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THE REAGAN DEFENSE BUDGET: FAILING TO MEET THE THREAT

INTRODUCTION

The FY 1983 defense budget debate in Congress is shaping up as yet another somber chapter in the decline of American military power. The U.S.-USSR military balance has already shifted to such a degree that most Western defense analysts believe that the USSR would stand a good chance of winning a war for Europe or the Persian Gulf oilfields. Yet Congress seems bent on stripping \$30 billion in outlays from the Administration's defense budgets over the next three years--\$10 billion from the FY 1983 budget alone.

The arguments of defense budget cutters are twofold: first, cuts in the defense budget are necessary to reduce the huge federal deficit, decrease interest rates, and spark economic recovery; second, the planned military buildup can be slowed, and indeed some major weapons programs cancelled, without jeopardizing U.S. security interests.

This last opinion is flatly contradicted by the professional judgment of America's top civilian and uniformed military experts, who have testified before Congress that the Administration's level of defense spending "would not close the gap in accumulated military assets between the United States and the Soviet Union until the early 1990s...implying either a further deterioration in our security or a need for a defense increase considerably steeper than what the Administration now proposes."¹ Defense

¹ The words are those of Dr. Fred C. Ikle, Undersecretary of Defense for Policy, in testimony before the Senate Armed Services Committee. "Criticism Rises on Reagan's Plan for 5-Year Growth of the Military," The New York Times, March 22, 1982, p. 1.

critics react skeptically to such an assessment, viewing it as mere hyperbole to help sell the Pentagon's budget. In fact, however, the truth is to be found with professional military leaders. Without substantial increases in the Administration's FY 1983-FY 1987 defense budgets, the United States will be condemned to military inferiority throughout the 1980s and beyond. Even though this state of affairs coincides with a time when drastic cuts in federal spending are imperative, there is no way to avoid the painful reality that only significant hikes in the Pentagon budget will make up for a decade of inadequate defense spending and keep pace with a Soviet arms buildup dwarfing that of Nazi Germany.

This is not to say that savings cannot be found in the defense budget. There are billions of dollars of waste in operations and weapons procurement at the Pentagon. To preserve the pro-defense consensus, which is threatened by a growing sentiment that the Defense Department is not spending taxpayer dollars wisely, it is essential that the Administration vigorously pursue cost-savings measures. A recent Heritage Foundation publication outlined a number of such measures regarding weapons design and production.² Any savings, however, rather than being used as an excuse for lower budget levels, should be reinvested into enhancing American military strength.

Defense experts have also criticized a number of expensive weapons systems the Administration is buying, arguing that they are either harmful--their capabilities actually decrease military effectiveness--or are cost-ineffective--their cost is too high relative to their military capabilities. Critics maintain that, by procuring larger numbers of cheaper, individually less capable weapons, the U.S. could buy an adequate level of military capability at less cost.

Some of the arguments against specific weapons systems are valid and demand immediate corrective action by Congress and the Administration. But a leaner, more cost-effective military force does not lead directly to a smaller defense budget. There is no magical set of weapons that will solve America's immediate military problems within the present overall budget level. Similarly, although the Administration's military strategy and operational planning desperately need some fundamental revision, there is no clever strategy with which the U.S. can adequately defend its interests without a substantial military buildup.

A defense effort capable of countering the Soviet buildup will be unavoidably costly. Money earmarked for defense cannot be spent on consumer goods and domestic programs. Although the

² Robert Foelber, "Cutting the High Cost of Weapons," Backgrounder No. 172 (Washington, D.C.: The Heritage Foundation, 1982).

actual burden of defense on the U.S. economy is widely misunderstood and exaggerated, it is nonetheless possible that a large-scale military buildup could to some limited extent impede economic recovery. The fundamental issue of the defense budget debate, however, is whether a greater threat to U.S. security and the defense of the free world is posed by rearmament induced inflation and high interest rates--or by Soviet military power. Without question, it is the latter.

U.S. MILITARY INFERIORITY

In 1962, the year of the Cuban missile crisis, the U.S. possessed sufficient military power to successfully defend its interests against Soviet attack. While the Soviet Union and its East European satellites enjoyed quantitative advantages over NATO in conventional weapons and manpower, they lacked the command-control-communications (C³) systems, logistics capability, maneuver skills, and firepower for military victory over the West. In addition, U.S. preponderance in low yield battlefield nuclear weapons stood threateningly over Warsaw Pact armies and tactical air forces. With its superiority in strategic nuclear forces, the U.S. could have prevailed over the USSR even in a central nuclear war.

Since 1960, however, Soviet spending on weapons procurement, research and development (R&D), and related military construction, so-called military investment, has grown annually at 4 percent.³ U.S. military investment, on the other hand, declined every year but two from 1962 to 1976, excluding outlays necessitated by the Vietnam War. From 1976 to 1980, investment outlays started growing but only by a miserly 1.7 percent a year. Soviet weapons spending surpassed that of the U.S. in 1967 and in the decade of 1971-1981 exceeded that of the U.S. by \$440 billion.⁴ In 1981 Soviet spending on weapons development and procurement was twice that of the U.S.⁵

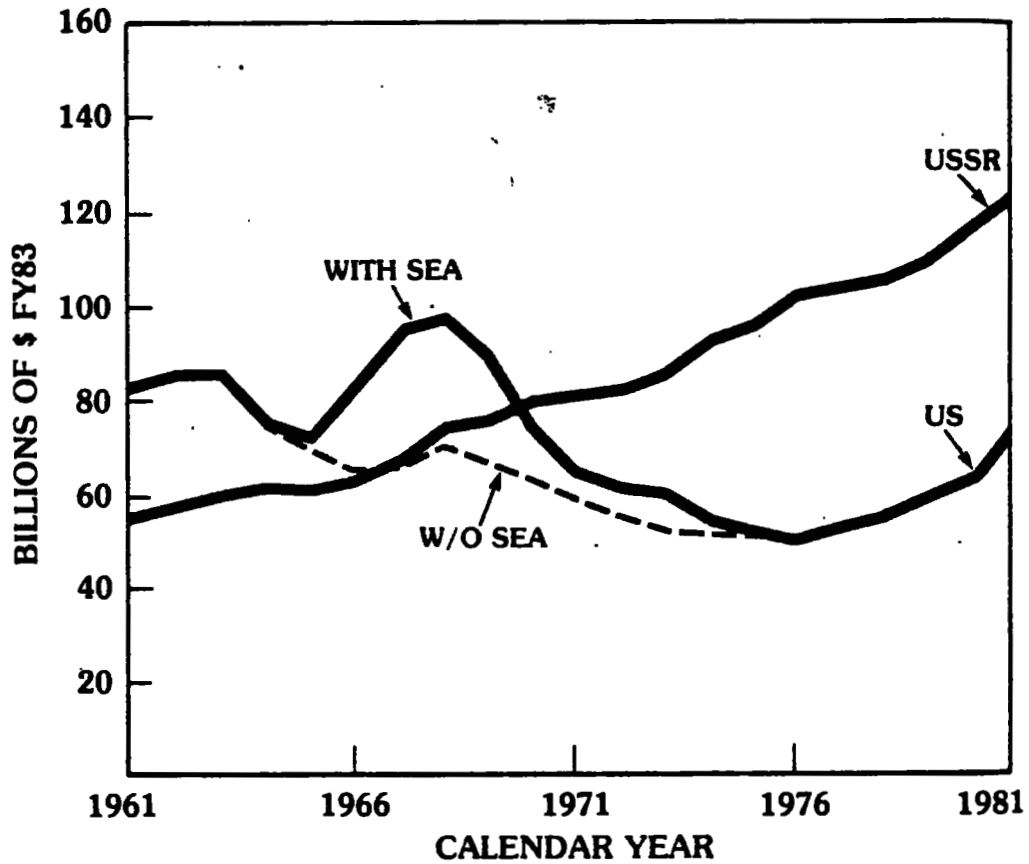
Today the Soviet Union enjoys clear numerical superiority over the U.S. in almost every weapons category, including strate-

³ According to former Central Intelligence Agency analyst William T. Lee, whose work impelled the CIA in the 1970s to double its assessment of Soviet military spending, the Soviet defense procurement budget has grown by 14 percent a year since 1970. "The Soviet Defense Establishment in the 1980s," *Air Force Magazine*, March 1980, p. 100.

⁴ Defense Department, *Annual Report FY 1983* (Washington, D.C.: U.S. Government Printing Office, 1982), p. III-124. Soviet spending for all military functions--military investment plus pay and operations and maintenance--exceeded that of the U.S. by \$710 billion.

⁵ Total Soviet defense spending was 50 percent greater than that of the U.S., but 60 percent of the Soviet budget goes for weapons investment as opposed to 40 percent for the U.S.

COMPARISON OF US MILITARY INVESTMENT OUTLAYS WITH ESTIMATED DOLLAR COST OF SOVIET MILITARY INVESTMENT ACTIVITIES



NOTES:

- (1) INVESTMENT INCLUDES RDT&E, PROCUREMENT AND MILITARY CONSTRUCTION
- (2) SEA= SouthEast Asia

gic nuclear and theater nuclear delivery systems. For a long time, the U.S. could offset much of its quantitative military inferiority with advantages in weapons technology. As a result of a determined effort that has exceeded that of the U.S. by \$120 billion in the last decade, however, Moscow now leads qualitatively in many areas of weapons technology, including that of ICBM "countermilitary" potential (the ability to destroy hardened targets), short-range and intermediate-range ballistic missile technology, chemical and biological warfare, directed energy weapons, anti-satellite warfare, electronic countermeasures (ECM), armored combat vehicles, attack helicopters, artillery firepower, ship-to-ship attack capability, integrated naval C³, land and sea based surface-to-surface missile systems, and non-acoustic anti-submarine warfare (ASW).⁶ And where behind, Moscow is fast catching up.

Soviet improvements in other areas of military capability, such as logistics, mobility, and communications, have been equally impressive. Today, many Western military experts concede that Soviet prospects would be quite good for winning a conventional war with the West to gain control of Europe or the Persian Gulf oilfields.⁷

In Europe, the Warsaw Pact outnumbered NATO by wide margins in tanks, armored fighting vehicles, artillery pieces, anti-tank weapons, air defense systems and tactical combat aircraft. To make matters worse, NATO's strategy for defending Europe is rigid and predictable and plays into Soviet strengths. NATO forces are badly deployed with the strongest units--the American and German--deployed in the hilly south, leaving open German plains to the defense of less powerful British, Dutch, and Belgian forces, with some Bundeswehr assistance. NATO needs at least two week's mobilization time to bring in reinforcements from the U.S., the United Kingdom, and Holland, and set them up in defensive positions, if it is to have any chance at all of stopping a Warsaw Pact invasion. Under certain not implausible assumptions, however, NATO could have as little as forty-eight hours warning of a Soviet/Warsaw Pact attack.⁸

⁶ This according to John C. Collins, Senior Specialist in National Defense, Library of Congress, in U.S.-Soviet Military Balance (New York: McGraw Hill, Inc., 1980), pp. 111-114.

