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Lawrence J. Korb

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Budgetary constraints, the level of Federal spending, and the rate of inflation are familiar political topics to all informed Americans, but their impact on the defense budget over the next 8 years must be a cause for the military professional's particular concern. Given the likelihood that some arbitrary ceiling will be placed on defense spending, a figure of \$100 billion has been suggested; increasing costs for personnel and inflation will prove to be crucial factors in determining the relative share to be spent on military procurement, construction, operations, and research and development. The key to holding DOD spending below \$100 billion through the 1970's, without reducing military strength to an unacceptable level, lies in controlling inflation. A sustained inflation of only 4 percent would leave no room in the DOD budget for future innovation; rather it would guarantee that substantial cuts in preparedness would have to be made. (See page 11.)

THE \$100 BILLION BUDGET THRESHOLD: ITS IMPLICATIONS UPON THE FUTURE OF THE DEPARTMENT OF DEFENSE

An article

prepared by

Professor Lawrence J. Korb

Since the creation of the Department of Defense (DOD) in 1947, arbitrary ceilings have always been placed upon outlays for military programs. Although these constraints have usually been explicit, they have been expressed as a percentage of the total budget or of the gross national product (GNP). For example, Truman's ceiling on defense was one-third of the total budget, while Eisenhower set a limit of 10 percent of the GNP. More recently the Nixon administration has used a ceiling of 7 percent of the GNP.

However, for a number of reasons, a new type of ceiling is being placed upon DOD spending. It is apparent from congressional statements and from the

campaign proclamations of both political camps that a \$100 billion defense budget is emerging as a threshold figure for the Pentagon at least for the remainder of this decade.¹

Assuming that this is a real political constraint, our purpose here will be to examine the implications of this limit on future manpower levels and weapon systems development and procurement in DOD. In examining future costs for DOD, the influence that two different rates of inflation would have on DOD budgeting will be considered: a high rate of 4 percent and a low one of 2.5 percent. Most economists feel that the average inflation rate for the remainder of the decade will fall somewhere

between these two figures. Presently the rate is just above 3 percent.

Personnel. Outlays for manpower in FY 1973 totaled \$41.6 billion. This is about 53 percent of the final DOD budget. Personnel expenditures are made in four categories: military active, civil service, military reserve, and military retired.

For this fiscal year the administration projects an average active duty military strength of 2.396 million men. Although this represents a decline of 1.2 million men from FY 1968, the cost of this force will be \$22.8 billion. This is almost \$5 billion more than a force which was 50 percent larger 5 years ago. Three factors are responsible for this dramatic increase in personnel costs. They are: inflation, efforts to achieve an all volunteer Army, and the attempt to make Government salaries compatible with those in the private sector.

Both the President and the Secretary of Defense have stated that military manpower will level off at 2.3 million.² If this is so, then the cost of active duty military manpower in FY 1977 will be between \$25.9 billion and \$27.2 billion, while in FY 1980 the cost will be between \$30.4 billion and \$33.4 billion. The lower figures are based on an inflation rate of 2.5 percent, while the higher figure assumes an average inflation rate of 4 percent. These figures also allow for a 3 percent rise in productivity but do not include any additional funds for a volunteer Army or for further comparability adjustments.

The cost of civil service personnel in FY 1973 is \$12.8 billion for just over 1 million people. In FY 1968 the total civil service payroll for 1.3 million people was \$10.3 billion. This represents a rise in costs of \$2.5 billion for 300,000 fewer people or an increase in the per person cost from \$8,050 to \$12,281.

Present indications are that the civilian labor force in DOD will level off at 1

million men. If this prediction holds true and assuming no further legislation to increase civil service salaries, then the Pentagon will be spending between \$15.4 billion and \$16.2 billion for its civilian help in FY 1977 and between \$18.0 billion and \$19.8 billion in FY 1980.

