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FEDERAL CIVILIAN EMPLOYMENT

History.

Early in the federal government's history, civil servants were selected and employed principally through a "spoils" system. But in 1883, the U.S. Civil Service Commission (CSC) was established to administer a federal personnel system in which selection would be based on merit. A 1978 action divided the responsibilities of the CSC between four agencies, with the basic operations and personnel policies going to the new Office of Personnel Management.

o Programs.

-- Employment activities.

- * Recruitment program involves the conduct of nationwide searches through regional and area offices. The Job Information Center network posts job requirements and other information in various locations in hundreds of cities.
- * Personnel policy and management activities address such matters as pay, classification, standards for promotion, labor-management relations, and affirmative action for particular societal groups, especially veterans and the handicapped.

-- Retirement programs.

- * Employee contributions are required to make possible the provision of benefits in the event of workers' retirement or death. These contributions -- a set percentage of the workers' salaries -- are supplemented by contributions from the agencies for which they work and by transfers from the general fund to the retirement fund.
- * Eligibility to receive full benefits exists for workers who are 55 years old and have worked for the federal government for at least 30 years, for workers 60 years old who have worked at least 20 years, and for those at age 62 who have worked at least 5 years.

o Program changes.

- In 1962, a system was instituted to offer retirement cost-of-living increases when the Consumer Price Index increased by at least 3% and stayed at that level for at least 3 months.
- In 1969, Congress provided a 1% bonus to the workers to compensate for the lag in getting raises after increases in the CPI.

- In 1969, Congress enacted legislation to allow workers to retire at age 55 with full benefits.
- In 1976, Congress eliminated the 1% add-on to retirement cost-of-living increases. This practice was replaced with a provision for semi-annual increases based on the actual rise in the CPI.
- In 1978, the mandatory retirement age for federal workers was repealed.

o Coverage.

-- Employee pay.

- * In 1970, the number of non-Postal, full-time workers on the civil service rolls was 2.1 million.
- * In 1981, the number, including Postal annuitants, was 2.0 million.
- * And in 1982, the number was 2.0 million.

-- Retirement.

- * In 1970, the number of retired Federal employees and survivors receiving benefits was 958,000.
- * In 1981, the number, including Postal annuitants, was 1.8 million.
- * And in 1983, the number is 1.9 million.

o Costs.

-- Employee pay.

- * In FY 1970, the federal employee payroll totalled \$20.4 billion.
- * In FY 1981, the payroll totalled \$47.5 billion.
- * And in FY 1982, the payroll totalled \$49.6 billion.

-- Retirement.

- * In FY 1970, the amount of money paid out in retirement benefits was \$2.7 billion.
- * In FY 1981, the level was \$17.8 billion -- a more than five-fold increase in a decade.
- * And in FY 1982, the level was \$19.5 billion -- a 10% increase in a single year.

o Administration Action to Date.

-- For FY 1982:

- * President Reagan proposed, and Congress enacted, annual cost-of-living increases rather than the semi-annual increases that had existed since 1976.
- * Savings were projected to be \$253 million in FY 1982 and \$3.2 billion between FY 1983 and 1985.

-- For FY 1983:

- * President Reagan and Congress agreed to limit pay increases for blue collar workers to that for white collar workers -- 4% -- in FY 1983. This measure is expected to save \$1 billion.
- * President Reagan proposed, and Congress enacted, three retirement reforms that were projected to save \$3.9 billion over three years.
 - Delay the cost-of-living increases for federal retirees by 1 month for each of the following three calendar years.
 - Reduce the cost-of-living adjustment to one-half of CPI for federal retirees under age 62, but not for survivors and the disabled.
 - For military retirees who are employed in civil service positions, reduce their civil service pay by the dollar amount of military retirement COLA that they receive.

The President's Proposals for FY 1984.

o Employee salaries.

- The President's budget anticipates granting no pay increases for federal workers in FY 1984.

o Retirement.

- Require new federal employees to be covered by both Social Security and the Civil Service Retirement System.
- Move the age at which an employee may retire with full benefits from age 55 to age 65, but permit partial payment of retirement benefits at age 55 for non-disabled individuals with 30 years of service.
 - * Reductions would be 5% per year for each year of retirement before age 65.
 - * This reform would be phased in over a ten year period.

- Increase payments by employees and their agencies into the Civil Service Retirement Trust Fund to 9% in 1984, and to 11% in 1985. Currently, employees and their agencies each pay 7% of the employee's salary into the system, as well as 1.3% each for Medicare retirement benefits.
- COLA for retiree's pensions.
 - * For 1984, apply to federal retirees the six-month freeze on COLAs enacted for Social Security recipients.
 - * In 1985, allow full COLAs for retirees 62 and older based on the CPI. Retirees below age 62 would receive 50% of that amount.
- In three years, the Office of Personnel Management would return to the practice (called "High Five") of basing retirement benefits on the average of the employee's five highest yearly salaries. In 1969, this practice had been replaced by an averaging of the three highest yearly salaries ("High Three").

Justification (General).

- o Reduce costs. The President's proposals are expected to reduce government costs:
 - For payroll by \$3.3 billion in 1984.
 - For the retirement system by \$1.7 billion in 1984.
- o Restore the federal retirement system to sound financial footing.
 - The retirement system and its level of benefits grew sharply through the 1970s, to the extent that there exists today \$500 billion in unfunded liability.
 - The 7% of employees' salaries contributed into the retirement system amounts to only 20% of the level of funds needed to pay retirement benefits each year. The other 80% comes from the government, and ultimately the taxpayers.
 - The President's proposal to increase employee contributions to 9% in 1984 and to 11% in 1985 would result in the employees providing 50% of the amount needed to pay retirement benefits, thus placing the system on a more sound financial footing.

o Bring the federal employment and retirement system more in line with private sector.

- The elimination of cost-of-living pay increases during times of excessive spending parallels the private sector practice of holding salaries level, or even reducing them, during times of financial difficulty.
- The reduction of retirement benefits for those who retire early will bring federal retirement policy more in line with private sector practices, thereby reducing some of the financial strain on the federal retirement system.

Justification (Specific).

o Employment.

- A pay freeze for federal employees is in order.
 - * Federal costs need to be contained.
 - In 1970, federal employees' salaries totalled \$20.4 billion.
 - Now, they consume \$49.6 billion, or 2 1/3 times as much.
 - * The decline in the rate of inflation makes the pay freeze practical.
 - The inflation rate has fallen by more than two-thirds, from 12.9% in 1979-1980 to less than 4% for the last 12 months.
 - Therefore, employees would not be hurt significantly by a pay freeze now.

o Retirement programs.

- Coverage by both Social Security and the Civil Service Retirement System.
 - * This provision was necessary as part of a package to place Social Security back on a sound financial footing.
 - * The Office of Personnel Management has stated that it is prepared to offer an integrated Social Security pension plan for new federal workers.

-- Benefit restraint.

- * Encouraging employees to work longer will both increase contributions and reduce payout drain on the beleaguered retirement system.
- * By reducing benefits for early retirement, many employees with valuable knowledge and experience will be encouraged to extend their government service. This should increase government efficiency, and reduce training costs.

-- Increased contributions.

- * Though benefits have become increasingly costly, the percentage of salary employees contribute into the retirement system has remained constant since 1969.
- * The proposed increase in employee contributions would reduce the amount the taxpayers must provide.

-- COLA reforms.