⁷ At a recent West Point conference on problems of the U.S. military, Congressman Newt Gingrich (R-GA) made just such a claim. Not one of the participating military officers or defense specialists disputed the statement. See George C. Wilson, "Military Pessimism Aired," Washington Post, June 6, 1982, p. 7.

⁸ NATO's war planning is based on the assumptions that the Warsaw Pact will not attack Western Europe without first mobilizing its less ready Category II divisions, which would take over two weeks, that NATO intelligence forces will detect early on any Warsaw Pact mobilization, and that NATO military-political leaders will promptly order a counter-mobilization.

Chart II
U.S.-SOVIET MILITARY BALANCE 1981

	<u>U.S.</u>	<u>Soviet</u>
Intercontinental ballistic missile (ICBM)	1,052	1, 398
Submarine launched ballistic missile (SLBM)	576	986
Strategic missile submarine (SSBN)	36	84
Strategic bomber	316	150
Strategic surface to air missile (SAM)	0	12,000
Strategic interceptors	312	2,500
Anti-ballistic missile (ABM) launchers	0	32
Medium/intermediate range ballistic missile (M/IRBM)	0	680
Short range ballistic missile (SRBM)	144	957
Medium bombers	60	500
Army divisions (active)	16	173
Main Battle tanks	11,400	45,000
Infantry fighting vehicles	20,000	62,000
Artillery/Rocket launchers	6,500	22,700
Anti-tank guided missiles	16,600	22,500
AA Artillery	3,200	8,000
SAMs	600	3,300
Attack helicopters	1,000	950
Tactical fighter/bombers	1,810	4,350
Attack submarines	84	190
Cruise missile submarines	0	69
Aircraft carriers (strike)	14	0
VTOL carriers	0	2
Helicopter carriers (ASW)	0	2
Guided missile cruisers	27	26
Gun cruisers	0	11
Destroyers	82	73
Frigates	78	180
Amphibious warfare ships	67	84
Naval fighters/attack	1,043	85
Naval medium bombers	0	380
Naval ASW aircraft/helos	257	435
Marines/Naval Infantry	3 divs.	5 rgmts.

Source: International Institute for Strategic Studies, The Military Balance 1981-1982. Collins, U.S.-Soviet Military Balance.

It is feasible, however, for the Warsaw Pact to launch an attack from a "standing start" using only the fifty-three ready divisions deployed in Eastern Europe with a high probability of success. There is a very real

Chart III
NATO VS. WARSAW PACT EQUIPMENT LEVELS, 1981

<u>Major Weaponry</u>	<u>NATO</u>	<u>Warsaw Pact</u>
Tanks	13,000	42,500
Armored Infantry Vehicles	30,000	78,800
Artillery Pieces	10,750	31,500
Anti-tank Weapons	8,100	24,300
Attack Helicopters	400	700
Tactical Combat Aircraft	2,975	7,240

Source: North Atlantic Treaty Organization, NATO and the Warsaw Pact: Force Comparisons (Brussels, 1982), p. 84.

The conventional balance in Southwest Asia is far worse than in Europe and provides the Soviets with the opportunity to defeat the West cheaply without fighting a major war in Europe. The Soviets have 25 tank and motorized infantry divisions comprising 260,000 men, 6,500 tanks, 8,500 armored personnel carriers (APCs), 1,500 air defense guns, 3,000 SAMs, and 1,500 artillery pieces, stationed at bases in the Soviet Caucasus, Trans-Caucasus, and Turkestan areas, that could form the spearhead of a drive through Iran toward the Persian Gulf oilfields. (This does not include the 100,000 troops in Afghanistan.) These forces could be quickly augmented by 5 to 10 additional divisions from other Soviet military districts without significantly weakening Soviet capabilities on other fronts. For quick seizure of strategic assets, the Soviets could airlift into the Gulf region within hours three airborne divisions with 33,000 men, 90 self-propelled assault guns, 306 APCs, and 108 field guns.

For air support, the Soviets could use some 1,000 of their total 4,350 tactical fighter-bombers. Medium bombers from the 500-strong Soviet Long Range Aviation forces would also be available. Since 1979, the Soviet Union has also maintained in the

possibility that NATO could be caught by surprise if the Warsaw Pact mobilized under cover of maneuvers or a policing action against an East European satellite. For a discussion of Warsaw Pact capability to launch an attack from a "standing start," see NATO and the New Soviet Threat, Report by Senators Sam Nunn and Dewey Bartlett to the Senate Armed Services Committee (1977), p. 6. For a discussion of the "powerful psychological and political incentives for decision makers to misinterpret warnings or to delay the necessary response" to Warsaw Pact mobilization, see Richard K. Betts, "Surprise Attack: NATO's Political Vulnerabilities," International Security (Spring 1981), pp. 111-143.

Indian Ocean a naval battle group with fifteen major surface warships and a number of torpedo-cruise missile submarines, which could be reinforced by units from the Soviet Far Eastern Fleet. The Soviets could also use some of their 310 bombers equipped with anti-ship cruise missiles to attack U.S. ships in the area.

American Rapid Deployment Forces (RDF) available for action in South Asia include: one airborne division, one airmobile division, one cavalry brigade, one mechanized division, various Ranger and unconventional warfare units, one to two Marine Amphibious Forces (each comprising a Marine division and air wing), four to eleven Air Force tactical fighter wings (each with 72 aircraft), two squadrons of long-range bombers, three carrier battle groups with approximately 180 fighter-bombers, and five naval anti-submarine patrol squadrons.

This is a powerful force. But two problems hinder the effective use of these units to meet a Soviet threat to the Persian Gulf. First, the RDF is a creature of existing forces, all of which are assigned major roles in meeting Soviet threats in other theaters of conflict. If the U.S. were to send its RDF to the Persian Gulf, it would seriously weaken its capability to defend its interests in Europe and elsewhere. The Soviet Union, on the other hand, has sufficient reserves to fight simultaneously on a number of fronts.

Second, the U.S. is woefully short of air and sea lift equipment necessary to move its ground forces to Southwest Asia quickly and in sufficient strength to defeat a Soviet invasion. "A minimum of 50 days would be needed to [deploy] a complete mechanized division to the Gulf, utilizing the full resources of the U.S. Military Airlift Command; some 21 days would be required to deploy even the 82nd Airborne division, the smallest division in the U.S. Army. [The 82nd Airborne has no tanks, armored fighting vehicles, or organic air defense force.] Sealift, the only realistic means of moving large ground forces, also would entail substantial time in transit...Even U.S. Marine amphibious forces already deployed in the Western Pacific would need twelve to fourteen days after embarkation (it would take a week or longer to assemble and load the assault-transport ships) to reach objectives inside the Persian Gulf."⁹ In two weeks, the U.S. could position in the Persian Gulf at most two "light" brigades -- one brigade of the 82nd Airborne and one Marine Corps brigade with its supplies and heavy equipment (53 tanks, 95 APCs, 12 self-propelled howitzers, 24 towed howitzers) pre-positioned on ships moored at Diego Garcia, a U.S.-U.K. base 3,000 miles from

⁹ Jeffrey Record, The Rapid Deployment Force and U.S. Intervention in the Persian Gulf (Cambridge, Massachusetts: Institute for Foreign Policy Analysis, 1981), p. 20.

the Gulf.¹⁰ In another two weeks this force could be reinforced with two additional light brigades or one Army mechanized brigade, and one Marine Amphibious Force. These forces, however, would lack the mobility and firepower to successfully defend against a concerted Soviet attack.

Hence, it is not surprising that Defense Department simulations for Persian Gulf scenarios almost always end in defeat for the West.¹¹ The Reagan Administration has introduced into its war planning the option of "horizontal escalation"--staging counteroffensives against Soviet vulnerable points outside the main theater of conflict. Unfortunately, this strategy offers no solution to the West's problems in South Asia. Widening the war to Europe is not a viable NATO option. And, although the U.S. conceivably could eliminate Soviet forces in Cuba, Libya, Ethiopia, and South Yemen, as well as the Soviet navy on the high seas, the Soviet leadership might well accept such a trade-off for control of the Persian Gulf oilfields.

The U.S., of course, has a vast arsenal of low yield "theater" nuclear weapons and high yield "strategic" nuclear weapons, but in the context of the present nuclear imbalance, nuclear escalation is not a rational option for the U.S. It would not reverse the military situation in either Europe or the Persian Gulf, and would invite needless destruction of populations and property at the hands of superior Soviet theater and strategic nuclear forces.

In Europe, the Soviets hold a twelve to one edge in ballistic missiles--the most effective means of delivery for nuclear weapons. Of U.S. delivery systems, 88 percent are either short-range artillery pieces that can easily be overrun by advancing Soviet forces, or dual-capable aircraft that must operate from only eighteen NATO air bases, all vulnerable to Soviet nuclear counterfire. These aircraft will have to run a gauntlet of 5,000 Warsaw Pact SAMs to reach their targets.

Most important, the Soviet Union has a coherent strategy for nuclear war, and it trains and equips its forces for nuclear combat. NATO, on the other hand, has never formulated such a coherent nuclear strategy. Operational planning is almost non-

¹⁰ This assumes use of military transports only. If all the available aircraft belonging to the Civilian Reserve Air Fleet were utilized, something "the President would want to avoid except in the most severe emergencies," delivery of a light division to the Gulf could be shortened by one-third. Congressional Budget Office, U.S. Airlift Forces: Enhancement Alternatives for NATO and Non-NATO Contingencies (Washington, D.C.: U.S. Government Printing Office, 1977), pp. 54-58.

¹¹ A Pentagon study on Persian Gulf war scenarios, "Capabilities in the Persian Gulf," leaked to the press in 1980, concluded that the U.S. could not defend the Gulf with conventional weapons. "A-Weapons Scenarios Reportedly Studied," Los Angeles Times, February 3, 1980, p. 7.

existent. NATO force deployments in the forward and rear battle areas are highly vulnerable to nuclear attack, more so than are Warsaw Pact forces.

