

CHAPTER 2

Countering the Soviet Buildup and Inflation: The Military Budget, 1973–1977

Throughout their tenures, Secretaries Elliot Richardson, James Schlesinger, and Donald Rumsfeld sought to convince Congress to increase defense spending to counter a Soviet military buildup that, despite détente, continued during the mid-1970s and saw the Soviet Union acquire larger, more accurate ICBMs and better conventional weapons. The secretaries faced serious obstacles. The Vietnam War had left the U.S. military with aging and worn equipment and poor readiness. The oil crisis of the 1970s fueled inflation that undermined the three secretaries' efforts to achieve real growth in the Defense budget. Richardson was not in office long enough to do much more than defend the budget largely developed under Melvin Laird. Schlesinger's first two budgets, for fiscal years 1974 and 1975, failed to keep up with inflation, so what looked like modest increases on paper were actually cuts. In FY 1976 spending increases barely kept pace with inflation. Only in FY 1977, with Gerald Ford's final budget, did election-year politics and Rumsfeld's extensive persuasion campaign cause a shift of congressional attitudes that allowed DoD to achieve robust real growth—an increase of 5 percent after inflation.¹

Congressional resistance to increased Defense budgets was merely a reflection of public attitudes. With the signing of the Paris Peace Accords in early 1973, the United States wound down its involvement in Vietnam, and many Americans wanted to spend less on defense. A February 1973 Gallup Poll found that 42 percent of the public thought the Pentagon spent too much. Only 8 percent believed that defense spending needed to rise, while 40 percent felt the Pentagon got what it needed. Members of Congress called for a peace dividend, a reallocation of funds from defense programs to domestic programs. Richardson, Schlesinger, and Rumsfeld

each argued strenuously against such a reallocation, and public attitudes started to shift with the Soviets' continued buildup of conventional and nuclear forces in the mid-1970s, Moscow's resupply of Arab states in the October 1973 war, the collapse of South Vietnam in April 1975, and Soviet intervention in the Angolan Civil War. By the final year of Ford's presidency, skepticism toward détente had risen and attitudes towards defense spending had significantly changed. Support for defense cuts dropped to 33 percent of Americans, while those who opposed cuts increased to 59 percent. But even in the years of budget austerity in the mid-1970s, the United States devoted a considerably larger share of its GDP to the Department of Defense—averaging around 5 percent—than it did in the 2020s, when it was just over 3 percent.²

The Budget Process

The preparation of and advocacy for the annual Department of Defense budget is the most time-consuming and among the most important task of any defense secretary. Without an adequate budget, all of the secretary's other objectives are endangered. The department's budget process, known as the Planning, Programming, and Budgeting System (PPBS), came into use in 1961, during the term of Secretary of Defense Robert McNamara. Budget preparations for a fiscal year would begin in the Pentagon at least two years ahead of that budget's execution. The process started with the secretary's Defense Policy and Planning Guidance (DPPG), which reflected the priorities of the president, for the Joint Chiefs and the military departments to use in determining their budgets. The DPPG would provide strategic guidance for the next five fiscal years. The secretary's Planning and Programming Guidance Memorandum (PPGM), which incorporated the DPPG, gave the services strategic and fiscal guidance to prepare their program objective memoranda (POM). In response, each service prepared one POM, which reviewed, analyzed,

and justified its planned budget program. The White House and the Office of the Secretary of Defense then established the overall DoD budget level. While the services prepared their POMs, the Joint Chiefs prepared a joint force memorandum (JFM), which detailed the best force structure mix possible within the PPGM. Based on the service POMs, staff in the Office of Program Analysis & Evaluation prepared issue papers summarizing the options presented to the secretary. The secretary would then issue Program Decision Memoranda (PDMs) that could be appealed before the service budgets were packaged into the larger DoD budget submitted to the Office of Management and Budget. After debate within the administration, the president would establish the final budget and send it to Congress. The House and Senate Armed Services Committees and the Appropriations Committees would then review and revise the DoD's proposed budget. The Armed Services Committees next reported the military authorization bills, which, once passed, authorized the DoD to spend at specified levels but did not provide actual funds. That required separate action by both houses' Appropriations Committees, which provided the money through appropriation bills. During these reviews, the White House and the Pentagon routinely sought to reduce or reverse congressional budget cuts added during the review process.³