- * COLA reforms are necessary because of the enormous drain such automatic benefit increases have on federal revenues.
 - COLAs are not funded under the retirement system's current financing structure. Thus, the payment of cost-of-living increases is a current tax burden that must be paid by existing workers.
 - Over the last 15 years, COLAs have boosted retirees' pay faster than active employees' pay has increased.

-- Return to "High Five".

- * High Three was instituted in 1969 to keep benefits abreast with high inflation.
- * The return to the High Five computing of benefits is more appropriate now that the President's economic program has substantially reduced the level of inflation.

Questions and Answers.

o Fairness to federal workers. Don't the pay freeze, Social Security coverage, pension contribution increase, benefit reductions and the earlier hiring freeze constitute an all-out assault on federal workers?

-- No. These measures are all necessary steps to keep the federal employment costs within reasonable limits and to keep the federal retirement system solvent.

* From 1970 to 1982, the total federal payroll increased from \$20.4 billion to \$49.6 billion.

* From 1970 to 1982, retirement costs increased from \$2.7 billion to \$19.5 billion.

-- Current federal civil service employees will continue to be covered only by the Civil Service Retirement System; they will not have to pay Social Security taxes as long as they continue working for the federal government.

* The Office of Personnel Management has stated that it is prepared to offer an integrated Social Security-pension plan for new workers.

-- Even with these changes, the federal systems would be substantially more generous than those in the private sector.

* Some studies have indicated that even after these changes, pay and benefits for federal workers would often remain better than those available to private sector workers.

* The President's proposal -- allowing unreduced benefits for retirees at age 65 and reducing them by 5% per year for those who retire as early as age 55 -- would result in retirement benefits for federal employees that are as good as, or better than, those offered to most private sector retirees. Beyond 1984, the Federal system would still provide cost-of-living adjustments. Few private plans offer COLAs fully indexed to the CPI.

o Cost-of-living increases. Federal employees have to meet expenses just like everyone else. If prices are going up, why shouldn't they get a cost-of-living increase?

-- The pay system was never intended to give cost-of-living increases merely for the sake of giving COLAs, but to provide annual increases to keep federal pay comparable with private sector pay. Some data indicates that the method for measuring comparability is faulty and that federal employees are receiving more pay than their private sector counterparts.

-- The pay law gives the President the authority to set lower pay increases when economic conditions make it necessary to do so.

-- With the inflation rate having fallen by two-thirds, freezing pay increases for a single year would not be harmful to federal workers.

o Retention of high quality workers. How can you expect to retain high-quality employees when you freeze their pay and increase their payroll taxes?

-- Since federal pay and benefits remain comparable and sometimes better than those in the private sector, no retention problem is anticipated.

-- If a recruitment or retention problem ever existed because of private sector competition, the government could use its Special Salary Rates Program to maintain its competitive position in those areas. This program allows for the provision of salary beyond the normal scale.

-- Promotions and limited merit pay increases would still be permitted.

LEGAL SERVICES CORPORATION

History.

The Legal Services Corporation (LSC) is a quasi-governmental agency established by Congress in 1974. The purpose of the LSC is to provide funding for legal assistance in civil cases to low-income persons who would otherwise be unable to afford legal counsel.

o The Program.

- The LSC is governed by an 11-member board of directors, which makes decisions independent of the Administration or state and local elected officials.
- The corporation funds legal aid programs for low-income persons, and makes grants to and contracts with individuals, firms, corporations, organizations, and state and local governments for the purpose of providing legal assistance to these clients.

o Program Changes.

- Congress has repeatedly sought to curb LSC abuses by limiting the types of legal cases and operating methods of local grantees.
- LSC's authorization expired in 1980. For the past two years, Congress has been unable to agree on the appropriate organizational structure and funding mechanism for legal aid.

o Costs.

- Initial outlays for the Legal Services Corporation were \$72 million in FY 1975.
- This amount rose, by an average annual growth rate of 35%, to \$324 million in FY 1981.

o Administration Action to Date.

-- For FY 1982:

- * President Carter proposed outlays of \$347 million.

- * President Reagan proposed to eliminate the LSC outright.

- The President requested no new budget authority -- only \$35 million in outlays to cover the costs of phasing out the corporation.

- * Congress refused to eliminate the agency, approving \$241 million in budget authority; actual outlays for that year came to \$258 million.

-- For FY 1983:

- * President Reagan again proposed the elimination of LSC, with phase-out outlays of \$12.8 million.
- * By continuing resolution, Congress maintained the agency, and its FY 1982 funding levels.

The President's Proposals for FY 1984.

- o The Administration proposes that the LSC not be reauthorized and that no further separate funding be provided.
- LSC funding already appropriated by Congress would be used to discharge responsibilities in existing cases, and to shut down the agency.
- o As an alternative to the LSC, the Administration proposes giving states the flexibility and discretion to use block grant funds for legal services activities, and encouraging private attorneys to fulfill their ethical obligations to serve the poor.

Justification.

- o LSC funds have been used not so much to help the poor with their personal legal problems -- which was the intent of the original law -- but to create "rights" and "benefits" through the courts that Congress and the state legislatures have not granted, and in some cases have refused to grant.
- o Even in the best of budget times, separate federal funding for legal aid is not appropriate and is not an effective way to meet the legal needs of low-income families.
- o The Administration's \$2.5 billion Social Services Block Grant includes, and can be made to further include, adequate authority to fund whatever legal services activities states may wish to provide for their citizens.
- These sources of funds can give more flexibility to the states, and permit them to offer legal services that are more directly responsive to the needs of their citizens than those offered by the present Legal Services Corporation.

Questions and Answers.

- o The "controversy" over LSC. When critics say that the LSC is "controversial," aren't they really saying that it's doing its job? Helping the poor is controversial to some people.
 - Helping the poor is not the issue. The issue is that the LSC has often not devoted itself to helping the poor in individual legal matters as Congress intended.
 - * Congress has repeatedly sought to limit LSC involvement in outrageous class action lawsuits involving such areas as transsexual rights and limitations on research to improve agricultural productivity.
- o Conservative vendetta. Even allowing that LSC has overstepped its bounds on a few occasions, is that any reason to abolish the agency? Isn't the drive against LSC the work of conservative ideologues?
 - LSC's misguided social activism has drawn fire from liberals as well as conservatives.
 - * For example, in an editorial on the agricultural productivity case cited above, The New Republic (hardly a house organ of conservative ideologues) declared that the case was an example of how "legal aid lawyers use poor people as guinea pigs in an attempt to impose through the courts some fanciful middle-class view of social justice."
 - Again, the issue here is not legal aid for the poor; the issue is whether LSC is the best way of providing this assistance.
- o Reagan reform a sham. If LSC is abolished, will the poor get any legal aid at all? It is easy enough to say, "Let the states or private attorneys do the job," but will they do it?
 - The states.
 - * The states will be able to use federal block grant money to set up their own legal aid programs. With a separate Corporation and its direct federal funding, states have had little incentive to use other funds for legal aid.
 - * States and localities are now actively experimenting with a variety of approaches for meeting the legal needs of the poor -- pro bono panels and clinics staffed by private attorneys, volunteer efforts by law firms and corporate legal departments, and

funding new legal aid programs from court filing fees and interest on lawyers trust accounts (IOLTA) are some of the methods that are beginning to be tried.

-- Private attorneys.