Soviet advantages are even more pronounced at the strategic nuclear level. According to many defense experts, U.S. ICBMs are vulnerable in their fixed silos and almost all would be lost in a Soviet first strike, leaving the Soviets with a four to one advantage in overall strategic missile throwweight and a fifty to one advantage in land-based ICBM throwweight. Strategic Air Command B-52s that survive a Soviet attack, probably less than 50 out of 316, will be up against an awesome Soviet air defense network composed of 6,000 radars, 12,000 SAM launchers, and 2,600 interceptors--1,080 of which are late model MiG-23s and MiG-25s.¹²

The U.S. has 36 nuclear submarines armed with 576 nuclear missiles. Communications with these submarines, however, would be highly unreliable during war, while the missiles they carry have low yields and relatively poor accuracy, making them useful mainly as retaliatory weapons in massive strikes against Soviet cities rather than against hardened military targets such as missile silos.

Given the Soviet capability to retaliate with similar strikes on the U.S., an American president would be most unwise to order submarine launched missile strikes on Russian cities. This would leave the U.S. with no alternative but to accept defeat at the hands of Soviet conventional forces in Europe or Southwest Asia.

Some strategists argue that, despite the vulnerabilities and deficiencies of U.S. armed forces, deterrence is stable because Soviet leaders in their planning must take account of the possibility that the U.S. would use nuclear weapons after all and that, once the nuclear threshold were crossed, the conflict would escalate to "all-out" nuclear war--a war in which, it is believed, there would be no winners.¹³ The risk of losing everything in a war with the West is thought to be sufficiently large to deter the Soviets from directly challenging U.S. interests.

The major premise of this argument--that all-out nuclear war between the superpowers would be victorless--is, however,

¹² ICBM vulnerability and threats to U.S. strategic bombers, missile firing submarines, and communications-control systems are discussed in Roger Speed, Strategic Deterrence in the 1980s (Stanford University: Hoover Institution, 1980).

¹³ McGeorge Bundy, former National Security Advisor to Presidents John F. Kennedy and Lyndon B. Johnson, and recently in the news for his support of a "no first use" nuclear weapons policy, is an ardent proponent of this argument. See his "Strategic Deterrence Thirty Years Later: What Has Changed?" in The Future of Strategic Deterrence: Part I, edited by Christoph Bertram (London: International Institute for Strategic Studies, 1980), pp. 5-12.

subject to question. In contrast to the paltry U.S. effort in civil defense--\$100 million a year--the USSR has been investing about \$2.5 billion annually (in current dollars) since the mid-1960s on civil defense measures such as evacuation planning, stockpiling of food and medical supplies, shelter construction, and hardening of industrial facilities.¹⁴ The USSR has also been pursuing vigorous research and development of anti-ballistic missile (ABM) radars and missiles, and has almost certainly stockpiled key items for a rapidly deployable thick ABM network.¹⁵ A number of military experts now believe that under certain assumptions, e.g., that U.S. nuclear forces are depleted in a first strike and the Soviets have time to take civil defense precautions, the USSR could escape a strategic nuclear war with levels of damage not too much higher than the 20 million deaths suffered in World War II. More important, the level of damage to the USSR would be far below what the U.S. would suffer from Soviet retaliatory strikes.¹⁶

Fortunately, the Soviets do not accept the Nazi view of war as spiritually ennobling and a test of national character. Soviet military doctrine in fact is quite cautious on the use of armed force. Nevertheless, the threat from Soviet military superiority is extremely grave. As Harvard Sovietologist Herbert Dinerstein pointed out twenty-four years ago: "If the Soviet leaders acquire preponderant military strength, they would have policy options even more attractive than initiation of nuclear war. By flaunting presumably invincible strength, the Soviet Union could compel piecemeal capitulation of the democracies."¹⁷ Although Soviet military superiority is as yet not overwhelming, it will likely be so by the late 1980s, unless the U.S. and its allies mount a substantially greater defense effort.

Defense budget cutters have pointed to a number of difficulties confronting the Soviet leadership, including a stagnating

¹⁴ W. Dale Nelson, "Soviet's Budget for Civil Defense Set at \$2.5 Billion," Philadelphia Inquirer, March 18, 1982, p. 6. Soviet civil defense efforts are reviewed in Leon Goure, War Survival in Soviet Strategy: USSR Civil Defense (Miami University: Center for Advanced International Studies, 1976).

¹⁵ Clarence Robinson, "Emphasis Grows on Nuclear Defense," Aviation Week and Space Technology, March 18, 1982, p. 6.

¹⁶ For the argument that Soviet strategic defenses "are likely to prove both workable and successful" after a Soviet counterforce first strike, see Daniel Goure and Gordon H. McCormick, "Soviet Strategic Defense: The Neglected Dimension of the U.S.-Soviet Balance," Comparative Strategy (Spring 1980), pp. 103-127. The effectiveness of Soviet civil defense is reviewed in Speed, op. cit., and Office of Technology Assessment, The Effects of Nuclear War (Washington, D.C.: U.S. Government Printing Office, 1979), pp. 56-59, 100-106.

¹⁷ Herbert Dinerstein, "The Revolution in Soviet Strategic Thinking," Foreign Affairs, January 1956, p. 252.

economy and restless East European satellites, as possible brakes on Soviet adventurism and hence as justification for a slower U.S. rearmament program.¹⁸ Other military strategists, however, have credibly argued that these same problems could well push the Soviets to take advantage of their military superiority, before the onset of their own internal collapse or Western rearmament,¹⁹ and to administer a crushing defeat on the West through a bold initiative, such as direct military assault on the Persian Gulf. In short, deterrence is not so secure as budget cutters suppose. If the Soviets begin to probe Western areas of interest in earnest, what will American leaders do? Defense budget cutters have no responsible answer.

THE REAGAN DEFENSE EFFORT

To reverse the military trends of the last ten years, the Reagan Administration has set a course of rearmament that will cost \$1.65 trillion in the six year period FY 1982 to FY 1987. In FY 1982, the U.S. is spending \$195.4 billion for defense with \$227.8 billion authorized in total obligational authority (TOA). (All spending figures are inflation adjusted FY 1983 dollars.) This amounts to real increases in FY 1982 of \$25.6 billion in TOA, or 12.7 percent, and \$13.0 billion in outlays, 7.7 percent, over FY 1981 spending levels. As the second stage of its rearmament program in FY 1983, the Administration is requesting \$258 billion in TOA and \$215.9 billion in outlays, for a real increase over FY 1982 of \$30 billion in TOA and \$20.5 billion in outlays, or 13.2 percent and 10.5 percent respectively. Total real increases

Chart IV
REAGAN DEFENSE BUDGETS FY 1982-FY 1987
(in billions of constant FY 1983 dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>	<u>Real Increase over Carter FY 1981 Levels</u>
TOA	202.2 (198.2)*	227.8 (208.8)*	258.0 (219.2)*	269.8	297.8	314.0	325.9	1,895.5	508.1
% Increase	10.9	12.7	13.2	4.6	10.4	5.4	3.8		
Outlays	182.4 (184.4)*	195.4 (192.4)*	215.9 (201.2)*	232.2	255.6	276.0	288.7	1,647.2	356.4
% Increase	4.1	7.7	10.5	8.0	9.6	8.0	4.6		

*Proposed Carter spending levels with Reagan inflation assumptions.

¹⁸ See, for example, Les Aspin, "Too Much Defense in One Big Bundle," Los Angeles Times, January 26, 1982, p. 5-B.

¹⁹ See, for example, Colin S. Gray, "The Most Dangerous Decade: Historic Mission, Legitimacy, and Dynamics of the Soviet Empire in the 1980s," ORBIS (Spring 1981), pp. 13-28; and Carl Friedrich von Weizsacker, "Can A Third World War Be Prevented?" International Security (Summer 1980), pp. 198-205.

in defense spending for the two years FY 1982 and FY 1983 amount to \$81.4 billion in TOA and \$46.5 billion in outlays, a large sum indeed, but the increase in outlays in the Reagan budgets is only 2.7 percent higher than that projected in the Carter budgets for the same period. As Chart IV shows, defense spending (outlays) is projected to rise over the FY 1982-FY 1987 period at an average annual rate of 6.7 percent and will provide an additional \$356 billion for defense over constant FY 1981 spending levels.

This spending is woefully inadequate, however, to provide sufficient military power to defend U.S. interests with a reasonably confident chance of success. The major military threats to U.S. interests include:

- a Soviet nuclear attack on the U.S.;
- a Soviet/Warsaw Pact invasion of NATO Europe;
- an assault on the Persian Gulf oilfields or on neighboring countries, such as Pakistan, by the Soviet Union or local forces;
- a North Korean invasion of South Korea;
- Cuban/Nicaraguan supported revolutionary wars in Central America or the Caribbean; and
- military attempts by Third World revolutionary states, such as Libya, Syria, Ethiopia, and South Yemen, to menace U.S. trade routes or to undermine our allies.

All of these threats must be considered when structuring U.S. armed forces. The first three, however, dominate U.S. war planning. U.S. strategy for such contingencies is one of Flexible Response, which requires that the U.S. use the least amount of force possible to prevent a U.S./Soviet conflict from escalating to all-out nuclear war. If the Soviets attacked using conventional weapons, NATO would first try to defend with conventional weapons. If defeat were imminent, however, the U.S. would use nuclear weapons in a controlled, limited way to destroy the Soviet advance or to force cessation of hostilities to forestall uncontrollable escalation. The U.S. must also be prepared to match any Soviet first use of nuclear weapons, strategic or tactical, against the U.S., Europe, or allied forces anywhere in the world, with retaliatory strikes that cause equivalent damage. And it must be able to do so under a wide range of attack scenarios--from limited counterforce attacks to massive countervalue attacks on cities--even under conditions of surprise.

The original understanding of Flexible Response, as it was formulated in the 1960s, was that U.S./NATO would match or exceed the Soviet Union/Warsaw Pact at all three levels of force: conventional, theater nuclear, and strategic nuclear. However, for budgetary reasons allied governments abandoned the requirement for conventional parity with the Warsaw Pact at the same time that the U.S. abandoned its policy of nuclear superiority. By

the early 1970s, the Soviets had attained strategic and theater nuclear parity with the U.S. and had conventional superiority over NATO. Today, the Soviets have a dangerous level of superiority at all three levels.