Currently there are just over 1 million reservists and National Guardsmen drawing drill pay. The expenditure for these citizen soldiers in FY 1973 will be \$1.7 billion. Based on the same assumptions as for active duty people, the cost of 1 million reservists in FY 1977 will range between \$2.1 billion and \$2.2 billion, and \$2.4 billion and \$2.6 billion in FY 1980.

In FY 1973 approximately 937,000 men and women will be drawing military retired pay. Since the military retirement system is not separately funded, DOD must pay all retirees' salaries out of its current budget. In FY 1973 this amount will be at least \$4.3 billion. If some form of recomputation should be passed, the cost could rise to \$4.8 billion. By the end of the decade there will be about 1.3 million people drawing military retirement pay. Without recomputation the cost will be between \$6.0 and \$6.3 billion in FY 1977 and between \$7.5 and \$8.2 billion in FY 1980. With recomputation the cost will rise by about \$4 billion annually.

Table I compares the present cost of personnel with the projections for FY 1977 and FY 1980. Assuming that \$100 billion remains a threshold figure, the Pentagon will have somewhere between \$36.0 and \$41.7 billion available for investment and operations in FY 1980. If the average inflation rate for the rest of the decade is 4 percent, DOD will actually have less in current dollars for operations and investment³ than they do now. When seen in terms of FY 1973 dollars, the squeeze on operations and investments in 1980 after a period of 4 percent inflation is all the more striking.

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TABLE I—PERSONNEL COSTS

Category	Present	FY 1977		FY 1980	
		Low	High	Low	High
Active Duty Military	22.8	25.9	27.2	30.4	33.4
Civil Service	12.8	15.4	16.2	18.0	19.8
Reserve	1.7	2.1	2.2	2.4	2.6
Military Retired	4.3	6.0	6.3	7.5	8.2
Total	41.6	49.4	51.9	58.3	64.0
Remainder for Investment and Operation in Current Dollars	37.0	50.6	48.1	41.7	36.0
In FY 1973 Dollars	37.0	45.5	40.4	34.1	26.0

Procurement. FY 1973 was an extremely crucial year for DOD in the procurement area. It was during this year's budget process that the Pentagon and the administration received authorization for several controversial weapon systems that will insure heavy spending in this area for the remainder of the decade. Obviously some of these weapon systems could be cancelled at a later date, but the funds already invested and the cancellation costs would seem to make such decisions unlikely. Table II contains a list of the major weapon systems and the amounts approved through FY 1973.

Outlays in the procurement area for FY 1973 will be about \$16 billion. However, the new obligational authority approved by Congress amounted to almost \$19 billion, suggesting that expenditures will rise significantly in the next few years.

Assuming that the major weapon systems listed in table II are completed, that there are no further major innovations, and that there are no cost overruns beyond inflation, annual procurement costs will rise to between \$21.6 and \$21.8 billion by FY 1977 and then decline to between \$20.0 and \$20.2 billion by the end of the decade. As indicated in table II, total expenditure for the major weapon systems alone will be over \$60 billion.

Procurement costs are the most vola-

tile area in the defense budget. President Nixon has indicated that in the absence of the SALT agreement, he would have had to ask Congress for an additional \$15 billion annually for procurement.⁴ In 1972 the average cost overrun on a major weapon system was 19 percent.⁵ Thus our projections must be taken as a minimum figure.

Construction. Construction outlays are generally divided into two categories: family housing or military facilities. In FY 1973 about \$0.7 billion was authorized for family housing and \$1.6 billion for military facilities.

Family housing will probably have to remain at least at the FY 1973 level if the volunteer Army is to become a reality. The Navy has estimated that even at the present high rate of construction (up 60 percent since FY 1968), it will take 10 years to eliminate the enlisted housing shortage and 22 years to do away with the officer housing shortage.⁶ Therefore, by FY 1977 we can expect family housing outlays to be between \$0.7 and \$0.8 billion. By the end of the decade these outlays should be between \$0.8 and \$0.9 billion.