This cumbersome process often caused delays; a president might not have the bill on his desk until November or December, several months into the fiscal year. This forced the department to operate on continuing resolutions at the previous year's funding levels until the new budget was approved. And the processes typically overlapped: as the Defense Department tried to push a given budget through Congress, it was simultaneously preparing budget and force level proposals for the next budget.⁴ Each year, Congress established the department's budget authority (BA), allowing it to incur obligations for the provision of goods and services, sign

contracts, place orders, hire personnel, and make loans or grants. In most fiscal years, the Pentagon did not spend the full amount Congress had authorized. As a result, the department started each fiscal year with unobligated balances from the previous year, which, when combined with the BA for a given fiscal year, became the total obligational authority (TOA). The TOA also included BA transferred from other appropriations, offsetting receipts, and other credits. The actual payment of bills or cash withdrawals from the Treasury Department were outlays, almost always smaller than the TOA. In the mid-1970s, the secretaries focused their budget presentations on TOA and outlay figures.⁵

Anticipating Trouble with Congress in 1973

The U.S. military had traditionally undergone rapid and sizable reductions after major conflicts. With the Vietnam War, however, the U.S. combat role had diminished gradually over four years, roughly from the start of Nixon's Vietnamization program in 1969 to the signing of the Paris Peace Accords in January 1973. The Defense budget fell along with this gradual reduction of American involvement. In constant FY 1974 dollars, TOA for the war in Southeast Asia dropped from \$35.2 billion in FY 1968 to \$7.3 billion for FY 1973, and the TOA for the Defense Department shrank from \$110.5 billion in FY 1968 to \$85 billion for FY 1973. Over the same period, active personnel numbers fell from 3.5 million to 2.3 million.⁶

The growing costs of domestic programs had caused Nixon's advisers to increasingly view defense spending as the likely target of congressional cuts. In July 1972, as the services submitted their program and budget requests for FY 1974, Philip A. Odeen of the NSC staff warned National Security Adviser Henry Kissinger that the federal budget deficit, estimated at \$14 billion in FY 1973, would reach \$25–\$30 billion in FY 1974. Tax cuts, inflation, and the

rapid growth of nondefense spending had all contributed to the growing deficits.

Nondiscretionary entitlement programs consumed an increasingly larger share of the budget, and since only Congress could change these—through new legislation—the president had little control over them. In such an environment, Odeen predicted the administration would face strong pressure to cut defense expenditures. In mid-1972, the Defense Department projected \$85 billion in outlays for FY 1974. Nixon, however, wanted to keep a modest budget surplus without resorting to an unpopular general tax increase. He planned to limit FY 1974 outlays to \$78.2 billion for the DoD and \$800 million for military assistance. Undeterred, in January 1973 Secretary Laird asked for, and Nixon agreed to seek, \$85.2 billion in TOA for FY 1974 (\$83.5 billion for military functions and \$1.7 billion for military assistance). Laird, however, disengaged from the battle over the FY 1974 budget in the fall of 1972 and departed shortly after the start of Nixon's second term, leaving the budget fight to his successor, Elliot Richardson.⁷