The Reagan defense budgets will not close the gap between strategy and forces at any of these levels. In the professional judgment of America's military leaders reported in a new Defense Department planning document, U.S. conventional forces would have to be expanded in the following way to be reasonably sure of defeating Soviet invasions of Europe and South Asia and to meet other U.S. military commitments: Army divisions increased from 16 to 25, carrier battle groups from 13 to 22, tactical fighter wings from 24 to 38, Marine Amphibious Forces from 3 to 4, and air transports from 522 to 1,090.²⁰ The Reagan defense budgets, however, fund no Army expansion, no Marine Corps expansion, only two additional carrier battle groups, only four fighter wings, and less than 150 air transports.²¹ Most of the additional \$356 billion over FY 1981 spending levels available in the next five years will go for weapons modernization programs started in the Carter Administration and for various readiness and sustainability measures, including building up ammunition and war reserve stocks of weapons and spare parts, and eliminating backlogs in operations/maintenance (O&M)--\$40 billion worth--and military construction--\$4 billion worth.²² U.S. tactical nuclear forces, moreover, will be only marginally improved over the next five years and U.S. strategic nuclear forces will continue to be vulnerable to Soviet first strikes and incapable of matching Soviet counter-military power.

A comparison of the Administration's FY 1982 and FY 1983 defense programs with the ongoing Soviet modernization effort shows in more detail the deficiency of the Administration's defense budgets.

WHAT ARE THE REAGAN DEFENSE BUDGETS BUYING?

Roughly 25 percent of the Reagan defense budgets in FY 1982 and FY 1983 is designated for military pay and retirement. The Reagan budgets will increase spending for these items by \$6.3

²⁰ George C. Wilson, "U.S. Defense Paper Cites Gap Between Rhetoric, Intentions," Washington Post, May 27, 1982, p. 1.

²¹ Some existing Army and Marine Corps units are being strengthened with additional personnel and equipment levels. For details, see Defense Department, Annual Report for FY 1983, pp. III-4-6.

²² The O&M shortfall figure is that of William Schneider, now chief defense analyst for the Office of Management and Budget, in "National Defense," Agenda for Progress (Washington, D.C.: The Heritage Foundation, 1980), p. 26. The military construction shortfall figure is from DoD, op. cit., p. III-156.

billion over FY 1981 levels, assuming that requested pay hikes are approved. The \$5 billion in real growth in the military personnel account is for pay increases above those needed to keep pace with the Consumer Price Index and to increase military end strengths by adding 66,000 servicemen to fill out existing units.

Chart V
REAGAN DEFENSE BUDGETS BY APPROPRIATIONS CATEGORY FY 1982-FY 1983
(TOA in billions of FY 1983 dollars)

<u>Appropriation Category</u>	<u>FY 1982</u>	<u>% Budget</u>	<u>FY 1983</u>	<u>% Budget</u>
Military Pay	46.3	20.0	47.9	18.6
Retirement Pay	16.0	7.0	16.5	6.4
Operations & Maintenance	66.3	29.4	70.4	27.3
Procurement	69.8	30.6	89.6	34.7
RDT&E	21.2	9.3	24.3	9.4
Military Construction	5.3	2.4	5.4	2.1
Family Housing	2.4	1.1	2.8	1.1
Revolving & Management Funds	0.5	0.2	0.9	0.3

Chart VI
ADDITIONAL REAGAN DEFENSE DOLLARS
(Billions of FY 1983 dollars)

<u>Appropriation Category</u>	<u>Real Increase FY 1981-82</u>	<u>Real Increase FY 1982-83</u>	<u>Additional Spending Over FY 1981 Levels</u>	<u>Percentage Increase</u>
Military Pay	2.7	1.6	5.0	5.6
Retirement Pay	0.4	0.5	1.3	4.2
O&M	4.8	4.1	13.7	11.1
Procurement	15.0	19.8	49.8	45.4
RDT&E	2.3	3.1	7.7	20.4
Military Construction	1.5	0.1	3.1	40.8
Housing	0.1	0.4	0.6	13.0
Revolving & Management Funds	<u>-0.1</u>	<u>0.4</u>	<u>0.2</u>	14.3
Total	16.7	30.0	81.4	

Another 30 percent of the budget--\$66.3 billion in FY 1982 and \$70.4 billion in FY 1983--is earmarked for operations and

maintenance functions: civilian pay, food, clothing, and human support services; fuel; training; spare parts; and maintenance of weapons and facilities. The level of O&M funding is a vital indicator of force readiness. Yet O&M functions, especially fuel, training, and weapons maintenance, were seriously underfunded in the 1970s as the Services tried to sustain force modernization in the face of congressional defense budget cuts. By 1980, the O&M shortfall amounted to \$40 billion, resulting in severe reductions in Air Force flying and Navy steaming hours, reductions in military exercise, depot maintenance backlogs, and non-usage of expensive systems for lack of spare parts. In FY 1982-FY 1983, the Reagan Administration will spend in real terms an additional \$13.7 billion on O&M over FY 1981 levels. Weapons readiness is improving as a result, but many problems remain.

Roughly 46 percent of the FY 1982 and FY 1983 defense budgets is devoted to military investment--\$96.3 billion in FY 1982 and \$109 billion in FY 1983. It is the major weapons programs, some 50 or so systems detailed in the Pentagon's quarterly Selective Acquisition Reports (SARs), that attract most attention in the defense budget debates. Procurement funding for these systems, however, amounts to only 18.7 percent of the total defense budget. In FY 1983, for example, only \$48.6 billion is requested for the Defense Department's top 50 weapons. Over \$30 billion will be spent on minor weapons and support equipment. Another \$10 billion is requested for ammunition and weapons spare parts; \$24.3 billion is requested for weapons research and development; and \$5.4 billion for military construction.

Chart VII
MAJOR WEAPONS PROCUREMENT PROGRAMS FY 1983

<u>System</u>	<u>Quantity</u>	<u>Funding</u> (millions of dollars)
<u>Army</u>		
M-1 tank	776	2,025.0
M-2 infantry fighting vehicle	600	872.4
MLRS rocket	23,640	444.4
Copperhead laser guided artillery shell	8,420	204.5
Stinger surface-to-air missile	3,816	330.3
DIVAD air defense gun	96	673.9
Patriot surface-to-air missile	376	881.0
Light Armored Vehicle (LAV)	392	209.8
UH-60 utility helicopter	93	733.0
AH-64 attack helicopter	48	965.0
Hellfire anti-tank missile	3,971	249.2
TOW anti-tank missile	13,000	174.1
Pershing II medium-range ballistic missile	91	508.6

Air Force

MX ICBM	9	1,497.1
B-1 bomber	7	4,033.5
Air Launched Cruise Missile	440	676.7
B-52 modernization program	--	572.9
KC-135 re-engine	25	584.0
Ground Launched Cruise Missile	120	530.7
F-15 air defense interceptor	18	688.9
F-15 fighter	42	1,682.3
F-16 fighter	120	2,225.9
Maverick air-to-surface missile	2,560	353.1
AIM-7M air-to-air missile	1,300	208.3
C-5 wing modification	18	287.0
C-5 strategic transport	2	860.0
KC-10 cargo plane/tanker	8	829.1
E-3A airborne warning aircraft	2	176.7

Navy

Trident missile submarine	2	2,765.7
Nimitz-class aircraft carrier	2	6,840.8
AEGIS CG-47 air-defense cruiser	3	3,159.8
SSN-688 attack submarine	2	1,732.4
FFG-7 frigate	2	761.6
LSD-41 landing dock ship	1	421.0
MCM mine countermeasure ship	4	373.1
Oilers	1	321.8
Standard SAM	1,278	695.8
Tomahawk cruise missile	120	308.4
Harpoon anti-ship missile	231	266.7
F-14 fighter	24	1,178.6
F/A-18 fighter/attack aircraft	84	2,847.4
A-6E attack aircraft	8	276.6
AV-8B attack aircraft	18	942.9
EA-6B electronic warfare plane	6	347.1
P-3C ASW aircraft	6	341.8
E-2C airborne warning aircraft	6	352.7
AIM-54C air-to-air missile	108	270.8
HARM anti-radiation missile	414	354.6
SH-60B LAMPS III helicopter	48	212.0
CH-53 helicopter	11	311.0

In total, the Administration's FY 1982-FY 1983 defense budgets provide an additional \$50 billion in weapons procurement and \$7.7 billion in R&D over Carter FY 1981 spending levels. This increase is funding the largest U.S. military buildup in peacetime history. Procurement of almost all major weapons systems is substantially higher than FY 1981 levels. (The one major exception is Air Force tactical aircraft.) Even so, as Chart IX shows, the Soviets are still outproducing the U.S. by wide margins in most weapons categories.

Chart VIII
 WEAPONS PRODUCTION FY 1982-FY 1983 OVER CARTER FY 1981 LEVELS
 (units procured)

B-1 strategic bomber	8
MX ICBM	9
Air launched cruise missile	0
Ground launched CM	152
Sea launched CM	120
Pershing II	112
M-1 tank	930
M-2 infantry fighting vehicle	700
Multiple launch rocket system (MLRS)	19,456
Copperhead laser guided artillery shell	3,095
Stinger SAM	3,154
Roland SAM	cancelled
Patriot SAM	292
UH-60 utility helicopter	59
AH-64 attack helicopter	59
Hellfire laser anti-tank missile	4,651
F-15 aircraft	-40
F-16 aircraft	-150
A-10 aircraft	-40
Sidewinder missile	4,220
Sparrow missile	645
Maverick missile	3,050
E-3A AWACs aircraft	0
Trident SSBN	0
SSN-688 attack submarine	3
CVN nuclear aircraft carrier	2
CG-47 AEGIS cruiser	2
FFG-7 frigate	-1
LSD-41 amphibious ship	-1
MCM mine countermeasures ship	5
Auxiliaries	5
F-14 aircraft	12
F/A-18 aircraft	53
A-6E aircraft	14
EA-6B aircraft	9
E-2C aircraft	0
Sidewinder missile	760
Sparrow missile	-430
Phoenix missile	210
HARM missile	408

Chart IX
U.S.-SOVIET WEAPONS PRODUCTION
(Average Yearly Production 1980-1982)

<u>Weapons Type</u>	<u>U.S.*</u>	<u>Soviet**</u>
ICBMs	3	200
IRBMs	37	100
SRBMs	0	300
SLCMs	350	700
GLCMs	62	0
SLBMs	72	175
ASMs	11,233	1,500
SAMs	22,980	50,000
ALCMs	450	600
Tanks	670	3,000
Armored Fighting Vehicles	533	5,500
Towed Artillery	0	1,300
SP Field Artillery	0	150
Multiple Rocket Launchers	160	300
SP AA Artillery	49	100
Bombers	3	30
Fighters/Fighter Bombers	325	1,300
ASW aircraft	10	10
Helicopters	175	700
Submarines	3	11
Major combatants (CVNs, VTOL carriers, cruisers, destroyers, frigates)	6	11
Minor combatants (missile boats, mine countermeasures)	2	52
Auxiliaries	11	5

* U.S. figures are for weapons authorized. Production in some cases is actually lower.