Construction of military facilities is tied primarily to new weapon systems, e.g., the Trident submarine will require new refit facilities. If the major weapon systems are completed and no new ones

TABLE II—MAJOR PROGRAMS TO WHICH THE ADMINISTRATION IS COMMITTED
(Figures are in Billions of FY 1973 Dollars)

Program	Estimated Total Cost	Approved by Congress through FY 1973	Remainder
MIRV	8.5	4.7	3.8
Poseidon	4.8	3.3	1.5
Trident	15.0	1.1	13.9
AWACS	2.7	.2	2.5
SAM-D	5.2	.5	4.7
B-1	11.1	1.1	10.0
F-15	7.3	1.9	5.4
F-14	5.2	3.4	1.8
S-3A	3.2	1.3	1.9
P-3C	2.4	1.2	1.2
CVN ¹	4.0	.3	3.7
SSN ²	10.9	3.1	7.8
DD-963	2.7	1.1	1.6
AX	1.6	.2	1.4
Total	84.6	23.4	61.2

¹ Assumes that one CVN will be funded every other year.

² Assumes that 6 SSN's will be funded annually.

Sources: Various authorization and appropriations hearings and reports on the DOD budget for FY 1973 and Comptroller General of the United States, *Acquisition of Major Weapons Systems: Report to the Congress B-163058*, July 17, 1972, p. 63-65.

authorized, construction costs in this area will peak at between \$2.2 and \$2.3 billion in FY 1977 and will be between \$2.1 and \$2.2 by the end of the decade. This, in turn, will mean a total military facility construction expenditure of between \$2.9 and \$3.0 billion by FY 1977 and between \$2.8 and \$3.0 in FY 1980.

Research, Development, Test, and Evaluation (R.D.T.&E.) R.D.T.&E. funds have remained constant in real terms for nearly a decade, and administration spokesmen expect this trend to continue indefinitely.⁷ Funds for this category in FY 1973 amounted to \$7.3 billion. Therefore, costs in this area should only rise to between \$8.6 and \$9.1 billion in FY 1977 and between \$9.3 and \$10.2 billion by the end of the decade.

Military Assistance. Military assistance is the most vulnerable area in the

DOD budget. Inasmuch as this program has no real domestic constituency, Congressmen feel free to reduce it with relative impunity. Therefore, no real increase is projected in this area, and the cost will rise with inflation from the present \$1.8 billion to between \$2.1 and \$2.2 billion by FY 1977 and to between \$2.2 and \$2.4 billion by the end of the decade.

Operations and Maintenance (O&M). Nonpay O&M costs include ship and aircraft fuel; transportation and travel; overhaul of ships, aircraft, and other weapons; and medical supplies and services. Expenditures in this area, excluding the cost of operations in Vietnam, will be about \$9.5 billion for FY 1973.

These costs are dependent upon inflation and the type of weapons that are maintained and operated. In FY 1964, the last prewar year, the operating costs

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of a larger number of less complex hardware systems amounted only to \$6.2 billion. Based upon the inflation rate and the introduction of the new and more complex weapon systems, however, O&M costs should rise to between \$10.5 billion and \$11.2 billion by FY 1977 and to between \$12.1 and \$14.0 by FY 1980. If the delivery schedule of the weapon systems should experience some slippage, O&M costs could rise even higher if an attempt is made to maintain obsolescent weapon systems beyond their useful life, e.g., a ship beyond 30 years.

Summary. Table III summarizes the total nonpersonnel costs for the 2.5 percent and 4 percent inflation rates. The costs for FY 1977 and FY 1980 are basically the same. This is because the drop in procurement balances the rise in other categories. It should be emphasized again that the drop in procurement occurs because of the completion of the currently proposed weapon systems. The procurement projections do not include any new weapon systems

beyond those already proposed.

Table IV looks at the total expenditures for the proposed personnel and weapons programs. At the 4 percent inflation path, the present programs will reach the \$100 billion threshold in FY 1977 while at the lower rate of inflation the threshold will be crossed about FY 1979. If the Nixon administration achieves its goal of 3 percent inflation, defense spending should reach the \$100 billion level by FY 1972.