- * Private attorneys have a duty to assist indigent clients. The American Bar Association Code of Professional Responsibility states:

"The basic responsibility for providing legal services for those unable to pay ultimately rests upon the individual lawyer....Every lawyer, regardless of professional prominence or professional workload, should find time to participate in serving the disadvantaged."

- * There are nearly 600,000 attorneys in this country, and the gross income of law firms exceeds \$20 billion per year. If each attorney devoted less than one hour per week to helping the indigent, they could provide more legal services than the whole quarter-billion dollar LSC program.

- * Restrictions on advertising, competition, and other obstacles to the free play of market forces in the legal profession have been significantly reduced in recent years.

- This development has already increased the availability of low-cost legal services.
- Private legal clinics now advertise routine services, such as drafting wills, filing divorces, and handling landlord/tenant and consumer finance problems at low flat rates.

-- Law schools.

- * Some law schools operate legal clinics: the poor get free legal advice, and law students get work experience.
- * With 35,000 graduates per year, greater involvement of law schools would significantly increase the amount of services available.

- There is every reason to believe that these trends will continue, and that significant legal assistance for the poor can be made available without the current quarter-billion cost to the taxpayers.

CONVENTIONAL DEFENSE

History.

During the late 1940s and early 1950s, America's virtual monopoly on intercontinental nuclear systems meant that our requirements for conventional war were relatively small. The Soviet Union understood that we might respond to a conventional attack against ourselves or our allies with an atomic attack on the aggressor.

As the 1950s ended, however, the Soviets began developing and acquiring long-range nuclear capabilities. As their capacity for long-range and conventional attack continued to grow, the U.S. threat to respond to a conventional attack with massive nuclear retaliation became less credible; hence, it was not an effective deterrent.

Accordingly, the U.S. has had to maintain its conventional forces at a level sufficient to respond to potential non-nuclear challenges. In particular, we have had to maintain land forces in Europe and the Far East, and naval forces in the Pacific and Indian Oceans and in the Mediterranean Sea.

Naval power has become increasingly important as U.S. strategic dependence on foreign resources has grown. This country relies on sea traffic to supply 69 of its 72 critical raw material requirements, to say nothing of the importance of the sea to our international commerce. We need a strong Navy to ensure that the sea lanes are kept open.

o The Program.

- Conventional, or general purpose forces, are the largest component of the U.S. defense program.
 - * To be fully effective, these forces must be supplied with up-to-date weapons and equipment, as well as spare parts and munitions.
 - * In addition, we must have the air and sea cargo and troop transport systems to deliver these forces to crisis areas anywhere in the world.
- Conventional forces to be supported include the following:
 - * Land forces, including Army, Navy, and Marine Corps divisions.
 - * Tactical air forces, including those of U.S. Air Force, Navy, and Marine Corps.

- * Naval forces, including aircraft carriers, nuclear-powered attack submarines, general purpose warships, and amphibious assault ships.

- * Airlift and sealift forces.

o Costs.

- Budget authority for general purpose forces was \$27.7 billion in FY 1970, rising to \$68.8 billion in FY 1981.

- This represents only about 1% growth in real terms over the 12-year period.

o Administration Action to Date.

- For FY 1982:

- * President Carter proposed a total of \$106.1 billion for general purpose forces, airlift and sealift, guard and reserve, and supply and maintenance.

- * President Reagan proposed a total of \$125.3 billion for these functions.

- * Congress approved a total of \$122.7 billion.

- For FY 1983:

- * President Reagan proposed a total of \$146.9 billion for these functions.

- * Congress approved a total of \$136.6 billion.

The President's Proposals for FY 1984.

o Readiness.

- Improved readiness is the Administration's first priority for conventional forces.

- Increase aircraft spare part purchases from \$6 billion in FY 1983 to \$7.9 billion in FY 1984.

- Increase munitions procurements from \$9 billion in FY 1983 to \$11.6 billion in FY 1984.

- * This includes the procurement of new highly-capable tactical missiles and torpedoes as well as artillery and tank ammunition.

- Increase Operations and Maintenance funds from \$66.3 million in FY 1983 to \$74 million in FY 1984 -- an increase of 12%. This would:

- * Provide support for new equipment put into service in 1984.
- * Reduce real property maintenance backlogs.
- * Make possible improved unit and individual training.

o Navy shipbuilding.

-- The 1984-88 five-year shipbuilding plan includes 124 new ships, of which 119 are for conventional forces. (The remaining five ships are Trident strategic submarines.)

-- Specific conventional force ships included are:

	<u>1984</u>	<u>1984-88</u>
* Attack submarines	3	21
* Cruisers	3	14
* Amphibious ships	2	13
* Escorts and auxiliaries	<u>8</u>	<u>71</u>
* TOTAL	16	119

o Mobility forces.

- Procure of four C-5B cargo aircraft and eight KC-10 cargo/tanker aircraft.
- Convert four privately-owned aircraft in the Civil Reserve Air Fleet (CRAF) to permit them to carry military cargo in emergencies.
- Further enhance U.S. ability to offload commercial ships where port facilities are not available.

o Modernization of aircraft.

- Wherever efficient, the Administration is proposing multi-year procurements to reduce costs.
- Air Force aircraft.
 - * Increase the number of tactical aircraft to be procured from 1982 to 1984 by 50% above the insufficient levels proposed by the Carter Administration.

- * Procure 48 F-15 and 120 F-16 Air Force fighter aircraft for FY 1984.

-- Navy aircraft.

- * Procure 24 F-14 and 84 F/A-18 fighter aircraft, and 32 AV-8B attack aircraft.
- * Continue production of P-3 anti-submarine aircraft, A-6 attack aircraft, E-2C early warning aircraft, SH-60B and SH-2F anti-submarine helicopters, CH-53E heavy lift helicopters, and a variety of utility and training aircraft.

-- Army aircraft.

- Continued procurement of the Army's AH-64 attack helicopter and the UH-60 utility helicopter.

o Land forces.

- Major systems include the M-1 Abrams tank, the Bradley Fighting Vehicle, and the Sergeant York air defense gun.
- Produce the Pershing II long-range tactical ballistic missile.

Justification.

o Readiness.

- The plans of the previous administration were based on the assumption that any future armed conflict in which the U.S. was engaged would be of short duration.
- This assumption led to the procurement of spare parts and munitions at levels insufficient to provide for adequate training with sufficient reserves for actual wartime use.
 - * Additional funding will increase these stocks to adequate levels.
 - * Quality of munitions will be improved to offset potential adversaries' numerical advantages in some weapons, such as tanks.
- Additional Operations and Maintenance funding is required to provide adequate training and equipment operating performance and to support the large amount of new equipment entering the force.

- * Maintenance of some new equipment is more expensive than that for the less-capable equipment that is being replaced.
- * Additional unit and individual training is needed to enable U.S. forces to perform more effectively.
- * Additional funds are also needed to permit maintenance and modernization that have been delayed from previous years because of insufficient funding.

o Navy shipbuilding.