** Soviet figures are those from 1975-80. Soviet Military Power (Washington, D.C.: Government Printing Office, 1981) pp. 12-13. It is assumed that weapons production for 1980-1982 will match that for the earlier period.

Strategic Nuclear Programs

U.S. strategic nuclear power is the foundation of the nation's security. The Administration is requesting \$16.2 billion in FY 1983 for strategic nuclear weapons procurement and R&D, which amounts to less than 6.5 percent of the budget. Funding for major strategic programs includes:

- \$4.3 billion for development and initial procurement of nine MX ICBMs;
- \$4.8 billion for development and procurement of seven B-1 bombers (one B-1 was ordered in FY 1982);

- \$2.7 billion for procurement of two Trident nuclear submarines;
- \$366 million for development of the counterforce capable Trident II submarine launched missile;
- \$863 million for procurement of 440 air-launched cruise missiles to be deployed on B-52s;
- \$177 million for two E-3A airborne warning and control aircraft (AWACs);
- \$688 million for procurement of eighteen F-15 air defense interceptors;
- \$871 million for development of anti-ballistic missile systems;
- \$218 million for development of space defense systems;
- \$831 million to increase survivability and effectiveness of strategic surveillance and warning systems; and
- \$315 million to improve strategic communications systems.

An additional \$389 million is requested by the Administration under the Federal Emergency Management Agency (FEMA) for civil defense.

Budget cutters have targeted a number of these programs for cancellation or reduction, including the MX missile, the B-1 bomber, the air defense programs, the civil defense programs, and one of the Trident submarines. All of the Administration's strategic nuclear programs, however, are necessary to implement U.S. nuclear strategy and will contribute significantly to the deterrence of nuclear war.

The 100 MX missiles to be deployed between 1986 and 1990 will give the U.S. a much improved counterforce capability, although still much inferior to that of the USSR. As yet, however, no program has been initiated for basing the MX in a survivable mode, and unless U.S. ICBMs are made survivable, the Soviets will possess a potential nuclear "war winning" capability. Such a survivable basing scheme consisting, for example, of multiple shelters and an ABM system, would cost at the minimum \$50 billion. Meanwhile, as the U.S. procrastinates over solving the ICBM vulnerability problem, the USSR is building 200 modern high yield, highly accurate ICBMs a year. A new generation is under development that will match the MX in accuracy. In addition, older Soviet missiles removed from their silos to make way for new missiles, have not been destroyed but are being stored as a massive strategic reserve force.

Even if its ICBMs were survivable, however, the U.S. would be unable to carry out its nuclear strategy of controlled response because of the extreme vulnerability of its strategic command-control-communications network. The Administration plans \$23 billion worth of improvements in this area. But many experts believe that spending will have to be substantially increased to achieve an adequate level of survivability and redundancy.

The ability of the U.S. bomber force to destroy assigned targets will be enhanced with the deployment of air-launched cruise missiles and the introduction of B-1 bombers in 1986. The Stealth bomber, now in development, will be a better penetrating weapons platform than the B-1. Nevertheless, procurement of the B-1 should proceed as planned. It is the only new bomber system that can be deployed in the 1980s, a period of urgent need when the Soviets will have strategic superiority, since Stealth will not be deployed until the 1990s at the earliest. And further, unlike the B-1, the Stealth bomber will not be suited for carrying cruise missiles or large quantities of conventional munitions. Cancellation of the B-1, moreover, could well diminish the credibility of the U.S. threat to Soviet strategic superiority, a threat which many U.S. defense experts believe is necessary to force the USSR into meaningful arms control negotiations.²³

As the U.S. builds the B-1, however, the Soviet air defense network will be substantially upgraded with the deployment of new surface-to-air missiles (the SA-10 and the SA-X-12), AWACs type aircraft, and new interceptors with look-down/shoot-down radars and missiles.²⁴ To ensure adequate bomber penetration of Soviet air space, the U.S. should buy more B-1s or develop an air-to-air defense capability for its bombers.

The Soviets understand the virtue of manned penetrating bombers, which is to deliver nuclear weapons with precision on targets selected after on-the-spot reconnaissance. Indeed, photographs recently have been released of a new Soviet strategic bomber in development and testing.²⁵ It is believed that Moscow will produce more of its new bombers than the 100 B-1s planned. Soviet bombers now have a "free ride" to their targets in the U.S. because of the meager capabilities of the American and Canadian interceptor forces.²⁶ The Administration's procurement

²³ For a well-reasoned defense of the B-1 bomber, see Francis P. Hoerber, Slow to Take Offense: Bombers, Cruise Missiles and Prudent Deterrence (Washington, D.C.: Center for Strategic and International Studies, 1980, 2nd ed.).

²⁴ "Soviets Press Production, New Fighter Developments," Aviation Week and Space Technology, March 16, 1981, p. 61.

²⁵ "Soviet Strategic Bomber Photographed at Ramenskoye," Aviation Week and Space Technology, December 14, 1981, p. 17. See also Aviation Week and Space Technology, February 19, 1979, p. 14.

²⁶ "Neglect of Bomber, Missile Defense Hit," Aviation Week and Space Technology, August 20, 1979, p. 64.

plans over the next five years for twelve more AWACs at \$82 million a copy (for a total of 36) and five air defense squadrons of F-15 interceptors at \$688 million per squadron are unfortunately inadequate to prevent Soviet bombers from easily penetrating U.S. airspace.²⁷ An effective defense requires more F-15 squadrons and at least ten more AWACs with a substantial proportion of the force kept on high alert. The fallacy of those who want to cancel the Administration's air defense programs is to suppose that Soviet bombers add nothing to the military capability of the Soviet Union represented in its ICBM force. But, as noted above, bombers provide valuable targeting flexibility during a war.

Civil defense spending also needs to be increased substantially beyond the Administration's plan for \$4.2 billion over a seven year period. Civil defense funding is a prime target of budget cutters who feel that such programs would not be effective in a nuclear war and that planning to reduce nuclear war casualties somehow makes such a war more likely. Yet, all executive governmental studies of civil defense programs conclude that serious evacuation planning along with a modest sheltering effort could reduce immediate deaths after a large-scale Soviet attack from about 160 million to as low as 20 million.²⁸ Even if these figures are overly optimistic, however, civil defense serves, in addition, as a fundamental deterrent to nuclear war. For the Soviets emphasize civil defense in their war planning and will be less inclined to initiate nuclear war if U.S. civil defense efforts match theirs.²⁹

Finally, the U.S. will have to boost production of its nuclear missile firing submarines (SSBNs) from the current one per year to at least three per year to prevent the inventory of submarine launched missiles from shrinking as older subs are retired.³⁰ In the meantime, the Soviets are building four SSBNs a year and are developing a hard-target capable multiple warhead SLBM that will be deployed five years ahead of the comparable American Trident II.

²⁷ "Air Force planners say that at least thirty-four (AWACs) planes would be required to set up a radar barrier around the North American continent...." Bonner Day, "AWACs in Operation," Air Force Magazine, June 1979, pp. 52-56. NATO air defense requirements for Europe are currently set at 18 AWACs. Additional AWACs will be required for Persian Gulf contingencies, for a total of 50.

²⁸ For a review of these studies, see OTA op. cit., pp. 94-95.

²⁹ Goure, op. cit.

³⁰ The requirement for three missile firing submarines a year assumes that the U.S. continues to build 24-tube Trident boats. However, in light of increasing Soviet ASW capabilities, perhaps the U.S. should consider designing smaller submarines with fewer tubes to present more targets to Soviet planners. For a statement of the argument that the Navy should distribute its offensive capability across a larger number of platforms, see William R. Van Cleave, "Strategy and the Navy's 1983-1987 Program: Skepticism Warranted!" Armed Forces Journal (April 1982), pp. 49-51.

Theater Nuclear Programs

In response to Soviet deployments of Backfire bombers and multiple warhead SS-20 ballistic missiles (now numbering over 900, with 300 launchers and 2,700 warheads), NATO decided in 1979 to modernize its theater nuclear force by deploying 108 Pershing II ballistic missiles and 464 ground launched cruise missiles (GLCMs) in Europe between 1984 and 1988. In FY 1982, the U.S. is spending \$804 million on the development and procurement of 21 Pershing IIs and 54 GLCMs. The FY 1983 budget requests \$1.2 billion for development and procurement of another 91 Pershing IIs and 120 GLCMs (cost of warheads not included). Procurement of enhanced radiation warheads (ERWs)--the so-called neutron bomb--for short-range Lance missiles, for which there are 72 launchers in Europe, and 8-inch artillery shells will continue in FY 1983, but these are not being deployed abroad. No major effort is being funded to improve NATO's short-range missile capability. The Soviets meanwhile are building 400 theater nuclear missile launchers a year to fire missiles of all ranges. Indeed, Soviet improvements in tactical nuclear capability represented in the deployment of the SS-21, SS-22, and SS-23 missiles, are a far greater threat to NATO forces than the much more publicized SS-20.

By comparison to the Soviet effort, NATO's theater nuclear modernization program is of negligible military value. The systems will be vulnerable to quick Soviet preemptive strikes. And 80 percent of the new systems are subsonic cruise missiles which, in flight, are significantly more vulnerable to Soviet air defense than are ballistic missiles. To credibly deter the Soviets from using nuclear weapons in Europe or other theaters, the U.S. must:

- deploy ERWs in Europe;
- triple the deployment of Pershing IIs and GLCMs;
- develop, produce, and deploy 200 to 300 short-range ballistic missiles;
- upgrade Patriot to be used as an anti-tactical ballistic missile weapon; and
- enhance the survivability of theater nuclear forces in Europe through such means as more rapid dispersal procedures.³¹

³¹ U.S. ground based nuclear weapons in Europe, which are stored at only a handful of sites, are extremely vulnerable to destruction by a quick Soviet strike. For political reasons, techniques such as peacetime mobility or deceptive basing using multiple aim points are not viable survivability options. In effect, survivability depends on early dispersal to the field and, once there, on mobility and electronic deception.

These force improvements, however, will be futile if the U.S. does not begin to think more seriously about how nuclear weapons might be used in Europe or the Middle East and to undertake detailed operational planning and training for nuclear warfare.

Army Programs

The U.S. Army is in the early stages of a \$241 billion modernization effort that has been delayed first by the 1964-1973 Vietnam War and then by the defense budget crunch of the 1970s. Ten new systems are now in production: the M-1 tank, the M-2 infantry fighting vehicle, the MLRS rocket system, the Copperhead laser guided artillery shell, the Stinger and Patriot surface-to-air missile systems, the DIVAD air defense gun, the UH-60 utility helicopter, the AH-64 attack helicopter, and the Hellfire laser anti-tank missile.