If the threshold figure of \$100 billion should become a real constraint for the remainder of the decade, clearly certain programs and/or personnel will have to be eliminated.

Personnel is and will continue to be the most expensive item in the defense budget. If personnel costs remain at or near 53 percent of the total budget, defense spending could be kept under \$100 billion through the end of the decade. As indicated in table III, nonpersonnel costs never exceed \$50 billion.

Reductions in the personnel category must be made in the areas of active duty

TABLE III—NONPERSONNEL COSTS
(Figures are in Billions of Current Dollars)

Category	Present (FY 1973)	FY 1977		FY 1980	
		Low	High	Low	High
Procurement	16.1	21.6	21.8	17.6	17.8
Construction	2.3	2.9	3.0	2.8	3.0
O&M	9.5	10.5	11.2	12.1	14.0
R.D.T.&E	7.3	8.6	9.9	9.3	10.3
MAP	<u>1.8</u>	<u>2.1</u>	<u>2.2</u>	<u>2.2</u>	<u>2.4</u>
Total	37.0	45.7	48.1	44.0	47.5

TABLE IV—TOTAL EXPENDITURES
(Figures are in Billions of Current Dollars)

Category	Present		FY 1977				FY 1980			
	\$	%	Low		High		Low		High	
			\$	%	\$	%	\$	%	\$	%
Personnel	41.6	(53)	49.4	(52)	51.9	(52)	58.3	(57)	64.0	(58)
Nonpersonnel	<u>37.0</u>	(47)	<u>45.7</u>	(48)	<u>48.1</u>	(48)	<u>44.0</u>	(43)	<u>47.5</u>	(42)
Total	78.6		95.1		100.0		102.3		111.5	

military and civil service personnel. The number of retirees or their pay levels cannot be changed, and the cost of reservists is marginal.

To bring FY 1980 personnel expenditures down to the \$52 billion level with a 4 percent inflation rate would mean a reduction of \$12 billion. If the military and civilian payrolls were reduced in the same proportion as in the FY 1968-73 period, this would necessitate a reduction of 530,000 military men and 216,000 civilians. This would leave 1.85 million men serving actively in the military with 723,000 civil servants working for the Department of Defense. If this were done gradually over the next 7 years, about 75,000 military personnel and 30,800 civilians would have to be released annually.

However, if the inflation rate is held to 2.5 percent, only \$2.3 billion in personnel costs would have to be eliminated. This could be accomplished by eliminating 100,000 military and 40,000 civilians, leaving 2.2 million military and 960,000 civilians in DOD at the end of the decade.

If the administration should continue to maintain that a 2.3 million man armed force is necessary to assure national security, there are additional ways of effecting savings in the personnel area. The most obvious way would be to reduce the proportion of high-level military and civilian personnel in DOD.

From FY 1964, the last pre-Vietnam year, to FY 1973 there has been an 11 percent decrease in military personnel. Despite this reduction in total personnel, the number of flag officers has increased by 25, the number of colonels and lieutenant colonels (captains and commanders in the Navy) has increased by 2,552, and the number of high-level enlisted men (E-7, E-8, and E-9) has grown by 36,853. The House Appropriations Committee has estimated that this increase in grade level, or "grade

creep," will cost about \$1.3 billion in FY 1973.⁸

The civil service situation is not quite as bad. Programs enacted in 1970 by the Office of Management and the Budget (OMB) have succeeded in reducing the average grade level for civilians in the FY 1973 budget. However, within DOD the number of supergrade civilians has remained virtually unchanged at 1,625 since FY 1968, despite a reduction in the civilian work force from 1,287,000 to 1,036,000, or almost 20 percent.⁹ Maintaining these additional supergrade civilians costs about \$30 million a year.