- The United States must be able to maintain control over vital sea lanes for commerce and military resupply.
- In wartime, more than 95% of U.S. military resupply will travel by sea.
- While U.S. force levels were being reduced in 1970s, the Soviet Navy was being expanded.
- * The Soviet Navy has been transformed from a coastal defense force into an ocean-going force.
- * The Soviet Navy is now designed to perform tactical and strategic missions in waters distant from the Soviet Union.
- In 1982 and 1983, the Reagan Administration initiated programs to rebuild the U.S. Navy into a 600-ship force by the end of the decade.
- * These programs would be continued in FY 1984 at a sufficient funding level to meet this goal.
- * Increased production of attack submarines would permit the U.S. to reinforce an area where it holds a significant technological advantage over the Soviet Union.
- * Amphibious ship production would increase U.S. capability to project defensive forces into remote potential trouble spots such as Southwest Asia.
- * Expanded production of other ships such as escorts, mine warfare ships, and auxiliaries, would improve U.S. ability to support existing forces.

o Mobility forces.

- Mobility is essential for the effective and timely deployment of combat forces.
- * These forces move personnel and materiel during an initial deployment, and provide sustaining combat support thereafter.
- Current U.S. mobility forces cannot move the required combat or combat support units fast enough to effectively counter military aggression in Europe, Korea, or in the Southwest Asia/Persian Gulf region.
- Elimination of shortages in oversized military cargo aircraft, fast logistics ships, prepositioned ships, and support equipment is essential to improve U.S. military capability during the first thirty days of a crisis.
- * The procurement of C-5 aircraft would permit the U.S. to airlift heavy, large combat equipment that will not fit in other types of existing aircraft.
- * The converted SL-7 fast logistics ships would be capable of rapidly transporting heavy, land-force combat equipment.
- * Prepositioning of equipment and supplies aboard ships in the Southwest Asia region will reduce the time required for deployment of heavy forces.

o Aircraft and land force.

- For the U.S., in concert with its allies, to maintain sufficient conventional forces to deter potential aggression, our forces must be provided with adequate numbers of new, modern equipment.
- In the last decade, the Soviets have produced vast amounts of new, highly-capable military equipment -- tanks, armed helicopters, combat aircraft, air combat missiles, and other sophisticated items.
- * The traditional U.S. qualitative edge in this field has been considerably narrowed, making Soviet quantitative gains more serious.
- * The Soviet military buildup has enhanced their ability to project force at far-distant points around the globe -- thus increasing the likelihood that they will rely on military rather than diplomatic means to promote their foreign policy goals.

- Previous administrations delayed necessary modernization, held production rates at inefficient levels, and procured insufficient quantities of critical wartime supplies.

- Continued acquisition of capable weapon systems such as the M-1 tank and the F-14, F-15, F-16, F/A-18, and AV-8B tactical aircraft and other advanced systems will enable U.S. forces to deter and, if necessary, counter Soviet aggression anywhere it might threaten U.S. or allied vital interests.

- * Our armed forces' capability for fighting at night, in poor weather, and in all types of climates, would increase.

- * Lighter weight anti-armor vehicles would improve U.S. ability to respond with speed to crises in remote areas.

- * Procurement of more maintainable and reliable weapons such as the F/A-18 aircraft would achieve greater combat efficiency.

- * Procurement of new advanced tactical command, control, and communications systems would enhance combat flexibility and force effectiveness.

Questions and Answers.

o Why spend more? If lower readiness and procurement levels were acceptable to previous administrations at a time when the economy was stronger than it presently is, why must we have higher readiness and procurement levels now?

-- Recent Soviet aggression in Afghanistan and repression in Poland clearly demonstrates that the Soviets are willing to use their enhanced military capabilities.

-- In any future crisis or conflict, the U.S. will not have time to develop its own military abilities we will have to respond with what we have ready at the time.

-- More important, U.S. military readiness could eliminate the need to for a response by discouraging Soviet military adventurism in the first place.

-- The cost of not being sufficiently prepared could turn out to be far higher than the cost of military preparedness itself.

o Cost overruns. Why does an Administration that says it is going to root out waste in government tolerate cost overruns on weapons systems?

-- When this Administration came into office, it discovered that many systems had been underpriced; responsible pricing will raise expected production costs somewhat.

-- At the same time, the Administration is taking steps to minimize cost overruns.

* In the past, inflation has been a significant factor in the cost-overrun problem.

* Because the Administration has reduced inflation by more than two-thirds, it has, concomitantly, lessened the potential for cost overruns in weapons systems.

The Administration's defense planners have made major efforts to produce military hardware more efficiently.

* In 1981, the Defense Department established a cost-analysis improvement group to provide independent cost estimates for weapons acquisition.

* The Administration also established the first Inspector General in the Defense Department, sworn into office on April 16, 1983.

-- Some cost increases are inevitable in the development and production of any new mechanical system.

* Because the system has not been produced in the past, its costs may be difficult to estimate with absolute precision.

* Engineering changes that greatly enhance weapon quality are often discovered in the development process, and can therefore raise costs above initial estimates.

* This problem occurs in all parts of the economy; it is no worse in military than in non-defense production.

o Are our ships "sitting ducks?" Why should we be spending billions to increase the size of our Navy, when a ship can be sunk with one cheap missile?

-- U.S. ships typically cannot be sunk with one missile.

-- The U.S. Navy uses a concept of "defense in depth."

* The actions of enemy airplanes, submarines, and surface ships that could launch missiles against U.S. ships are monitored by a variety of sensors to permit them to destroy the missiles before they can reach the ships.

* Those enemy weapons that survive this outer barrier of missile-equipped aircraft and submarines must then face even greater defensive systems consisting of additional missile-equipped aircraft and advanced ships, such as the U.S.S. Ticonderoga, which was commissioned January 22.

- The Ticonderoga, and ships of her class, will be equipped with the AEGIS system, which can intercept and destroy incoming enemy missiles.

* If any enemy missiles should slip through that ring of defense, U.S. ships are equipped with high-speed guns that can destroy the missiles before they hit the ship.

-- Finally, U.S. ships are designed to be more resilient and U.S. Navy crews more highly trained in damage control than those of other navies.

FOREIGN ECONOMIC AND FINANCIAL ASSISTANCE

History.

Economic assistance became a major part of U.S. foreign policy in the aftermath of World War II. Its object was to contain the spread of international Communism by strengthening the economies of free world nations.

Assistance of this type may be said to date from the Marshall Plan, which was launched in 1947 to rebuild war-devastated Western Europe. During the 1950s and 1960s, the geographic focus of economic aid shifted from Europe to the developing nations of Asia, Latin America, and Africa.

The U.S. has supported the efforts of many countries to move from poverty to relative prosperity. More obvious successes in this area include South Korea, and Taiwan

o The Program.

- Currently, more than 60 developing countries receive U.S. bilateral aid, while many more receive U.S. assistance through multilateral aid.
- Bilateral aid is rendered directly by the U.S. to the recipient country, principally through:
 - * The Agency for International Development (AID), which makes loans and grants to countries in Asia, Africa, and Latin America, for projects aimed at improving food production, health, energy, and human resources development.
 - * P.L. 480 food aid, through which concessional loans and humanitarian grants provide U.S. agricultural commodities to developing countries for humanitarian purposes and also to help develop export markets for American firms.
 - * The Peace Corps, which places volunteers abroad to promote better understanding between peoples and assist in small-scale development activities.
 - * Refugee assistance, which provides humanitarian aid to refugees in foreign countries, and finances transportation and initial placement of refugees coming to the United States.

-- Multilateral assistance is provided through international organizations to which the United States belongs. There are two major channels for this kind of assistance:

* Multilateral development banks, comprising the World Bank and its affiliates, and the regional banks for Asia, Africa, and Latin America.

- These banks make loans at near-market terms and long-term low interest loans to finance development activities.