Production for some weapons is substantially above levels proposed by the Carter Administration, but overall production of Army weapons still lags far behind the USSR. There are, moreover, significant shortages of war reserve equipment and ammunition.

The Soviet Union meanwhile continues to modernize its forces with the deployment of new weapons that effectively negate a good share of U.S. force improvements. Among the new Soviet arms are a new battle tank, the T-80, equal in performance to the M-1, high velocity artillery rounds that can penetrate M-1 armor, more accurate, more lethal, longer-range anti-tank missiles, longer-range, ECM resistant SAMs, and a new version of the HIND attack helicopter armed with "fire-and-forget" anti-tank missiles.

There is much talk on Capitol Hill of cancelling or scaling back procurement of a number of the Army's new weapons systems, such as the M-1, the M-2, and the AH-64, because of performance defects, maintenance problems, and cost overruns. The new systems coming off the production line now are admittedly not as good as the Army originally had hoped. Yet, despite the mostly minor flaws, they, in general, are significantly more effective than their predecessors. Congress should examine any proposal that reasonably promises to match the military capability of new weapons with cheaper alternatives. In most cases, however, there is no cheaper force mix of equivalent capability. It has been proposed, for example, that the Army rely on AH-1S attack helicopters instead of buying the more expensive AH-64, but the former system cannot operate at night, in hot temperatures, or in bad weather, it has less payload, and it cannot fire the Hellfire missile.

The critical issue remains a drastic expansion of the Army's war-fighting capability in Europe soon, with or without new model weapons. Ground air defense particularly must have more resources than the Reagan defense budgets allocate. The Soviet capability for close air support of ground operations and deep strike inter-

Chart X
SHORTAGES IN ARMY WARTIME EQUIPMENT LEVELS

<u>Items</u>	<u>Quantity Short Against Go-to-War Requirements</u>	<u>Unit Equivalent Shortages</u>
Personnel carriers	2,888	49 Mechanized Infantry Battalions
TOW carriers	698	32 Mechanized Infantry Battalions
Cargo carriers	404	22 Field Artillery Battalions
Tanks	2,146	40 Tank Battalions
Howitzers, 8 In. SP	204	17 Field Artillery Battalions
Howitzers, 155 SP	237	13 Field Artillery Battalions

Source: Statement of Senator John Tower Before Committee on the Budget, U.S. Senate, March 18, 1982.

diction has improved dramatically over the last ten years with the deployment of HIND attack helicopters and new fixed-wing aircraft, such as the MiG-27 and the Su-24 (an aircraft similar to the U.S. F-111), equipped with sophisticated air-to-surface precision-guided missiles. Reportedly, the Soviets also have an A-10 type "tank buster" airplane ready for deployment as well as two new high performance fighters, one an air-superiority F-15 type aircraft.³² In the past, NATO ground forces have counted on NATO air forces to sweep the skies clear of Soviet intruders and to help disrupt the Soviet ground attack. With recent improvements in Soviet air forces, NATO has lost its edge in the air. According to General Charles A. Gabriel, new Air Force Chief-of-Staff, NATO air superiority is possible only if "we can use standoff tactics and engage them [the Soviets] beyond visual range, outnumbered seven to one. We would lose that edge if visual identification is required before each shot."³³ Unfortunately, this condition is unlikely to obtain because NATO aircraft lack an effective identi-

³² "Soviets To Field Three New Fighters in Aviation Modernization Drive," Aviation Week and Space Technology, March 26, 1979, p. 54. "Soviets Develop Top Warplanes: U.S. Air Chief," Chicago Sun-Times, May 24, 1982, p. 28.

³³ Quoted in "Burgeoning Warsaw Pact Threat Spurs Dual Challenge," Aviation Week and Space Technology, June 2, 1982, p. 44.

fication-friend-or-foe device (IFF) that pinpoints enemy aircraft beyond visual range.

To prevent its troops from being decimated by Soviet air attacks, the U.S. Army will have to procure substantially more SAM systems, including the European Roland which the Administration is buying in only very limited quantities.

More weaponry, however, is not the sole solution to the Army's problems. Strategy and tactics have been criticized as being too rigid, too centralized in execution, and too focused on achieving victory through attrition warfare. Critics have urged the Army to adopt a maneuver style of warfare that seeks victory through surprise and fast paced actions designed to throw the enemy into confusion.³⁴ In recognition of the validity of these ideas, the Army has rewritten its field manual and drawn up a new battle plan "Airland Battle 2000" based on maneuver warfare.³⁵ But the Army needs to be watched closely to ensure that these documents represent a genuine revolution in strategic thinking and not just a political ploy to silence criticism.

Tactical Air Force Programs

The Administration is planning to increase its tactical fighter strength with the formation of four new fighter wings. Funding in FY 1982 and FY 1983, however, has gone solely to modernize existing forces. Ironically, procurement of Air Force tactical fighters in FY 1982 and FY 1983 will drop below that of the two previous years during which 379 and 282 fighters were procured. The Air Force bought only 216 fighters in FY 1982 and is requesting only 182 in FY 1983. At the same time, the Soviets are building 1,300 good quality fighters a year, with three new models in testing stages.

How can the U.S. hope to achieve air superiority with such an asymmetrical effort? The Air Force traditionally has tried to overcome numerical inferiority by designing more technologically sophisticated aircraft to achieve highly favorable exchange ratios against their Soviet counterparts. Technological fixes in development or initial production to maintain technological superiority include: AMRAAM, a beyond-visual-range radar guided missile; LANTIRN, an infrared imaging system allowing U.S. fighters to attack land targets at night and "under the weather"; and an advanced infrared-imaging version of the Maverick air-to-surface missile.

³⁴ See, for example, Edward Luttwak, "The American Style of Warfare and the Military Balance," Survival (March/April 1979), pp. 57-60.

³⁵ John Fialka, "Army Shifts Strategy to Give Smaller Units Room to Maneuver," Wall Street Journal, January 22, 1982, p. 1.

The effectiveness of these programs, however, is not assured. Some military experts question the value of AMRAAM in the absence of a viable IFF system and in the presence of Soviet anti-radar missiles that would home-in on the radar emissions needed to guide U.S. missiles.³⁶ Testing of all these systems has been artificial and hardly representative of authentic battlefield conditions.³⁷ Fans of the F-16 are especially upset with Air Force plans to deploy LANTIRN, a \$5 million system, on an airplane designed as a low cost day fighter.

Critics deserve a fair hearing by Congress to help determine the true effectiveness of Air Force modernization programs. But whatever the verdict, the Air Force needs far more fighters than the numbers called for by the Reagan budgets--four more fighter wings at the minimum--to offset Soviet tactical modernization programs, which are proceeding at a faster pace than in the West, and to provide sufficient numbers of planes to meet the requirements for both European and Persian Gulf contingencies. (Currently those fighters assigned to the Rapid Deployment Force are also earmarked for Europe.)

Naval Programs

The Administration's military policy correctly calls for naval superiority. If the West is to avoid defeat in Europe or South Asia, it is essential to secure the sea lanes for transporting reinforcements to overseas theaters and to keep the Soviets from outflanking NATO in the North Atlantic and Mediterranean. To offset Soviet advantages in ground and tactical air forces in Europe and South Asia, the West will also have to rely heavily on naval strike power (aircraft and cruise missiles).

To achieve naval superiority, the Administration wants to expand U.S. naval forces by 1990 from thirteen to fifteen carrier battle groups, from zero to four "surface action groups" (SAGs) organized around reactivated battleships, from eight to ten underway replenishment groups, and from 90 to 100 attack submarines. In addition, the Navy intends to increase Marine lift capability by 50 percent.

Major ships to be procured over the next five years include: six Trident ballistic missile submarines; seventeen Los Angeles class attack submarines; two 90,000 ton, 90-aircraft nuclear powered Nimitz-class aircraft carriers; eighteen AEGIS air defense

³⁶ This point is made by Pierre M. Sprey, former Special Assistant in the Office of the Secretary of Defense and research scientist for Grumman Aircraft and now defense consultant, in his briefing "Comparing a Quarter Century of Fighters: F-100 to F-18."

³⁷ For a disturbing illustration of this with regard to the Air Force Maverick missile, see the three-part series of articles in the Washington Post (February 23, 24 and 25, 1982) by Morton Mintz.

cruisers and four guided missile destroyers to protect aircraft carriers from Soviet air launched cruise missiles; twelve guided missile frigates to be used in low threat environments; twenty-four mine countermeasure ships; ten amphibious landing dock ships; and forty-seven auxiliary ships. Total cost of the Navy's FY 1983-FY 1987 shipbuilding program: \$80 billion.

In addition, the Navy wants to buy some 1,917 aircraft over the next five years, including 144 F-15 air defense interceptors at \$49 million per copy and 552 F/A-18 light attack aircraft at \$33 million each, as well as 750 cruise missiles for deployment on attack submarines, surface ships, and aircraft. One-third of the cruise missiles will be used for tactical anti-ship missions, one-third for tactical land attack missions, and one-third for nuclear strike missions. The cruise missiles will greatly improve U.S. ship-to-ship missile capability, an area in which the Soviets now lead. Long-range nuclear cruise missiles will enable the U.S. to offset some of the Soviet advantages in theater nuclear missiles. These programs should be given the highest priority.

But the Navy's planned force buildup, though large, is insufficient to meet wartime mission requirements. In the view of professional naval planners, true maritime superiority would require twenty-two carrier battle groups and 130 attack submarines for high confidence in carrying out wartime strategy.³⁸ This is not "pie in the sky" Pentagon planning. In a global war the Soviets could deploy some 50 cruise missile submarines, 125 attack submarines, 70 major surface warships, 50 Backfire bombers equipped with anti-ship cruise missiles, 168 Badger bombers similarly equipped, 50 "iron bomb" bombers, and 126 anti-submarine aircraft against U.S. naval forces consisting of eight or nine aircraft carriers, 60 surface escorts, 490 carrier-based aircraft, and 63 attack submarines.³⁹ The Navy's force expansion plans will add one carrier battle group and two to three surface action groups to U.S. forces deployed in wartime. On average, then, the Soviets could deploy against each carrier battle group: six cruise missile submarines, sixteen attack submarines, eight Backfire bombers, and 29 Badger bombers armed with long-range cruise missiles.⁴⁰ Soviet forces, of course, could be concentrated to increase the odds of sinking particular carriers.

³⁸ For carrier requirements, see Wilson, "U.S. Defense Paper...", op. cit. For submarine requirements, see statement by Vice Admiral J. G. Williams, USN, Deputy Chief of Naval Operations (Submarine Warfare), in Hearings on Military Posture and H.R. 2970, Part 3, p. 216.

