

The original documents are located in Box 27, folder “Second Debate, 10/6/76: Issues - Defense Spending” of the Michael Raoul-Duval Papers at the Gerald R. Ford Presidential Library.

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\$5 - 7 BILLION CUT IN THE DEFENSE BUDGET

1. MOST OF MR. CARTER'S REMARKS ON DEFENSE FOCUS ON ECONOMY MEASURES:

- HE SAYS "WE CAN CUT BILLIONS OF DOLLARS FROM OUR DEFENSE BUDGETS AND AT THE SAME TIME INCREASE OUR ABILITY TO DEFEND OURSELVES."
- MR. CARTER HAS USED AT LEAST THREE DIFFERENT FIGURES FOR THE AMOUNT THE DEFENSE BUDGETS CAN BE CUT:
 - \$12 - 15 BILLION IN MARCH 1975;
 - \$7 - 8 BILLION IN JANUARY 1976
 - \$5 - 7 BILLION MOST RECENTLY.

2. LAST JANUARY, I DIRECTED A SERIES OF MEASURES TO IMPROVE EFFICIENCY WHICH WILL SAVE \$2.3 BILLION THIS YEAR AND UP TO \$40 BILLION OVER THE NEXT FIFTEEN YEARS.

- IMPLEMENTED EFFICIENCIES IN FEDERAL PAY SYSTEMS TO ASSURE THAT FEDERAL PAY DOES NOT EXCEED PAY IN THE PRIVATE SECTOR.
- ISSUED TIGHT RESTRICTIONS ON DEFENSE TRAVEL COSTS.
- REDUCED THE NUMBER OF SENIOR OFFICIALS BY 4-5%.
- REDUCED THE SIZE OF MANAGEMENT HEADQUARTERS.
- EXPANDED THE NUMBER OF ACTIVITIES PERFORMED ON CONTRACTS BY THE PRIVATE SECTOR RATHER THAN BY FEDERAL EMPLOYEES.

(MORE)



3. SOME RESTRAINT MEASURES REQUIRED APPROVAL BY THE CONGRESS.

THESE INCLUDED:

- BASIC CHANGES IN COMPENSATION AND RETIREMENT OF MILITARY PERSONNEL.
- REVISIONS TO THE FEDERAL BLUE COLLAR PAY SYSTEM.
- THE SALE OF ITEMS FROM THE NATIONAL STOCKPILE WHICH ARE EXCESS TO OUR NEEDS.

THESE AND OTHER RESTRAINTS WOULD SAVE THE TAXPAYERS \$1 BILLION THIS YEAR ALONE, AND MORE THAN \$80 MILLION OVER THE NEXT FIFTEEN-YEAR PERIOD. BUT CONGRESS VOTED TO ALLOW US TO INSTITUTE LESS THAN HALF THE SAVINGS WE PROPOSED.

4. MR. CARTER HAS YET TO SPECIFY WHERE HE WOULD MAKE HIS \$5-7 BILLION CUTS. HE SHOULD BE CRITICIZING THE DEMOCRATIC CONGRESS FOR NOT PASSING THE MEASURES WHICH I HAVE ALREADY PROPOSED.

IT'S ONE THING TO PROMISE TO REORGANIZE GOVERNMENT BUT REFUSE TO SAY HOW. AND IT MAY JUST BE CAMPAIGN RHETORIC TO PROMISE TAX REFORM AND NOT SAY HOW. BUT IT CAN BE TRULY IRRESPONSIBLE FOR AN INEXPERIENCED CANDIDATE TO PROMISE TO CUT \$5-7 BILLION FROM THE DEFENSE BUDGET AND NOT SAY HOW.



September 30, 1976

DEFENSE SPENDING

Question

Mr. President, critics of defense spending have long argued that \$5-10 billion of fat and unnecessary programs can be cut from the Defense budget without harming our military capability. Could we safely make this kind of reduction?

Answer

Clearly one of our highest priorities must be to ensure the defense of our country. There is no alternative to a strong national defense. For almost a decade, Congress repeatedly shortchanged the defense budget, while the Soviet Union significantly increased its military capability. In order to reverse these dangerous trends, I have recommended significant increases in defense spending during the last two years. We dare not do less.

