

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

DECLASSIFIED  
E.O. 12958 (as amended) SEC 3.3  
MR # 10-111-#3  
*NSC guidelines, OSD Ltr 6/19/10*  
By dal NARA, Date 7/8/10

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MEMORANDUM OF CONVERSATION

PARTICIPANTS:

President Ford  
James R. Schlesinger, Secretary of Defense  
Roy Ash, Director, Office of Management  
and Budget  
Donald Ogilvie, Acting Associate Director  
Office of Management and Budget



DATE AND TIME:

Thursday, October 31, 1974  
10:30 a.m.

PLACE:

The Oval Office  
The White House

SUBJECT:

DOD Budget Cuts

Schlesinger: The possible cuts are in two categories: One, items we didn't ask for. We would not strongly oppose these. The others are items we would strenuously oppose. By internal logic we should make repairs to remain second to none, through a supplemental. We could defer that to 1976 because of the climate, but Stennis expects one, and Mahon is more experienced. If we go back, after the leadership (McClellan and Mahon) have said they have taken everything possible out of the DOD budget -- if we then take more, we start an unraveling process. We have also worked hard to keep our allies from reducing their budgets, and we would undercut that. As well for our potential enemies, who would see the reason for the slide.

On a substantive basis, we are in bad shape, about 30 percent below our strength before and about 25 percent below the average of the 1960s. The Rivers Amendment cancellation would save us \$150 million this year and \$500 million next year in base pay adjustments.

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~~TOP SECRET~~ XGDS (3)  
CLASSIFIED BY: HENRY A. KISSINGER  
*downgraded 5/14/04*

President: Let's go through the list. I favor deferring promotions across the board. Why not do it for six months?

Ash: This is tied up with Executive pay. The question is how much is enough.

President: Three is probably psychologically better, but with economic positions like they are, not so many will want to get out.

Schlesinger: The bonuses item is okay. The reserve item is okay. We didn't ask for the money.

President: How does maintenance fit with base closures?

Schlesinger: There's no connection. Depot maintenance decreases readiness. Property maintenance is not so bad as depot.

President: Let's leave operations for the moment.

Ash: I would leave out the civilian cut now.

President: Let's cut the Texas package. No on shipbuilding.



P/ Schwanniger/Ash/Ogilvie  
31 OCT 74

✓ (DOD Budget cuts)

S 2 categories - one, items we didn't ask for. The other, we would not strongly oppose. The other items we would strongly oppose.

By internal logic we should make repairs to remain 2 not to more, than a supplemental.

We will defer that to '76 because of limits, but 5 terms experts are, makes more experience. If we go back, after a restructuring (McMillan/Whelan) have said they have taken everything possible out of a DOD budget. If we then take back, we start an unwinding process.

We have also worked hard to help our allies from reducing their budgets - we would not want that. As well for our potential enemies, who would see us as a slide.

On substance basis, we are in bad shape, about 30% below our strength target & about 25% below a average of 60%.

Revised Annual Capex would save us 15% this year & 50% next year (Base pay adjustments)

P Let's go thru a list. I favor differing priorities across Areas why not for 6 mos.

Ash This is tied up w/ Eric pay. Question is how much is enough.

P 3 is pay pay, better, but wife can position like they are, not so many will want to get out.

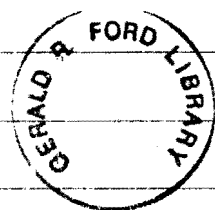
S ~~the~~ The bonus item is ok

S The reserve item is ok. We didn't ask for a money

P How does Intense fit w/ base closures?

S No connection. report without decrease readiness. Property value is not so bad as report.

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P Let's leave open for a moment.  
Q I would love and a criticism ent now.  
P Let's cut the Texas package.  
P No ~~on~~ on ship building.