- Industrialized countries support these banks with direct contributions and borrowing guarantees. The U.S. is the largest single contributor to the World Bank, providing about 20 percent of the bank's capital.

* International organizations and programs, which make grants for development, and humanitarian and other activities.

- The United States supports these efforts through voluntary contributions; i.e., through donations over and above the annual assessments this country pays as a member of various international organizations.

- Examples include contributions to the United Nations Development Program, and the United Nations Children's Fund (UNICEF).

o Costs.*

-- Budget authority for economic and financial aid totaled \$2.7 billion in FY 1970, including:

* \$1.9 billion for bilateral aid.

* \$810 million for multilateral aid.

* Over the years, various foreign aid programs have been reported under different budget headings. For the purpose of comparison, all figures given above reflect the funding levels of all programs presently reported as bilateral and multilateral economic aid, even if certain programs were reported under different headings in earlier years.

-- Budget authority approximately doubled by FY 1980, totalling \$5.3 billion, including:

* \$2.7 billion for bilateral aid.

* \$2.6 billion for multilateral aid.

o Administration Action to Date.

-- For FY 1982:

* President Carter requested total budget authority of \$6.7 billion, including:

- \$4.0 billion for bilateral aid.

- \$2.7 billion for multilateral aid.

* President Reagan requested total budget authority of \$5.1 billion, including:

- \$3.4 billion for bilateral aid.

- \$1.7 billion for multilateral aid.

* Congress approved a total budget authority of \$4.6 billion, including:

- \$3.1 billion for bilateral aid.

- \$1.5 billion for multilateral aid.

-- For FY 1983:

* The Reagan Administration requested budget authority of \$4.7 billion, including:

- \$2.9 billion for bilateral aid.

- \$1.8 billion for multilateral aid.

* Congress approved these amounts.

The President's Proposals for FY 1984.

o Increase total budget authority to \$4.9 billion, or 2% above the amount requested for FY 1983, including:

-- \$3.1 billion for bilateral aid.

-- \$1.8 billion for multilateral aid.

o Specific program changes:

-- Increase budget levels for AID bilateral programs and multilateral banks.

- Reduce budget levels for refugee assistance programs and international organizations.
- Maintain budget levels at or near 1983 funding for P.L. 480, Peace Corps, and smaller aid programs.

Justification (General).

o Create a new, more effective approach to foreign aid.

- In the past, foreign aid programs have been wasteful and counterproductive.
 - * Huge sums have been lost through official corruption or else squandered on costly "show" projects that have little to do with the recipient country's real economic needs and potential.
 - * Worse yet, foreign aid has bred dependence by enabling recipient countries to avoid facing up to their economic problems.
- In contrast to previous administrations, President Reagan's program emphasizes free market solutions to the problems of developing nations.
 - * The President has urged these countries to adopt free trade and other policies designed to encourage foreign investment.
 - * Under this Administration, American aid will be directed toward promoting self-help among the developing nations, rather than toward dependency or propping up failed socialist experiments, through these mechanisms:
 - Stimulating international trade by opening up markets, both within individual countries and between countries.
 - Tailoring particular development strategies to the specific needs and potential of individual countries and regions.
 - Guiding assistance toward the development of self-sustaining productive capacities, particularly in food and energy.
 - Improving in many of the countries the climate for private investment and the voluntary transfer of technology that comes with such investment.
 - Creating a political atmosphere in which practical solutions can move forward.

- The foreign aid programs will accomplish these goals with a budget only slightly higher than last year's.

Justification (Specific).

o Increases are proposed only for those programs that have proved effective.

- AID bilateral assistance programs, where properly designed, can be used to encourage more beneficial more beneficial economic policies through:

- * Expanding the role of the local private sector.
- * Sharing appropriate U.S. technology and know-how.
- * Creating indigenous institutions, such as banks and other lending authorities, that will foster economic growth.

- Multilateral banks.

- * "Soft" loans (long-term, nominal interest) from the World Bank and regional development banks assist developing nations in building roads, bridges, dams, and other "infrastructure" projects that will support economic growth.

o Reductions.

- Refugee assistance.

- * The number of people who need refugee assistance is declining.

- International organizations.

- * Those organizations presently supported by the U.S. are frequently less effective than other programs that address the same goals.

o Maintain at or near current levels.

- The P.L. 480 program, by transferring surplus U.S. agricultural products, helps both to support American farmers' incomes, and to relieve hunger around the world.

- Current levels of support are adequate to fulfill this function.

Questions and Answers.

- o How much aid? Other industrialized nations -- Sweden, West Germany, Japan, and Great Britain among them -- devote higher percentages of their respective GNPs to foreign aid than the U.S. does. Shouldn't this country be doing more?
 - The U.S. is already providing significant amounts of direct aid.
 - But U.S. assistance to developing nations cannot be measured simply by the number of dollars devoted to "foreign aid."
- * The U.S. market is one of the most open in the world.
 - For developing countries, trade is more effective than aid in stimulating their economies.
 - U.S. trade with non-OPEC developing countries is twice their total aid from all other sources.
- * President Reagan's decision to deregulate oil prices was a major factor in reducing the price of oil worldwide.
 - The dramatic surge in oil prices during the 1970s was the principal reason for the great increase in the developing countries' external debt.
 - Lower oil prices will provide more help to developing nations than any expected amount of aid could provide.
- * U.S. defense expenditures support stability both globally and regionally.
 - Stability is essential for development.
 - Furthermore, many of those nations that contribute a higher respective share of their GNPs to foreign aid are able to do so because the U.S. shoulders the largest share of the free world's defense burden.
- o Free enterprise for everybody? But how will encouraging free enterprise policies help the Third World? President Reagan's approach to foreign aid sounds like a glib excuse for doing as little as we decently can.
 - Free enterprise works as well for the developing countries as it does the the developed countries.

- * Hong Kong, for example, is a rock that doesn't even have its own water supply; yet it has prospered without massive infusions of foreign aid.
 - * Singapore has succeeded on much the same terms.
 - * Taiwan and Korea, two other success stories among the developing nations of Asia, were forced to adopt realistic economic policies by the impending withdrawal of American aid in the early 1960s.
- The U.S. is actually providing more aid in FY 1984 than during the previous year, but is making sure that the recipient countries adopt effective economic policies so that the aid has maximum beneficial effect.
- o Bank bailouts. Isn't the proposal that the U.S. contribute more to international lending institutions aimed more at helping those U.S. banks that have made large loans to developing countries than at helping those countries themselves?
- Loans to assist developing countries in meeting their financial obligations will be "hard" loans from the International Monetary Fund (IMF).
- * In other words, these are short-term loans that must be repaid at near-market interest.
 - * Those countries who borrow will have to adopt measures designed to put their financial houses in order so as to ensure repayment.
 - * Commercial banks, both U.S. and others that are major lenders to developing countries, are being asked to increase their exposure to developing countries as part of the overall effort to restructure their economies without creating undue economic hardship.
- U.S. participation in the IMF is not really "foreign aid," but part of a joint effort to promote international financial stability -- something in which both developed and developing nations have a stake.
- * Developed countries are spared the financial shocks that might occur through massive defaults on loans.
 - * Developing countries benefit by being able to pay their bills, preserve their credit ratings, and receive help in putting their economic affairs in order.

* If major banks benefit, the benefits are incidental
to the achievement of these other objectives.

INTERNATIONAL SECURITY ASSISTANCE

History.