Thus, if the Pentagon could arbitrarily reduce the number of high-level positions, the total annual savings would be about \$1.33 billion. However, such a step is neither practical nor legal since the personnel have certain tenure rights. Nevertheless, the Department of Defense could begin to slow down promotions, thereby reducing "grade creep" through retirements. Annual savings of at least \$0.4 billion in FY 1973 dollars could be realized in this fashion. The majority of these high-level reductions would be in the command/headquarters category, where the Senate Armed Services Committee, in its report on the FY 1973 Defense Authorization Bill, has concluded that a 25 percent reduction could be made without an adverse impact on defense capability.¹⁰

Support and the procurement activities also offer areas where savings can be effected without reducing manpower. Indirect support costs in the FY 1973 budget accounted for 27 percent of the overall total.¹¹ These costs include such items as recruit and specialized training, pilot training, personnel assignments, depot-level maintenance functions, headquarters operations, and base operations. The average support cost per military person is almost \$1,300.

The largest waste in the support area results from the operation of "excess" bases. Former Deputy Secretary of Defense David Packard estimated that

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about \$1 billion a year could be saved by closing unnecessary bases,¹² and Admiral Zumwalt, the Chief of Naval Operations, conjectured that if the Navy could close all the bases it ought to close, a quarter of a billion dollars per year could be saved by his service alone.¹³

Another large area of inefficiency in support costs results from excess personnel transfers. Personnel transfers are expensive for two reasons. First, there is the cost of the move itself, e.g., in FY 1973 each rotational move will cost about \$1,400 while each operational transfer will amount to \$800. Second, there is the cost of additional personnel who are unable to perform a military mission because they are in a transient status. In FY 1972 the equivalent to 97,000 men were totally occupied by such transitions.¹⁴

Presently the average tour length for a member of the Armed Forces is 10.4 months, as opposed to 13.0 months in FY 1964.¹⁵ While the year-tour policy for personnel assigned to Vietnam was responsible for shortening the average tour length, the decrease in the number of personnel transfers has not kept pace with reductions in the number of troops stationed in Vietnam. Indeed, the Senate Armed Services Committee has recommended a reduction of 12,000 man-years of transient personnel for FY 1973 at an estimated savings of about \$0.1 billion.¹⁶ If the services begin now to extend tour lengths, there is no reason why the tour lengths cannot be brought back up to FY 1964 levels by FY 1974. Such an increase would result in an annual savings of about \$0.5 billion in FY 1973 dollars.

Thus, closing excess bases and increasing tour lengths to 13 months would result in an annual savings of about \$1.5 billion. Additional, but smaller, savings could be achieved by such actions as eliminating flight pay for colonels and generals assigned to non-combat operational assignments; doing

away with reenlistment bonuses for personnel with over 14 years of service; bringing pilot training into line with operational needs; increasing reliance upon on-the-job training; and decreasing the cost of maintenance per flying and steaming hour.¹⁷ The total of these smaller savings would be about \$530 million,¹⁸ and thus total annual savings in the support area would be about \$2.03 billion in FY 1973 dollars.

As table II indicates, there are many controversial and expensive weapon systems in various stages of development at the present time. Before discussing which systems could be eliminated without jeopardizing national security, it must be noted that some of these systems have already progressed so far that no real savings could be effected by eliminating them,¹⁹ e.g., F-14, S-3A, and F-15 aircraft and the Poseidon and MIRV programs. However, no such obstacle is present in the case of B-1, SAM-D, AWACS, Trident, or CVN-70. Only relatively small percentages of their total costs have already been expended.

The total cost of the B-1 will be about \$11.1 billion. If it were eliminated, about \$1.7 billion a year could be saved from FY 1975 to FY 1980. In view of the fact that the United States already has 360 more heavy bombers than the Soviets²⁰ and that the United States is dramatically increasing the number of warheads on its land- and sea-based launchers through the MIRV and Poseidon programs, it makes little sense to expend over \$11 billion on a weapon system that will only add marginally to our deterrent capability.