³⁹ These figures represent 70 percent of the U.S. and Soviet naval forces, that portion which it is assumed would be ready for combat after several weeks mobilization. Frigates and small missile boats are not included. U.S. forces could be augmented by some 86 ocean and coastal attack submarines, two ASW carriers, one small attack carrier, 40 guided missile destroyers, and 28 gun destroyers, from NATO, Japanese, and Australian navies.

⁴⁰ It is unlikely that the Soviets will use their surface warships to directly attack U.S. carrier task forces, although they do have one Kirov class strike cruiser and eight smaller cruisers equipped with anti-ship missiles.

Large-deck carrier battle groups dispose an awesome offensive strike power, and they are formidably defended by F-14 interceptors (24 per carrier battle group), air defense missile ships, and various anti-submarine detection devices and weapons. The effectiveness of such systems against a coordinated Soviet barrage attack of torpedoes and air and sea delivered cruise missiles is, however, unknown.⁴¹ Many experts are skeptical and foresee heavy losses, especially if the Soviets use nuclear weapons.⁴²

The solution to the threat facing U.S. carrier task forces is not to build less capable smaller carriers that would suffer even heavier attrition if used offensively in "high threat" environments. It is rather to build more large-deck carriers and to improve task force air defenses with the deployment of more effective look-down airborne radars to detect cruise missiles, short-range anti-cruise missile missiles, such as the British Sea Wolf, and long-range anti-submarine weapons.

But even to achieve its more modest objectives, the Administration will have to spend far more than is planned. According to a recent Congressional Budget Office study, to meet its force objectives by 1992, the Navy will have to authorize for construction or conversion 176 ships between FY 1982 and FY 1988--29.3 per year--for a total cost of \$119 billion, or \$23.8 billion a year.⁴³ This does not include the costs of two carrier air wings--\$11.2 billion--or personnel and operations costs related to the force expansion.

The Administration's Five Year Shipbuilding Plan, however, funds only 149 ships at a cost of \$80 billion with procurement of over one-half of these ships delayed until FY 1986 and FY 1987.

⁴¹ Contrary to popular analyses, the loss of British surface ships to Argentine air delivered anti-ship missiles in the Falkland Islands war does not signal the end of surface navies. British warships were not operating as part of a large deck carrier task force with their extensive air defense capability. On the other hand, the Exocet firing Argentine Entendard aircraft hardly represent the magnitude of the Soviet air and submarine launched cruise missile threat.

⁴² There are at least two reasons why the Soviets might use nuclear weapons at sea against U.S. aircraft carriers: first, their military doctrine stresses that a major war between the U.S. and the USSR will almost certainly involve large-scale use of nuclear weapons and that by using them first the USSR would reap enormous military advantages. Second, collateral damage from nuclear war at sea would be slight. For a discussion of the nuclear threat to U.S. naval forces, see Joseph Douglas and Amoretta Hoerber, "The Role of the U.S. Surface Navy in Nuclear War," U.S. Naval Institute Proceedings (January 1982), pp. 57-63; and Linton Brooks, "Tactical Nuclear Weapons: The Forgotten Facet of Naval Warfare," U.S. Naval Institute Proceedings (January 1980), pp. 23-28.

⁴³ Congressional Budget Office, Building a 600 Ship Navy: Cost, Timing, and Alternative Approaches, March 1982.

Indeed, the FY 1982 shipbuilding/conversion budget amounts to only \$9.6 billion and funds only 22 ships. The FY 1983 budget is \$18.7 billion and funds 23 ships.

As with the Army and the Air Force, the Navy's force problems cannot be solved simply by buying more ships. If the U.S. Navy is to survive for more than a few hours against a Soviet attack, it must dramatically improve its capability to fight a nuclear war. It must also switch to more effective tactics based on force dispersal, minimal use of radar, and greater use of electronic deception.⁴⁴

Rapid Deployment Forces

U.S. capability to rapidly deploy ground forces in the Persian Gulf will not improve significantly in 1982-1983. The Administration wants to procure 50 C-5N transports for \$8 billion and 44 KC-10 cargo/tankers for \$3 billion between 1982 and 1986, which will increase by 50 percent U.S. airlift capability to the Gulf, making it possible to airlift three light brigades to Southwest Asia in two weeks. The first requests in FY 1983 are for two C-5Ns at \$860 million and eight KC-10s at \$829 million.

The Reagan Administration is also continuing to fund two Carter strategic mobility programs: the lease of eight SL-7 fast container ships capable of transporting the equipment of one U.S. Army mechanized division to the Persian Gulf in fifteen to nineteen days; and the purchase of twelve Maritime Pre-positioning Ships to hold the equipment and thirty days worth of supplies for a Marine division.

These programs would allow the U.S. in the late 1980s to deploy three divisions to the Gulf in four weeks: two "light" divisions, the 82nd Airborne (17,000 men) and a Marine Corps division plus air wing (50,000 men), and one "heavy" U.S. Army mechanized division (25,000 men). While sufficient to deal with local threats, these forces would lack the firepower and mobility to thwart a Soviet invasion of the Gulf. Moreover, the U.S. would still be short of rapidly deployable forces to seize critical strategic assets before the arrival of Soviet airborne divisions. Stationing a full Marine division on assault ships in the Indian Ocean, as some have proposed, would greatly enhance the RDF's capability for quick "forced entry" amphibious operations along the Indian Ocean littoral.⁴⁵ However, deploying 50,000 Marines at sea for a lengthy period would badly damage troop

⁴⁴ The U.S. Navy relies heavily on powerful, continuous emitting radars to scan the skies and horizon for enemy ships, aircraft, and cruise missiles and to destroy these with radar guided missiles. As such, U.S. fleets are extremely vulnerable to Soviet anti-radar missiles. See Thomas S. Amlie, "Radar: Shield or Target?" IEEE Spectrum (April 1982), pp. 61-65.

⁴⁵ Record, op. cit., p. 74.

morale and impair combat skills. For true rapid deployment, the U.S. will probably have to rely on airlifted troops. It is unnecessary to match Soviet ground forces in South Asia with airlifted troops, but U.S. airlift capability needs to be expanded beyond current plans. Airlifted troops also need to be equipped with more armor and mobile air defense systems. The Army is requesting \$210 million in FY 1983 for procurement of 392 Light Armored Vehicles, although disagreement with the Marine Corps over a common system has delayed a final production decision. Funding for mobile air defense systems for the RDF is minimal and should be substantially increased, in light of Soviet superiority in tactical air forces. If the U.S. wants to defeat a large-scale Soviet invasion of the Gulf, it also will have to significantly increase its sealift assets.

THE PRICE OF SECURITY

How much, then, will it cost for the U.S. to buy the military power needed to defend its interests against the Soviet challenge?

Merely to maintain America's armed forces at inferior 1980 force levels requires an annual procurement budget of \$70 billion.⁴⁶ To this must be added the costs of upgrading forces with new, improved weapons, which increases procurement costs by about 6 percent a year in real terms.⁴⁷ The cost of "steady state modernization" for the FY 1981-FY 1983 period would thus total \$222.9 billion and \$587.8 billion for the FY 1981-FY 1987 period. Actual expenditures in FY 1981-FY 1983, however, will be at the most only \$214.2 billion for a shortfall of \$8.7 billion. Thus, the U.S. is currently not even spending enough on defense to maintain forces at a constant inventory level. Only with the further 8 percent increase in defense spending next year will the procurement budget begin covering force modernization costs.

Chart XI
PROCUREMENT FUNDING FY 1981-FY 1983
(FY 1983 Dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Total</u>
Actual	54.8	69.8	89.6	214.2
Cost including Modernization	70.0	74.2	78.7	222.9

⁴⁶ The replacement cost of the U.S. arsenal in 1980 was \$1.75 trillion (FY 1983 dollars). Assuming an average 25 year service life, \$70 billion must be spent annually to maintain U.S. forces at a constant inventory level.

⁴⁷ Leonard Sullivan, "National Security Strategy and Defense Investment," in From Weakness to Strength: National Security in the 1980s, edited by W. Scott Thompson (San Francisco: Institute for Contemporary Studies, 1980), p. 343.

A further major problem is the dismal legacy of two decades of procurement underfunding. Between 1962, when the U.S. enjoyed a substantial degree of military superiority over the Soviet Union, and 1980, \$2.7 trillion would have been required to modernize and maintain U.S. forces at 1962 levels. Actual expenditures, however, totaled \$1.8 trillion for a shortfall of \$900 billion. Since 1970, when the U.S.-Soviet military balance stood at rough parity, U.S. procurement budgets have been underfunded by about \$350 billion. To recoup the force degradation suffered since 1970 and to keep the present force modernized would cost \$940 billion over the next five years. Yet the Administration plans to spend only about \$720 billion on procurement during this period.

Finally, there is the serious problem of rising weapons costs. In 1981 alone, the cost of the Pentagon's top 50 weapon systems grew on the average by 34 percent because of design changes, schedule changes, production cost misestimates, and greater than expected inflation.⁴⁸ Because these overruns are not covered by supplemental budgets, the Services in some cases are buying fewer weapons than authorized. The Army's AH-64 attack helicopter program, for example, has experienced huge cost overruns, and funding appropriated in FY 1982 to buy fourteen aircraft will now buy only eleven.

To more accurately estimate costs, the Pentagon has mounted an effort to maintain strict procurement schedules, use higher production cost estimates, and use higher inflation figures for tracked combat vehicles, aircraft, ships, and missiles. These and other measures associated with the Defense Department's new acquisition policy, such as multiyear contracting and funding to improve the productivity of the defense industry, have added \$13.5 billion to the FY 1983 defense budget without buying a single new weapon.⁴⁹

Nevertheless, the Congressional Budget Office believes that the Defense Department still has underestimated production costs

⁴⁸ The Pentagon has received much criticism of late for so-called cost overruns of its weapons programs, not all of it deserved. Weapons costs are reported publicly in DoD's quarterly Selective Acquisition Reports. These show cost increases or decreases due to: inflation, new estimates of production costs, design changes, schedule changes, and changes in the number of weapons to be procured. Over 80 percent of the huge cost increases in weapons programs reported for the 1980-1981 period was due to unanticipated inflation and schedule changes. The recently reported quarterly increase of 33 percent, the largest rise ever reported, is not due to bad management but rather reflects for the most part larger quantities of weapons to be procured by the Defense Department. Walter Mossberg, "Pentagon Says Biggest Weapons Projects Expected to Cost 33% More Than Forecast," Wall Street Journal, March 22, 1982, p. 10.