The United States undertook international security assistance on a major scale through Lend-Lease and successor programs before and during its involvement in World War II. Post-war assistance of this kind dates from President Truman's dispatch of military and economic aid to Greece and Turkey in 1947 when those countries were threatened with Soviet aggression.

Since then, security assistance has remained a vital instrument of American foreign and defense policy. The security assistance program enables the United States to sell defense articles and services to friendly governments to help meet their security needs, to participate in regional or collective security agreements, to take part in United Nations collective peacekeeping efforts, and to secure access to military bases overseas.

o The Program.

-- Principal components of the international security assistance program include:

- * Foreign Military Sales Credit (FMS), which provides for the sale of U.S. arms abroad through loans and guarantees by the U.S. government.
- * Economic Support Fund (ESF), which provides low-interest loans and grants to selected countries of special political and security interest to the United States (Egypt and Israel are the major recipients).
- * Military Assistance Program (MAP), which makes grants available to selected foreign nations to assist them in making purchases under the FMS program.
- * International Military Education and Training (IMET) program, under which foreign military officers are given U.S. training.
- * Peacekeeping operations (PKO), which finances multinational forces, such as those presently deployed in the Sinai Desert (as part of the Camp David accords), and in Cyprus (as part of the United Nations forces there).

-- Loan guarantees for weapons purchases under FMS account for roughly half of the total U.S. international security assistance program.

Costs.

- Budget authority for the International Security Assistance direct assistance program amounted to \$0.8 billion in FY 1970, and \$2.74 billion in FY 1980 and FY 1981.
- In FY 1981, International Security Assistance off-budget loan guarantees for totaled \$2.5 billion -- a one-hundred-fold increase over FY 1972.

o Administration Action to Date.

-- For FY 1982:

- * President Carter requested a total of \$5.6 billion:
 - \$3.4 billion in budget authority.
 - \$2.2 billion in loan guarantees.
- * President Reagan requested a total of \$7.3 billion:
 - \$4.2 billion in budget authority.
 - \$3.1 billion in loan guarantees.
- * Congress approved a total of \$7.2 billion:
 - \$4.1 billion in budget authority.
 - \$3.1 billion in loan guarantees.

-- For FY 1983:

- * President Reagan requested a total of \$8.8 billion:
 - \$4.5 billion in budget authority.
 - \$4.3 billion in loan guarantees.
- * Congress approved a total of \$7.8 billion in the Continuing Resolution:
 - \$4.2 billion in budget authority.
 - \$3.6 billion in loan guarantees.
- * By supplemental appropriation, the total requested was later increased to \$8.8 billion:
 - \$4.6 billion in budget authority.
 - \$4.2 billion in loan guarantees.

- These amounts have not been acted upon yet.

The President's Proposals for FY 1984.

- o Provide a total of \$9.4 billion in total security assistance for FY 1984, an increase of 6.8% over last year.
 - Increase direct assistance to \$4.7 billion.
 - Increase loan guarantees to \$4.7 billion.

Justification.

- o Security assistance is necessary to:
 - Protect and preserve U.S. national security.
 - Aid the defense and development of friendly countries.
 - Enhance political and economic evolution of these countries away from Soviet influence toward more democratic values.
- o The President's security assistance program will specifically:
 - Promote peace in the Middle East and stability in the Persian Gulf.
 - Deter Warsaw Pact aggression in Europe by strengthening friendly governments in Southern Europe and Southwest Asia.
 - Complement the President's Caribbean Basin Initiative by assisting the development and security of the Caribbean, Central, and South American countries.
 - Maintain U.S. political and defense commitments and economic ties to countries in the Far East.
 - Enhance stability in Southern and Central Africa, and continue to promote development and security in strategically vital countries in West and East Africa.

Questions and Answers.

o Misplaced emphasis. At a time when we are being asked to reduce domestic spending, how can the Administration justify increasing aid to foreign countries -- especially when it is for military rather than humanitarian purposes?

-- The budget request acknowledges the need for fiscal restraint.

* The Administration is not proposing to increase international security assistance for every friendly nation that is presently receiving it.

-- Where increases are proposed, they are to further critical U.S. interests -- such as to preserve stability in the Middle East, maintain access to Persian Gulf oil, and secure U.S. military bases abroad.

* Major recipient countries under the FY 1984 budget include: Israel and Egypt (keys to Middle East peace, with aid being a continuation of commitments made as part of the Camp David peace process), the nations of Central America and the Caribbean (a part of the world through which most U.S. shipping must pass); Turkey (which hosts vital U.S. bases); Pakistan (critical to stability in Southwest Asia); Morocco (which provides a base essential to the defense of the Arabian peninsula); and Sudan (under serious threat of aggression from Libya).

-- Humanitarian assistance is most effective when conditions within the recipient country are stable. Military aid must sometimes serve as a complement to economic aid in order to promote such stability.

o U.S. as arms merchant. Isn't it immoral to request more money for the U.S. to play arms merchant to the world?

-- Totally eliminating loans and loan guarantees for the sale of arms would not stop these sales: not by the U.S. and certainly not by other nations.

* On a dollar-value basis, the Soviets sell twice as much as does the U.S.

* Even France sells more arms to the Third World than does the U.S.

-- Sales in which the U.S. Government offers financial assistance account for less than 25% of total U.S. arms sales.

* If this assistance were discontinued, wealthy

nations would continue to buy arms while poorer nations -- who often have greater need for them -- could not.

* The world would be less safe, not safer, in such an unbalanced situation.

-- Friendly countries in the developing world would be particularly threatened if the U.S. refused to provide them with arms while the Soviets armed either their neighbors or insurrectionary forces within their borders.

o U.S. aid and democracy. Isn't U.S. aid used to suppress efforts for democratic reform, especially in Latin America?

-- The U.S. provides support to Latin American governments to counter Marxist guerilla elements that seek to disrupt reformist democratic forces in that region.

-- We must recognize that these economic and political reforms take time.

-- Nevertheless, with each step in the process, the U.S. is making every effort to ensure that assistance enhances the prospects for continued reform.

o El Salvador. Is there any evidence that this policy is working? What progress, if any, is being made in El Salvador?

-- Free elections were held in El Salvador in March 1982, in which more than 85% of the eligible voters went to the polls. The government elected at that time has promised to hold further elections this December.

-- The Salvadoran government is carrying out a successful policy of land reform.

* Half a million previously landless peasants and their families now own their land, instead of tenant-farming for large landowners.

* The government is accelerating the program being engaged in: More than 20,000 new applications for titles have been filed since October 1982.

* The Salvadoran army has been reinstating farm families that were illegally evicted by former landholders. Some 3,700 families have been reinstated since the March 1982 elections.

-- The Salvadoran authorities have arrested and charged soldiers suspected of murdering American citizens.

-- All this has been accomplished during a bitter civil war in which Communist-backed guerillas have terrorized the entire countryside.

MILITARY MANPOWER

History.

The United States has relied on volunteer military service for most of its history. The draft -- never popular, and often highly controversial -- was generally reserved for occasions when the U.S. was actually at war.

The peacetime draft, introduced in 1940, was allowed to expire in 1947 after the successful conclusion of World War II. Cold War tensions led to its reinstatement a year later, and the Korean conflict led Congress to vote extensions in 1950 and 1951.

Thereafter, the peacetime draft was renewed in 1959, 1963, and 1967. It remained in effect until President Nixon asked Congress to restore the All-Volunteer Force (AVF) in 1973.

o The Program.