SAM-D and AWACS are designed to protect our cities against Soviet bombers. In view of the fact that the Soviets have relatively few bombers (140) and that the United States has agreed to forego nationwide defenses of our population against Soviet missiles, it makes little sense to build either SAM-D or AWACS. Cancelling these systems

and limiting our air defenses to a surveillance role against unauthorized penetration of U.S. air space and defense against light attacks could save \$2.2 billion annually in FY 1973 dollars.²¹

A plausible case can be made for the development of Trident, but in view of the SALT I agreement and the possibility of SALT II within the next few years, it is foolish to undertake a crash program to complete Trident by FY 1978. Slowing down Trident to its previous schedule, i.e., completion in the early 1980's, can save about \$1.0 billion annually²² by eliminating the inefficiencies that will result from simultaneous development and production of a weapon system.

If the Navy is to have the capability to maintain four carriers on station (two in the Atlantic and two in the Pacific) and have sufficient carriers available for contingencies and training, then it must have a carrier force of 12.²³ Moreover, if the maximum useful life expectancy of a ship is assumed to be 30 years, i.e., by this time such deterioration of the hull, propulsion plant, and basic installations has occurred that the vessel is no longer seaworthy, then the Navy must have a new carrier by 1980. Since it takes about 7 years for a weapon system to become operational, initial funding of CVN-70 in FY 1973 is defensible.

Therefore, the total savings in the procurement area are \$4.9 billion annually; \$3.9 billion from cancelling the B-1, SAM-D, and AWACS systems and the \$1.0 billion from stretching out the Trident program.

Thus, if all these non-manpower changes are effected, a total savings of about \$7.3 billion can be achieved (see table V). Because of inflation these savings will rise gradually along the 4 percent path to \$7.6 billion in FY 1977 and to \$8.3 billion in FY 1980. Along the 2.5 percent inflation path these savings rise to \$7.4 billion in FY 1977 and to \$7.9 billion in FY 1980.

The crucial role played by inflation, however, becomes readily visible when these results are compared with the figures for total expenditure as outlined in table IV. Should inflation be held to

BIOGRAPHIC SUMMARY



Professor Lawrence J. Korb did his undergraduate work at The Athenaeum of Ohio, his master's degree work in political science at St. John's University, and earned his Ph.D. in the field from the Graduate School of Public Affairs, State University of New York at Albany. He has taught in the general field of international politics at State University of New York and at the University of Dayton. As a naval flight officer he was on active duty from 1962 to 1966; he served in patrol squadrons ONE and on the staff of Commander Patrol Force 7th Fleet, spending 2½ years in the Western Pacific and Southeast Asia. Lieutenant Commander Korb continues to be active in the Naval Reserve, has lectured at the Naval War College, and is currently a member of the Humanities Department of the U.S. Coast Guard Academy.

TABLE V—NONMANPOWER SAVINGS
(Figures are in Billions of Current Dollars)

	Present	FY 1977		FY 1980	
		Low	High	Low	High
Grade Creep	.4	.4	.5	.6	.7
Support	2.0	2.1	2.2	2.4	2.7
Procurement	4.9	4.9	4.9	4.9	4.9
Total	7.3	7.4	7.6	7.9	8.3

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an average of 2.5 percent for the remainder of the decade, outlays for defense can be kept below \$100 billion merely by making a small reduction in support costs. The manpower and procurement areas can be left untouched provided no new major weapon systems are authorized and there are no cost overruns.²⁴

However, should the inflation rate reach the 4 percent level, then reductions must be made in personnel, support, and the procurement area if the

budget is to be kept below \$100 billion by the end of the decade. The \$8.3 billion saved in non-manpower areas will not be sufficient to keep the \$111.5 billion military budget (as projected under conditions of 4 percent inflation) within that \$100 billion ceiling. Furthermore, with 4 percent inflation, there will be no room in the DOD budget for innovation. Proposed items such as hard target warheads and cruise missiles would simply be out of the question.