⁴⁹ Aviation Week and Space Technology, February 22, 1982, p. 59.

by \$48 billion over the next five years, and that the Administration's defense budgets fail to cover about \$61 billion worth of inflation.⁵⁰

In sum, to fully fund an adequate defense capability as discussed in this paper, the Administration's defense budgets for FY 1983-FY 1987 will have to be augmented by several hundred billion dollars.

COST-SAVINGS MEASURES

The defense budget must be structured to meet America's military requirements. Nevertheless, it is essential that the Administration also impose efficiencies and other cost-savings measures to defuse a growing popular feeling that the Pentagon wastes taxpayer dollars--a sentiment that gravely threatens the pro-defense consensus. In fact, at least \$5 billion in savings per year can be found through various operational efficiencies, price adjustments, and pay caps.

Operational Efficiencies

In FY 1982, the Defense Department reportedly achieved savings of \$900 million by improved economy and efficiency in operations. Another \$1 billion in savings is planned in FY 1983 through restricting travel, reducing consultant contracts, and consolidating base support functions. From FY 1981 to FY 1987, the Pentagon expects savings of \$6.9 billion which have already been taken into account in formulating the FY 1983-FY 1987 budgets.⁵¹

Additional savings of about \$400 million annually would be made possible by repeal of the Davis-Bacon Act of 1931, which has the effect of increasing federal construction costs.⁵² Another \$100 million could be saved through further base restructuring along the lines of a 1979 Defense Department proposal ignored by Congress.⁵³

⁵⁰ See statement by Alice Rivlin, Director of the Congressional Budget Office, before the Senate Appropriations Committee, February 25, 1982, p. 13; and "A Small Matter of a \$100 Billion Shortfall," National Journal, March 27, 1982, p. 548.

⁵¹ Office of the Assistant Secretary of Defense (Public Affairs), "Economy and Efficiencies in the Department of Defense," News Release No. 51-82.

⁵² William J. Lanoutte, "Foes May Use Salami Tactics to Wipe Davis-Bacon Act Off the Books," National Journal, September 5, 1981, p. 1587.

⁵³ Congressional Budget Office, Reducing the Federal Deficit: Strategies and Options, Part III (Washington, D.C.: U.S. Government Printing Office, 1982), pp. 51-52.

Price Adjustments

With oil prices declining, the Pentagon's fuel outlays in FY 1983 could be \$220 million less than originally budgeted. If FY 1982 fuel savings are applied to the FY 1983 budget, another \$900 million will be saved. In addition, the Foreign Currency Transaction Fund, established in 1979 to protect DoD's overseas operations from adverse fluctuations in the value of the dollar, contains \$300 million that can be applied to other defense programs if the dollar continues to be strong.

Pay Caps

Forty percent of the defense budget goes for military, civilian, and retirement pay. The Senate has approved a freeze on civilian pay and cost-of-living adjustments, as well as a limitation of military pay increases to 5 percent for FY 1983 savings of \$3.7 billion. There are still significant shortages in some military job specialties and additional compensation may be needed to fill these. But many defense experts believe that a 5 percent pay increase should be sufficient to sustain improvements in both enlistment and retention of the All Volunteer Force.

Another high cost in the defense budget is the generous military retirement system. The Congressional Budget Office has outlined a number of reforms in the system that could net \$3.5 billion in savings over the next five years.⁵⁴

In no way should the possibility of \$5 billion in defense savings be considered an appropriate rationale for reducing the overall defense budget. Because the budget is so inadequate, savings should be turned back in to fund needed weapons or pay for improved training and maintenance.

Instead, Congress is cutting the defense budget without trimming fat. Of the \$8.7 billion in cuts approved so far in the FY 1983 Senate Authorization Bill, over \$5 billion is the result of reductions in weapons procurement and R&D funding, including \$1.5 billion from cancelling the MX ICBM, \$255 million out of development funds for a survivable ICBM basing mode, \$107 million from civil defense, \$251 million to retire all B-52D bombers, \$697 million by delaying procurement of the AH-64 helicopter, \$324 million for cancelling purchase of 20 A-10 close air support aircraft, \$200 million off ballistic missile defense, \$95 million through early retirement of thirteen destroyers, \$450 million by cutting in half procurement of the LAMPs III ASW helicopter, and \$150 million to slow production of the Navy's anti-radiation missile.

⁵⁴ CBO, op. cit., pp. 49-51.

DEFENSE SPENDING AND THE ECONOMY

Many in Congress seek such large cuts in the defense budget because they fear that the Administration's \$1.6 trillion rearmament program will severely damage the economy. They are listening, in particular, to economists such as MIT's Lester Thurow, who argue: that the defense budgets will add significantly to the federal deficit and thereby prolong the recession by keeping interest rates high; that increased weapons production will divert high technology production capability and skilled manpower away from the consumer sector leaving the U.S. in a weaker position vis-a-vis competition with foreign businesses; that the drain on materials will also cause significant "bottleneck" inflation.⁵⁵

These arguments are overstated. Consider first inflation. In their report to Congress on the FY 1983 budget, the President's Council of Economic Advisers acknowledged that "the substantial transfer of resources in the durable sector to defense production may increase relative prices in at least some of the affected industries."⁵⁶ However, the CEA went on to say, "the U.S. economy as a whole should be able to accommodate the projected expansion in defense spending without experiencing an increase in the general inflation rate."⁵⁷ This is certainly true historically. When, during the Eisenhower and Kennedy Administrations, defense spending consumed 9 to 10 percent of the Gross National Product, inflation was slight. As a matter of fact, inflation soared during the 1970s--at the very time that defense spending declined.

The CEA admits that the military buildup may lead to "some temporary crowding out of private investment," but in the long term it need not have an adverse effect on growth in the consumer sector, as history again shows.⁵⁸ From 1953 to 1972, the economy grew by 5 percent a year in real terms. During the 1953-1960 period, defense spending averaged 9.5 percent of GNP, and from 1961 to 1972, 8.0 percent. By comparison, under the Reagan Five Year Defense Plan for FY 1983-FY 1987, defense spending as a percentage of GNP will rise from a mere 6.3 percent in FY 1983 to only 7.4 percent in FY 1987. The enhanced defense budget recommended in this paper would raise the defense percentage of GNP by at most a further 1.0 percent.

⁵⁵ For these arguments, see Lester Thurow, "Beware of Reagan's Military Spending," New York Times, May 31, 1981, p. F3; and Joint Economic Committee Staff Study, The Defense Buildup and the Economy, February 17, 1982.

⁵⁶ Council of Economic Advisers, Economic Report of the President, February 1982, p. 86.

⁵⁷ Ibid.

⁵⁸ Ibid.

Chart XIII
DEFENSE SPENDING AS PERCENTAGE OF GNP: 1953-1980

<u>Calendar Years</u>	<u>% GNP</u>
1953-56 average	10.2
1957-60 average	8.7
1961-64 average	8.4
1965-68 average	8.1
1969-72 average	7.7
1973-76 average	5.7
1977-80 average	5.1

As for the deficit, its relation to defense spending is, in general, misunderstood. The difference between a 3 percent real growth in defense--the nation's commitment to NATO--and the Administration's budget is \$20 billion in outlays in FY 1983. This \$20 billion would raise the national debt of slightly over \$1 trillion by 2 percent. Adding another \$20 billion to the defense budget in FY 1983 to bring funding more in line with military requirements would raise the national debt by 4 percent. The impact of this increase on interest rates would be relatively slight. The main reason for high interest rates today is not the deficit, but the erratic and inconsistent monetary policy of the Federal Reserve Board. Japan and Germany are both running deficits, which amount to a far larger percentage of GNP than does that of the U.S., yet they are still experiencing healthy growth. Their secret: tight monetary policies and higher rates of savings among consumers.

Domestic economic conditions are legitimate concerns in determining the size of the defense budget. A stable and growing economy is essential for a popularly supported foreign and military policy. The Administration's defense budgets, however, do not threaten the economy with collapse. But Soviet military power, if not immediately countered, could well destroy the basis for any "free" economy at all.

DEFENSE SPENDING AND SOCIAL WELFARE

A frequent criticism in "Op-Ed" pages is that the Administration's defense buildup is being financed at the expense of the poor, the elderly, the handicapped, and so on. This plainly distorts the facts. Over the next five years, the proportion of the federal budget devoted to defense will rise from 25.9 percent to 37.2 percent, a level last recorded in 1971. At the same time, the share of the federal budget going for welfare entitlement programs will remain at 44.8 percent. In fact, entitlement programs will grow by 1.5 percent a year in real terms under the Reagan budgets.

Admittedly, entitlement growth will be heavily weighted in three program areas--Social Security, Medicare, and Medicaid--and funding for some entitlement programs will be reduced. But the cuts amount overall only to a 5 percent reduction in FY 1982 spending levels. Second, they are not occurring in programs that help the very poor or needy. Third, the shift in spending emphasis in the federal budget comes after two decades of massive entitlement growth and shrinking defense budgets. In 1960, defense consumed 50 percent of the federal budget, human resources 23 percent. In 1980 the percentages were roughly reversed--26 percent for defense, 53 percent for human resources. During the decade of the 1970s, as the Soviet defense budget grew by 4 percent a year, U.S. defense spending increased in real terms by only 1.4 percent, while social spending soared by 4.9 percent a year.

CONCLUSION

In pursuit of the military superiority consistent with their overall political objectives, Soviet leaders have put their nation's economy on a semi-mobilized war footing, devoting close to 15 percent of Soviet GNP to defense at the cost of depriving their citizens of commonplace conveniences and semi-luxuries enjoyed by all Western societies. At the same time, the U.S. Congress balks at raising defense spending to 6.3 percent of GNP, raising serious questions about the determination of free societies to stand up to the national will of communist states.

Under pressure to do something about the economy and seemingly without due consideration of the Soviet threat, Congress is prepared to cut the Administration's defense budget. This action will assure U.S. military inferiority throughout the decade and will place the security of the U.S. in the hands of Moscow. If Congress genuinely desires such cuts in the defense budget, the members should openly admit to, and take responsibility for, the inevitable reductions in military commitments, worldwide, which would follow from this. Such a retreat is hardly consistent with America's role as leader of the free world.

The FY 1983 defense budget debate has focused thus far almost exclusively on the economics of defense. It is time now to consider the budget in terms of military requirements, stable deterrence, and the realities of the Soviet threat. The decade of the 1980s will be one of high risk for the security and freedom of the United States and all the Western world. Already Soviet military superiority threatens to blackmail the West into submission. As they stand, the Administration's defense budgets cannot reverse the West's military decline. If substantially more dollars are not allocated for defense immediately, Soviet military power will be overwhelming by the late 1980s, the Kremlin's objectives will be realized--without the risk of war.

Robert Foelber
Policy Analyst