- Congress authorizes the manpower levels for the Army, Navy, Marine Corps, and Air Force.
- * Benefits, such as financial aid for higher education, are provided to encourage enlistments.
- * Enlistment bonuses are used to encourage higher quality enlistees to sign up for longer tours of duty so that they can be given special training for technical positions; re-enlistment bonuses encourage individuals with needed skills to remain in the service.
- Volunteers are required to pass the basic Armed Forces Qualification Test (AFQT) to ensure that they have the requisite intelligence skills for service in modern military.

o Program changes.

- The return to all-volunteer military service presumed that pay and benefits would be maintained at levels sufficient to attract and retain qualified personnel.
- Unfortunately, pay and benefits did not keep pace with inflation during the 1970s, with the result that by the end of the decade, incomes for many service people had declined to the point where many career-minded persons could not afford to remain in the service without forcing their families to make severe sacrifices.

-- In FY 1981:

- * The President proposed a 14.3% increase in basic pay and allowances to take effect at the start of FY 1982.
- * The President also supported an 11.7% across-the-board increase in enlistment and re-enlistment bonuses to take effect during FY 1981.
- * Both proposals were enacted into law by Congress.

-- Recruitment levels and quality of recruits rose rapidly as a result.

* In FY 1981:

- For the first time since FY 1976, each of the four services met or exceeded its enlisted recruiting targets.
- The quality of recruits also rose -- 81% of recruits for that year had high school diplomas, as opposed to 68% for FY 1980.
- Even the Army, which has historically had the most difficult time attracting qualified individuals, recruited 80% high school graduates.

* In FY 1982:

- Recruitment levels and quality exceeded that of the prior fiscal year and were in fact the best since the inception of the AVF in 1973.
- 86% of new recruits had high school diplomas.
- In addition, the number of recruits who scored average or above on the AFQT increased from 82% in FY 1981 to 87% in FY 1982.

-- Re-enlistment levels rose correspondingly.

* In FY 1981:

- First-term re-enlistment in FY 1981 climbed to an all-time high of 43%.
- Re-enlistment among career personnel increased to 77% compared to 71% in FY 1980.

* In FY 1982:

- First-term re-enlistment rose to 52%.

-- During that same period, Congress reduced the funds available for re-enlistment bonuses.

* In FY 1972, Congress authorized \$300 million for re-enlistment bonuses.

* By FY 1978, that amount had been cut to about \$200 million -- a reduction of one-third. (Greater, in fact, when the decline in purchasing power caused by inflation is taken into account.)

* These reductions were not offset by the subsequent, belated increases to \$308 million in FY 1979 and \$390 million in FY 1980.

-- As a result, the armed services found it increasingly difficult to recruit and retain qualified personnel.

* By FY 1980, only 54% of new Army recruits had high school diplomas.

* Many highly-trained technicians, pilots, and other military careerists were leaving to take better-paying jobs in the private sector because they could not provide for their families on their shrunken service pay.

o Costs.

-- The share of the Defense Department budget devoted to personnel costs (including retired pay) has declined every year since 1975 -- from nearly 60% in FY 1975 to an estimated 46% of planned FY 1983 outlays.

* This figure compares favorably with the manpower costs in labor-intensive industries, which run about 48% of expenditures.

-- FY 1980 outlays for military personnel amounted to \$30.8 billion.

* In constant 1983 dollars, this meant that the U.S. was spending \$44 billion in FY 1980, as compared with \$58.2 billion in FY 1964.

* The decline is partly explained by the fact that there were about half a million more men and women in the armed services in 1964 than in 1980.

o Administration Action to Date.

-- President Reagan, a strong supporter of the AVF, moved quickly to raise military pay and benefits to more appropriate levels.

- Re-enlistment among careerists increased to 82%.
- Outlays for military personnel rose to:
 - * \$36.4 billion in FY 1981.
 - * \$42.3 billion in FY 1982.
- Salary increases for military personnel were limited to 4% in FY 1983 by the First Concurrent Resolution on the Budget.

The President's Proposals for FY 1984.

o Personnel levels.

- Increase active duty strength by 38,000 in FY 1984 over FY 1983.

	<u>1982</u>	<u>1983</u>	<u>1984</u>
* Army	780,000	780,000	783,000
* Navy	553,000	560,000	572,000
* Marine Corps	193,000	195,000	197,000
* Air Force	<u>583,000</u>	<u>592,000</u>	<u>613,000</u>
- Total	2,109,000	2,127,000	2,165,000

o Military pay.

- Freeze military pay for FY 1984.

Justification.

o Higher personnel levels.

- The proposed levels represent a continuation of the Administration's efforts to bolster combat readiness.
- Additional forces will permit:
 - * Manning of new ships, submarines, aircraft, and other weapon systems that enter the force in 1984.
 - * Improvements in training, logistics, and intelligence activities.
 - * Force modernization in the Army and Marine Corps.

o Military pay freeze.

- A military pay freeze is consistent with government-wide action being proposed for other pay raises and automatic cost-of-living increases.
- Military personnel received major pay increases in FY 1980 and FY 1981 that exceeded federal civilian and private sector pay raises.

* Pay raises:

	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>
- Military	11.7%	14.3%	4.0%	0%
- Federal Civilian	9.1	4.8	4.0	0
- Private Sector	9.1	9.5	9.5	6.5

- In addition, the more than two-thirds reduction in the inflation rate over the last two years reduces the need for a military pay raise in FY 1984.

Questions and Answers.

- o Personnel levels. Why not hold manpower in 1984 to the 1983 level and avoid the cost increases that accompany higher personnel levels?
 - Almost all of the manpower increases in 1984 are necessary to support manning of new ships, aircraft, and other weapons systems and to achieve higher levels of combat readiness.
 - If strength were held to the 1983 level, there would be a degradation in readiness in both existing and newly deployed units.
- o Military pay freeze. What impact will the military pay freeze have on military recruitment and retention?
 - The one-year pay freeze will have only a modest near-term effect on recruiting and retention.
 - * The number of experienced career enlisted personnel is expected to grow by 5%-10% between 1982 and 1984 even with the freeze.
 - * 1984 recruit quality should roughly equal that achieved in 1982, the best recruiting year in the history of the AVF.
 - The budget includes a contingency fund for additional pay and benefit increases beyond 1984 if such measures are necessary to ensure that critical manpower requirements are met.

STRATEGIC FORCES

History.

The United States emerged from World War II as the only nation possessing nuclear weapons. At that time, our government solemnly pledged that we would use this awesome power not for purposes of conquest or coercion, but for detering attacks on ourselves and on our allies.

Every succeeding American government has renewed this pledge. Unfortunately, not every nation that has since developed nuclear capability shares our commitment. In today's world, the prospect of an unprovoked nuclear attack or nuclear blackmail by a hostile state is very real. This country's strategic forces must be strong enough to meet this challenge if nuclear war -- or the threat of it -- is to be avoided.

o The Program.

-- U.S. strategic forces are based on what is commonly referred to as the "Triad," which consists of:

- * Land-based intercontinental ballistic missiles (ICBMs).

- * Submarine-launched ballistic missiles (SLBMs).

- * Manned bombers.

-- The other components of the program include:

- * Warning, surveillance, and communications systems that alert us in the event a nuclear strike is launched.

- * Interceptor aircraft to counter manned bombers.