FOOTNOTES

1. This was confirmed in interviews with OMB personnel.
2. Robert E. Semple, Jr., "President to End Draft Next July if Pay Bill Wins," *The New York Times*, 29 August 1972, p. 12:2.
3. Investment includes procurement, research and development, construction, and military assistance.
4. George Wilson, "SALT Forestalls Rise in Budget, Nixon Says," *Washington Post*, 30 June 1972, p. A-6:1.
5. "Man's Inhumanity to Man," *U.S. Congressional Record*, 19 September 1972, p. E7999.
6. U.S. Congress, Senate, Committee on Appropriations, *Military Construction Bill, 1973*, Report 92-1249, 92d Congress, 2d sess., 30 September 1972, p. 4.
7. Caspar Weinberger, *The Defense Budget*, Paper presented at the American Enterprise Institute Town Hall Meeting, Washington, D.C., 17 October 1972, p. 16.
8. U.S. Congress, House, Committee on Appropriations, *Department of Defense Appropriation Bill 1973*, Report 92-1389, 92d Congress, 2d sess., 11 September 1972, p. 24-25.
9. U.S. Bureau of the Budget, *The Budget of the United States Government for the Fiscal Year 1973 Appendix* (Washington: U.S. Govt. Print. Off., 1972), p. 1002-1013. Supergrade civilians are those holding civil service grades of GS-16 and above or Public Law 313 appointments paid at equivalent levels.
10. House Appropriations Committee, p. 63. These savings would total about \$.25 billion.
11. Martin Binkin, *Support Costs in the Defense Budget: the Submerged One-Third* (Washington: Brookings Institution, 1972), p. 10.
12. William Beecher, "Packard Charges Politics Bars Big Defense Savings," *The New York Times*, 14 December 1971, p. 1:2.
13. "Where Russian Threat Keeps Growing," Interview with Adm. Elmo R. Zumwalt, Jr., U.S. Chief of Naval Operations, *U.S. News & World Report*, 13 September 1971, p. 77.
14. House Appropriations Committee, p. 73; and Binkin, p. 22.
15. Binkin, p. 22.
16. House Appropriations Committee, p. 62.
17. In FY 1972 the Navy "saved" \$108 million from its ship overhaul program and reallocated it to other programs. House Appropriations Committee, p. 105.
18. The savings are estimated from House Appropriations Committee, p. 60-81; and Binkin, p. 16-29.
19. In addition to the funds invested, there is also the cost of cancelling the contract, e.g., it would cost about \$.1 billion to terminate the S-3A program, and the cost of an alternate weapon system, e.g., an F-4E costs 20 percent less than the F-15.
20. Nor are the Soviets expected to have any additional bombers by 1977. Department of State, *Peace, National Security and the SALT Agreements*, Press Release, 1 August 1972, p. 7.
21. Alton Quanbeck and Barry Blechman, "The Arms Accords: Everyone Gains," *Washington Post*, 4 June 1972, p. B1-B4.
22. *Ibid.*
23. For a complete discussion of the necessity of a 3 to 1 ratio, see David Ott, et al., *Nixon, McGovern and the Federal Budget* (Washington: American Enterprises Institute, 1972), p. 37; Published by U.S. Naval War College Digital Commons, 1973

and Melvin Laird, *Senator McGovern's Defense Posture: Implications for National Security*, 5 July 1972, p. 63-64.

24. If there are tremendous cost overruns in any of these weapon systems, DOD could compensate by buying fewer units. For example, the S-3A was reduced from 42 to 35 for FY 1973 when the cost increased \$250 million in the last 2 years.

NOTE: This article was prepared before the FY 1974 budget was made public. The FY 1974 budget requests a total obligational authority of \$85 billion and projects outlays of \$79 billion. It indicates that the Nixon administration will attempt to keep defense expenditures within acceptable limits by reducing military manpower. At the end of FY 1974, military manpower will be 67,000 below the 2.3 million level. The FY 1974 budget contains additional funds for all the major weapon systems listed in table II and maintains the predicted level of expenditures in the other categories. The only significant change results from the agreement between the Navy and Grumman to reduce the number of F-14's from 313 to 134. This will reduce the total cost of the F-14 program to \$3.5 billion.

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Cost-accounting has its limitations in an arena [warfare] where there is no salable product and no profit criterion.

Morris Janowitz: The Professional Soldier, xii, 1960