If I felt in good conscience that I could propose less for defense, I would certainly do so. There are many worthwhile uses for these funds. But we must recognize that national security is expensive and that we cannot afford a second class defense.

At the same time that I have recommended the two largest Defense budgets in our history, I have also imposed the same strict budget discipline on the Department of Defense that I applied to other Federal programs. Let me give you some examples of the restraints I proposed in this year's Defense budget.

Within the powers granted me as President, I directed a reduction of 25,000 in civilian manpower. I have implemented efficiencies in Federal pay systems to assure that Federal pay does not exceed pay in the private sector and I have issued tight restrictions on Defense travel costs. These changes will save over \$15 billion in Defense costs over the next five years.

Other needed changes that I have proposed require the approval of the Congress. These include basic changes in compensation and retirement of military personnel, reservists and Federal blue collar workers. I have proposed a number of other economies in the way we do business. Taken together, these changes if approved by Congress would save over \$10 billion by 1981.

To date, Congress has been unwilling to enact many of these savings and proposes instead to make up the difference by cutting higher-priority Defense programs. This we must not allow. As I said in my recent Budget Message "If Congress is unwilling to enact, then we must pay for these items from our pocketbooks -- not by slashing national security."

Specific program adjustments not approved by Congress include:

- ° Revisions to the Federal blue collar pay system which would provide pay rates that are truly comparable to those in the private sector. These changes would save almost \$6 billion by 1981.
- ° The sale of items from our national stockpile, which are excess to our needs, would save \$750 million next year alone and \$2.6 billion by 1981.
- ° By changing pay practices in the Reserve and National Guard, modifying training and assignment policies, and transferring 44,500 Naval reservists to a different pay category we would save about \$1 billion by 1981.
- ° By reducing the subsidy in military commissaries, we could save \$1.2 billion by 1981 and still offer lower prices than are available in commercial stores.
- ° Legislation to overhaul the current military retirement system to correct inequities and slow the dramatic rise in costs. The legislation I proposed to the Congress this year would save \$10 billion by the year 2000.

Finally, as part of a major Governmentwide effort to improve efficiency, the Defense Department is achieving additional savings by:

- ° Reducing the number of senior officers by 4-5% this year.
- ° Cutting the size of management headquarters.
- ° Expanding the number of activities performed on contract by the private sector rather than by Federal employees.
- ° Consolidating audiovisual activities, implementing more efficient mail practices, and eliminating unnecessary telephone equipment.

THE WHITE HOUSE

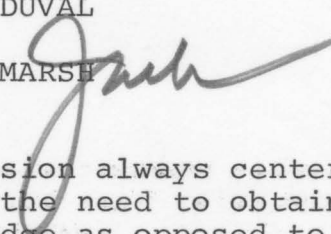
WASHINGTON

September 29, 1976

MEMORANDUM FOR:

MIKE DUVAL

FROM:

JACK MARSH 

The Defense expenditure discussion always centers around the "tooth to tail" ratio and the need to obtain more combat forces on the cutting edge as opposed to support troops. There's much discussion about the support ratio in the American armed forces compared to the U.S.S.R., China and other countries.

The classic goad is to reduce the ratio and thereby achieve greater combat strength for the money involved. Carter will probably argue that the "tooth to tail" ratio is bad and that our support forces are bloated, costly and under-utilized. The President should seize the initiative early in the debate by establishing the point that he has been seeking to improve this situation. One of the best examples is the Army where we are moving to 16 infantry divisions from the old level of 13.

In all events, I suggest you give special attention to this subject because I am sure Carter will try to pick up his \$5-7 Billion cut in support forces.

Card

Defense Spending

	1964 (Vietnam)	1974	1976
Percent of Federal Budget	43	29	24
Percent of GNP	8.3	5.8	5.7
Defense Employment as a percent of U.S. Labor force	7.9	5.2	4.8

Card

PRETS ON LETELIER Bombing

(Response to Carter attack on killing of former
Chilean Ambassador in Washington)

FACTS

Chilean & to the U.S. Orlando
• former Ambassador Letelier was killed by an
automobile bomb on September 21st.

- The FBI began an investigation immediately.
It is a high priority investigation with 75 to
100 Agents working on the case.

X

Over