From the outset of his second term, Nixon expected a tough fight in Congress. Senate Majority Leader Mike Mansfield (D-MT) and Speaker of the House Thomas P. "Tip" O'Neill (D-MA) both wanted sizable troop withdrawals from Europe, which they thought would reduce overall defense spending. Even some conservative southern Democrats, traditional advocates of a strong military who had had been elevated to committee chairmanships by seniority, now balked at spending more on defense. George Mahon, chairman of the House Appropriations Committee was a fiscal conservative dedicated to slashing all federal spending, including defense spending, except when it affected his home district in Texas. Attitudes on the Senate Armed Services Committee toward defense spending varied. Senator Stuart Symington (D-MO) had been disillusioned over Vietnam and changed from a defense hawk to a dove. Senator Henry M. "Scoop" Jackson (D-WA) was the Pentagon's most vocal ally on the committee and

supported increased defense spending. The chairman of the Senate Appropriations Committee, Senator John L. McClellan, a key figure in determining the overall level of defense spending, grumbled about the inadequate efforts of NATO allies, questioning why Washington should spend so much to defend allies who seemed unwilling to do what was necessary to defend themselves.⁸ With the public heavily opposed to increased defense spending, the Pentagon's budget prospects looked grim.⁹

Immediately after assuming office in late January 1973, Elliot Richardson prepared to testify before Congress on the president's FY 1974 Defense budget. The budget largely maintained the existing force structure but cut military personnel strength for all the services because of rising personnel costs, including salary increases to attract recruits for the new All-Volunteer Force and retiree pay hikes. The Army's active-duty strength would contract by 2.5 percent, from 825,000 to 804,000, while the Air Force would fall from 692,000 to 666,000, a 3.8 percent reduction. The Navy and Marine Corps also shrank but by smaller amounts. Personnel costs alone accounted for 56 percent of the FY 1974 budget. Procurement for general purpose forces consumed 33 percent of the budget while strategic nuclear forces, the main U.S. deterrent against the Soviet Union, took up just 8 percent.¹⁰ Looking to head off anticipated resistance, Richardson announced a review of the proposed budget, which had been developed under his predecessor, to identify possible spending cuts. On March 5, a month later, the secretary announced that he "had not been able to find any pockets of fat" in the proposed budget and had left it largely intact.¹¹

Nixon wanted to preempt the Defense budget slashers in Congress. He warned Richardson and Secretary of State William Rogers in March 1973 that "in order to support their pet domestic projects, [members] are going to have to have to take it out of the defense and

foreign assistance budgets.” Defense cuts, he thought, would gravely damage the U.S. position in arms limitation talks. Ensuring the fulfillment of the Vietnam peace accords, he said, depended on keeping foreign assistance at its current level. Defense and State needed to “work on the entire Congress rather than concentrating primarily on their Committees,” the president wrote. Individual members, he calculated, would be flattered by their attention. He urged them to target Republicans and southern Democrats and advised them to “then try to pick up as many Northern Democrats as possible, as well as some of the Liberal Republicans.”¹²

In late March and early April 1973 Richardson presented to the House and Senate Appropriations Committees the FY 1974 budget of \$85.1 billion in TOA, a 6 percent increase from the prior year. At the House hearing, Chairman Mahon demanded to know why, after U.S. military involvement in Vietnam had ended and relations with Moscow had improved, did the defense department need more money. “Why,” he asked, “does peace cost more than war?” Richardson responded that Washington had already received the peace dividend and reinvested it in expanding domestic programs. Inflation, he continued, had increased equipment and personnel costs. The military had deferred too many programs while fighting in Vietnam, he said, and it now needed to move forward with modernization, particularly for the Navy. The services must not be lulled by détente into allowing a dangerous further erosion of U.S. capabilities relative to those of the Soviet Union and China. The Defense Department share of federal spending, the labor force, and the gross national product (around 6 percent) would be the smallest since 1950. Unconvinced, Mahon said, “It could be argued, probably successfully, that modernization was accelerated as a result of the war.”¹³

Many of the same members of Congress who called for defense spending reductions howled in protest when on April 17 Richardson announced defense cuts in their home districts.