- * Research and development, essential to securing needed technological advances in strategic systems.

o Costs.

-- Strategic forces (exclusive of research and development), averaged 10.3% of the total defense budget between 1962 and 1981.

- * In 1962, the share was 21.9%.

- * In 1965, the share was 12.5%.

- * In 1970, the share was 9.1%.

- * In 1975, the share was 8.2%.

- * In 1979, the share was 6.7% -- the twenty-year low point.

-- The share can be expected to fluctuate for the obvious reason that it is costs less money to maintain a system than to replace an obsolete system with a new one.

* Weapons, like any other mechanical devices, have effective life spans.

* They wear out, become obsolete, or otherwise have to be replaced.

-- This is the case with the systems of the strategic Triad, many of which are twenty years old or older.

-- For the future, the U.S. will have to pay more to modernize the three legs of the Triad.

o Administration Action to Date.

-- Despite higher requests at the end of the Carter Administration, spending on strategic forces was still not high enough to compensate for the neglect of earlier years.

-- Furthermore, President Carter had delayed modernizing the manned bomber leg of the Triad by cancelling production of the new B-1 bomber.

-- Accordingly, on October 2, 1981, President Reagan announced a comprehensive program to modernize U.S. strategic defense forces.

-- The President's program consists of five elements:

* Deployment of the new, larger, and more accurate MX ("Peacekeeper") missiles, to upgrade the land-based leg of the Triad.

* Development and deployment of a new SLBM (which will be more accurate and carry a bigger payload than existing missiles), and the early deployment of cruise missiles on attack submarines.

* Deployment of a new bomber (the B-1B) to replace the aging B-52, and the development of an advanced technology (Stealth) bomber for the 1990s.

* Improvements in warning and communications systems, including improvements in radar and satellites that warn of nuclear attacks.

- * Improvements in strategic defenses, including air defense interceptors, development of an anti-satellite system, and increases in civil defense programs.

-- For FY 1982:

- * President Carter requested \$15 billion for strategic forces.
- * President Reagan requested \$17.4 billion.
- * Congress approved \$15.3 billion.

-- For FY 1983:

- * President Reagan requested \$23.1 billion.
- * Congress approved \$20.6 billion.
- * The difference between the two figures largely reflects Congressional denial of funding for the "closely spaced basing" method of deploying the Peacekeeper missile.

The President's Proposals for FY 1984.

- o The President's FY 1984 budget includes \$28.2 billion for the continued modernization of strategic forces, a \$7.6 billion increase over 1983.

o Provisions include:

-- Modernization of ICBM forces with the Peacekeeper missile. Specifically:

- * Continued development and flight testing of the missile.
- * Procurement of 27 missiles.
- * Construction of technical facilities.

- Submarine-launched missile programs.

- * Continued production and deployment of the Trident submarine and Trident I missile.
- * Development of the new Trident II missile, with improved accuracy, range, and payload.

-- Manned bombers.

- * Continued production of the B-1B bomber and development of the Advanced Technology Bomber.

* The President's Commission on Strategic Forces.

- In response to Congressional concerns, the President appointed a bipartisan commission to review U.S. strategic modernization options.
- The Commission recently recommended continuation of the President's strategic initiatives, including proceeding with procurement of the Peacekeeper missile.
- The Commission, however, recommended basing 100 of these missiles in existing Minuteman silos and pursuing research and development on a possible small, single warhead missile, superhardening of missile silos, and ballistic missile defense.

Justification.

o The Soviet threat:

- The Soviet drive for nuclear superiority and their deployment of more effective forces threatens the nuclear balance and has weakened U.S. retaliatory capabilities by:

* Increasing the vulnerability of U.S. ICBMs.

- The Soviets have not only installed multiple warheads on their missiles, but have greatly improved their accuracy, thus bettering their chances of eliminating U.S. land-based missiles in a first strike.

* Decreasing the penetration capability of U.S. bombers.

- Modernized Soviet air defenses have reduced the effectiveness of the B-52 bomber.

* Threatening the survivability of U.S. command, control, and warning systems.

-- Elements of the Soviet advantage.

* The Soviet Union now has:

- More ICBMs than the U.S. (1,398 vs. 1,049).
- More SLBMs than the U.S. (950 vs. 544).

* The U.S. lead in warheads is narrowing.

- The Soviets are also expected to begin deployment of a new bomber.

-- U.S. defense forces need to be modernized to meet this threat.

* For instance, many of our strategic weapons are older than the crews that man them.

- The last B-52 bomber was built in 1962 -- the same year the Minuteman and Titan II ICBMs were deployed.

- The new Trident submarine -- the first of which was launched last year -- is our first completely new strategic system in twenty years.

* These problems will only grow worse if left uncorrected.

o The Reagan Administration's response.

-- The Administration's strategic program will reverse the unfavorable trends in the strategic balance favoring the Soviet Union, and counter recent Soviet advances in missiles, submarines, and bombers.

o Defense and arms control.

-- The modernization program provides an indispensible foundation for progress in the Strategic Arms Reduction Talks (START) and other arms control efforts by enabling the U.S. to negotiate from a position of strength.

-- Only in such a situation will the Soviets have any incentive to negotiate in good faith.

Questions and Answers.

- o Spending on nuclear weapons. Can the U.S. afford an unprecedented spending program on nuclear weapons?
 - We must be able to afford to pay whatever is necessary to protect national security.
 - Nonetheless the President's strategic spending program is not unprecedented.
 - * Exclusive of research and development, the President is proposing to devote 10.3% of the defense budget to strategic forces in FY 1984.
 - * This is the same share of the budget devoted, on average, to strategic forces over the period 1962 to 1981.
- o Arms control. Won't progress in arms control negotiations result in savings in the strategic budget?
 - The Administration is attempting to negotiate equitable and verifiable reductions in nuclear armaments.
 - Negotiations toward this end may or may not succeed; much depends on how willing the Soviets are to engage in meaningful arms negotiations.
 - No matter how successful arms control negotiations may be, however, we still need to modernize our aging strategic systems.
- o M-X Basing. Won't the Peacekeeper missile be vulnerable to Soviet attack if it is deployed in existing silos?
 - The vulnerability of any single element of the strategic Triad of missiles, bombers, and missile-firing submarines is not the key factor in preserving U.S. deterrence credibility.
 - The modernization of the entire Triad, in association with survivability improvements yet to follow, will ensure U.S. deterrence capabilities into the future.
- o Is the B-1 an Edsel? Won't the B-1 bomber be obsolete by the time it is deployed? Shouldn't we go straight to the "Stealth" bomber?
 - There are three reasons why we should proceed with the B-1B:
 - * The current manned bomber leg of our Triad, the B-52, is aging and needs modernization now.
 - * The B-1B is in production right now.

* The B-1B will be able to penetrate Soviet defenses into the 1990s.

-- If we are to maintain our strategic Triad, we need the B-1B.

o Soviet response. Won't an increase in U.S. spending on nuclear weapons provoke the Soviets to do the same?

-- During the last decade, the Soviet Union embarked on the greatest nuclear arms build-up in history without any provocation whatsoever from the U.S.

* U.S. spending on nuclear arms declined during that period in real terms.

* The U.S. vigorously pursued detente and friendlier relations with the Soviet Union.

-- Far from accelerating the arms race, a demonstration that we are willing to pay what it costs to defend ourselves would convince the Soviets that they have nothing to gain by trying to achieve nuclear superiority over the U.S.