsfeld: I think it is also important to recognize that you agreed at the same time to put in a sort of reverse cut insurance by insisting upon certain restraints in the budget such as the Pay-Cap and ending commissary subsidies. You left out potential increases as a result of a SALT failure and also provided for a possible add-on for shipbuilding.

Senator Hollings: We have been told that the $3 billion cut insurance was only an OMB worksheet. Nevertheless, we need to keep the credibility of the number you send up. We all want to stop the trend of downward momentum, but we also need to see areas where we can make some savings. We have got to get a better package of legislation in order to make such savings. The DOD can be very helpful to us on this.

For example, we're very concerned about the proposal to add three more Army divisions. We wonder whether they could get to Europe in time if there is a major crisis. How in God's world can we report your budget out with those increases in it unless we can find some areas of savings in there.

The President: We put real stringent restrictions on every department. We gave them each a ceiling in order to force some self-analysis and that procedure included DOD.

I remember that when I was on the Appropriations Committee we always found it easy to cut the operations and maintenance account, but today that account just can't be slashed any more. In fact, we put back in $700 million at the request of the JCS. They told me they simply couldn't cut training time any more. If they had to further cut steaming time and flying time, our forces simply won't be ready to carry out their missions if the bell rings. But I admit I was guilty of such cuts when I was on the Committee.

Senator Cranston: Every member of this committee shares your view that we can never be second, but we will have difficulty achieving the restraints you have built into the budget. The problem is where do we make the cuts. We don't want to cut into the important items.

The President: Alan, do we have to assume that there won't be the necessary legislative changes? For example, take retirement. We don't get a dime of readiness out of the $8 billion retirement fund. Why is it important we subsidize the commissary. We now have achieved pay comparability, including escalator clauses, and yet we have to provide commissaries, which even with the changes I proposed will still be 10 to 15 percent less than the Safeway. We have got to make a start somewhere. If we don't we take dollars away from readiness and built-in future increases.

Secretary Rumsfeld: That's correct. You can attach a dollar cost for FY 77. But more importantly, you've got to look at the cumulative costs in the future. Without these restraints, the total would mount up to $22 billion over a 5-year period. This is the same kind of cumulative costs we see in the domestic programs. To stop this will require a certain steadiness over time.

Senator Dole: What do you propose to do on retirement?

Secretary Rumsfeld: For example, we could eliminate the 1 percent kicker.

Senator Nunn: One of our major problems is the structure of our committees on the Hill. Some of the changes proposed have to come through legislation out of committees entirely unrelated to defense, such as, Post Office and Civil Service. We need some kind of package approach, where the Budget Committee can mandate a ceiling umbrella over all committees.

Secretary Rumsfeld: Another thing the President decided is that the base structure today doesn't fit our modern force structure. His budget this year includes the savings from a number of base closings. I must point out that he's done this even in a campaign year.

Senator Nunn: That's right. You have 12,000 slots scheduled for elimination in your budget to provide for the closings.

Senator McClure: I am one who thinks we are No. 2. This is based on a careful assessment, and I will continue to say it. I am concerned about our provisions for the kind and length of war we might face and what readiness we would need in each circumstance.

I am not convinced, for example, about the wisdom of stockpile sales. The level of sales clearly depends upon the length of war we expect.

The President: We have completed a reanalysis of our stockpile levels.

Mr. Ogilvie: Mr. President, you picked levels of sales outside of even the highest alternatives required for war purposes.

The President: We did that so we would not be deceptive, but we definitely needed legislative authority to proceed with these sales.

Senator Domenici: The two most difficult problems we have is first, the $3 billion cut insurance item. You and Mr. Lynn must prove that it is not in your budget. You must address this specifically. Second, the $2.6 billion of restraints necessary to meet your budget levels will demand your concerted attention. I am not sure that we can maintain these restraints.

The President: I am more than glad to work with you on any jurisdictional procedures. I know there must be a way to find an answer to the need for remedial action.

I reiterate that I did not consider any cut insurance in the numbers I proposed, but we will consider what we might do to meet this problem for you.

Mr. O'Neil: I want to ask Senator Domenici a question. I think his remarks are dead right. Sometimes OMB is overzealous in keeping dollar levels down but this year we can go over the budget line by line and justify each one. We made the best arguments we could. DOD acquitted itself very well in challenging our assumptions.

I don't think any President has ever gone into the detail on the budget this President did. You cannot find a dollar that is absolutely not necessary in this budget. If it will help we will come up and go through the dollars one by one to put this issue to rest.