Military installations in 32 states, Washington, DC, and Puerto Rico would be consolidated, reduced, realigned, or closed. He said that by closing 40 installations, mostly determined by his predecessor, the Defense Department would save \$3.5 billion over the next 10 years. Reductions in the military's overall size in the last years of the Vietnam War had made many of these installations unnecessary. Senators and representatives with bases in their states and districts slated to be cut were furious. In response, they passed legislation to limit the secretary's authority to close bases but failed to override Nixon's veto in the summer of 1974.¹⁴

For those members of Congress eager to cut the fat, Richardson claimed no Pentagon expense was too small or trivial to target. Senator William Proxmire denounced the Pentagon for profligately allowing top officials to ride around Washington in chauffeured limousines. In May, as one of his last acts as defense secretary, Richardson made a symbolic concession by reducing by five the number of defense officials who could ride limousines to work. Richardson avoided further maneuverings with Congress over the Defense budget after the ongoing Watergate scandal led Nixon to move him to the Justice Department and replace him at Defense with James Schlesinger.¹⁵

Schlesinger arrived at the Pentagon convinced of the need to increase defense spending to counter the Soviet Union. The new secretary brought an unusually deep knowledge of the Defense budget from his work at the RAND Corporation and OMB. In November 1970, Kissinger had remarked "except for Jim Schlesinger [then the assistant director of OMB] there is not a single person here who can argue line items." Unsurprisingly, Schlesinger sought to carefully shape the budget throughout his time at the Pentagon.¹⁶ During his first meetings with senior OSD officials in July 1973, he identified three priority areas for the military: continuing NATO troop commitments, maintaining a strategic nuclear balance between the superpowers,

and improving naval capabilities. Larger investments in these areas, he believed, were necessary because Soviet capabilities had improved while Washington had been focused on Vietnam. Schlesinger, however, lacked any political background, which would be evident in his dealings with members of Congress and the presidents he served. He could articulate intellectual arguments better than most previous defense secretaries, but he struggled to build rapport with politicians or understand their motivations.¹⁷

Nevertheless, Schlesinger was initially confident that intellectual argument and pressure could prevent Congress from deeply cutting the president's FY 1974 budget proposal. Meeting with top OSD officials in late July, Schlesinger expressed confidence regarding the Pentagon's position in the upcoming battle with Congress over the Defense budget. Most senators, he claimed, wanted a clear reason to reject Mansfield's call for reducing U.S. forces stationed overseas. "We can win these arguments," the secretary insisted, "if we work at it!" Schlesinger wanted DoD officials to "go after" members of Congress and the public who were "not our normal market." He joked about a New York Democratic congresswoman known for her outspoken criticism of the Pentagon: "Don't even write off Bella Abzug yet!" But he instructed subordinates to not waste time with Representative Leslie "Les" Aspin (D-WI), a staunch critic of Pentagon spending on weapon programs, but instead point out to other legislators "how much it costs to play with him." To pressure some Democrats in Congress, Schlesinger courted organized labor, one of the Democratic Party's core constituencies and traditionally a strong supporter of defense.¹⁸

Schlesinger was overly optimistic. In late July the Senate Armed Services Committee cut the proposed \$22 billion weapons procurement and research and development authorization bill by \$1.6 billion. Although it left major weapon system programs intact, it cut \$100 million from

the B-1, took out \$500 million intended for 50 F-14 fighters, and ordered a 7 percent personnel reduction. In the House, Aspin led an effort to cut \$949 million from the procurement authorization bill.¹⁹

Furious, Schlesinger denounced the cuts. At an August 1 swearing-in ceremony for Air Force Chief of Staff General George Brown, he told the press, “There was a large piece of flak that went through our left wing in the form of a massive reduction of manpower for the Department of Defense.” He went further, saying the United States was “well into ... the period of post-war follies.” Directing his ire at Congress, he said, “It is now fashionable, as it has been fashionable before, to attempt to dismantle the Defense Establishment of the United States.” He welcomed General Brown but said that he regretted the coming years “will not be as easy years as you may deserve” and lamented, “but that unfortunately appears to be the mood of the Senate at the present time.”²⁰