Secretary Rumsfeld: What the President did is tell us that we have to live with a level of $110 billion. Everyone knows that we've cut $33 billion from the President's requests over the past five years. There isn't an extra dollar in this year's budget.

Senator Hollings: Why don't you bring up to the Hill the man who did the memo and let him explain himself.

The President: Let me make one additional point. When I told Jim Schlesinger to tell me the impact of a $110 billion budget; you should have seen his response. His memo had very dire predictions. It would convince you there is no cut insurance in this budget. His 5-page memo made it seem that the whole Defense Department would be abolished at that spending level.

Senator Chiles: We will be dealing with two figures. The overall budget level and the DOD level. I, too, think we need to reverse DOD trends, but we have then got to go against trying to meet the overall budget figures by setting certain priorities. If we do accept your DOD figures and make other adjustments in priorities, we will be criticized as big spenders. We can't destroy fiscal responsibility in an election year.

The President: I understand that all of the jurisdictional committees have recommended increases of over $12 billion. I understand your problem, but I do feel that in our very careful consideration of the overall budget, we achieved a responsible overall balance. Congress cannot escape its responsibility to do likewise.

Senator Beall: It is important to note that the President's suggested levels are lower than the current policy levels. That is due to the restraints you built in.

Senator Buckley: When will the NSC ship study be done?

Mr. Ogilvie: By the end of April.

The President: The House added $2 billion in ship construction. We already have 16 new ships in this budget. I am sure the Navy will want more. I can't accept only a Navy study, so I will have OMB and NSC take a hard look at their proposals.

Senator McClure: We will also want to look at the out-year bulge created by this year's decisions.

The President: Sure I realize that you are going to go into the B-1 and the Trident because these will show up in later years, but it is very important that we get started now.

Senator Abourezk: I think many of the major weapons systems pile up too much in the budget, and therefore affect operations and maintenance. I oppose B-1 and Trident because I would prefer smaller weapons systems. I hope we can weed out such major weapons programs.

General Scowcroft: My answer to that is two-fold. Yes, we could spend more on readiness this year. But no President can say that we will stay with the B-52, which is 20 years old, without a follow-on system; and thereby leave a President five years from now with nothing new to work with. We must take a long look. We are facing very long procurement times. Procuring these weapons is not like turning on the faucet. A President just can't put off a tough decision to the next President.

Senator Abourezk: I think that you are taking the wrong look at some of these major programs.

The President: I hope Congress will look at the best advice the experts can give.

Senator Abourezk: But most of the experts have destroyed their credibility by proposing such weapons as the ABM, which we are now dismantling.

The President: I think the programs in this budget are justified.

If you can all stay one more minute, there is a very important subject I want to mention to you.

I will soon be sending up a notice on the sale of six C-130's to Egypt. I understand that outside forces are working against this sale and putting considerable pressure on the Congress. Let me put this subject in this perspective for you. I have recommended almost $5 billion in aid for Israel, which the Congress has approved. Six C-130's cost only $39 million. They are not offensive weapons, and Egypt will pay cash for them.

I assure you that I will do nothing to affect Israel's superiority and its security, but look at the position of Egypt today:

-- They have cut themselves off from aid from the Soviets.

-- Sadat has been cooperative in reaching an agreement with Israel.

-- Egypt is turning to the United States for support.

It just seems to me that we cannot say no to Egypt, at the same time we are giving Israel nearly $5 billion. I think we have to take an equitable view and not take a shortsighted view of this issue. A refusal to make this sale to Egypt could seriously affect the whole Middle East situation, and I want you to know that I intend to fight on this issue.

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PARTICIPANTS

Democrats	Republicans
Frank E. Moss	Henry L. Bellmon
Ernest F. Hollings	Bob Dole
Alan Cranston	J. Glenn Beall, Jr.
Lawton Chiles	James L. Buckley
James Abourezk	James A. McClure
Sam Nunn	Pete W. Domenici

DOD

Donald Rumsfeld
William Brehm

OMB

Paul O'Neill
Don Ogilvie

White House

Russell Rourke
Brent Scowcroft
Bill Kendall
Bob Wolthuis

MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION
March 12, 1976

MEMORANDUM FOR: BRENT SCOWCROFT

FROM: LES JANKA

SUBJECT: Meeting with Senate Budget Committee
Wednesday, March 10, 1976

Attached for your review is a Memorandum of Conversation drawn from my notes of the President's meeting with members of the Senate Budget Committee on the Defense Budget on Wednesday, March 10, 1976.

RECOMMENDATION:

That you review and approve the Memcon at Tab A.

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