On October 1 the full Senate approved \$20.9 billion for weapons procurement and research and development, rejecting last-minute proposals for overall cuts—one by Hubert H. Humphrey (D-MN) for \$750 million and the other by Robert C. Byrd (D-WV) for \$500 million. The full Senate also restored the \$500 million for 50 F-14 fighters that the Senate Armed Services Committee had cut but kept the 7 percent manpower cut and the withdrawal of 110,000 troops from overseas by the end of 1975. Schlesinger felt that if he could not get the House to restore Senate-mandated troop cuts, the U.S. military’s overseas force posture would be grievously damaged. The Senate had acted, Majority Leader Mike Mansfield complained, despite “much heavier” Pentagon pressure than past years.²¹

The outbreak of the Arab-Israeli War on October 6, 1973, dramatically improved the Pentagon’s budget fortunes. A massive Soviet airlift to resupply Moscow’s Arab allies

diminished congressional interest in further defense cuts. Israel's Capitol Hill allies began insisting the Pentagon do more to resupply the Israeli military. Although Schlesinger feuded with Kissinger over how much to provide the Israelis and became increasingly concerned about a potential depletion of U.S. stocks, he celebrated the change in congressional attitudes toward defense. "There may be some irony that it has been typically those on the Hill who have voted regularly to reduce defense expenditures across the board who have most vigorously pressed the Department to supply fully all of Israel's stated needs," he said in an October 18 speech to the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). "But there is not and need not be any consistency in dovishness—and we in the Department welcome, whatever the reasons, greater understanding regarding why this Nation maintains a Defense Establishment."²²

To Schlesinger's delight, the war prompted conferees to rethink their positions about reconciliation of the defense procurement authorization. In October, the Senate dropped its requirement for a 110,000 cut in overseas troop strength, restored \$75 million of the Senate Armed Services Committee's \$100 million cut in B-1 funding, and reduced the Senate's personnel reduction mandate by two-thirds in early October. The final procurement bill authorized \$21.3 billion in spending, more than either the House or Senate versions of the bill, but still \$660 million less than the administration had requested.²³

With authorizations complete, the debate shifted to the appropriations committees. On November 26, the House Appropriations Committee voted to reduce the FY 1974 request by nearly \$2.9 billion, down to \$74.1 billion. The full House approved that figure three days later. "If it hadn't been for the war," one liberal Democrat remarked, "my guess is that we would have

cut around \$6 billion.” The bill then went to Senator McClellan’s Senate Appropriations Committee.²⁴

On November 27 Schlesinger met with James Calloway, chief counsel and staff director for the Senate Appropriations Committee. According to Calloway, McClellan strongly believed he had to mark-up some items so the FY 1974 bill would gain support from his entire committee. On December 13, after only four hours of floor debate, senators approved by a vote of 89-2 the recommendation from McClellan’s committee to appropriate \$73.7 billion. The House had appropriated \$74.1 billion in late November. On December 19, Senate and House conferees agreed on \$73.7 billion for DoD appropriations for FY 1974, a cut of over \$3.5 billion from the administration’s request of \$77.25 billion.²⁵

In addition to the FY 1974 defense appropriation bills, the administration requested two supplemental budget bills. On October 19 the president requested a \$2.2 billion supplemental to replenish inventories depleted by arms transfers to Israel and Cambodia, which Congress approved. Schlesinger presented Congress a second supplemental request for \$2.8 billion early in 1974, half of it intended to improve force readiness. Its passage, when combined with other transfers, the first \$2.2 billion supplemental, and \$3.2 billion covering pay and cost-of-living increases, raised TOA for FY 1974 to \$87.1 billion.²⁶

The Defense Department fared far better with the FY 1974 budget than Schlesinger had anticipated, largely because the Arab-Israeli War had created a more favorable political climate toward defense spending and prevented deep cuts. Congress had become concerned about the Soviets’ willingness to support their clients in war against Israel despite détente with the United States. The oil embargo the Arab states imposed in response to the U.S. airlift to Israel, however, led to a dramatic rise in oil prices, sparking high inflation and a recession in the United States.

Although the Defense budget increased in FY 1974, it did not grow enough to overcome the inflation spike. Measured in constant dollars, the FY 1974 budget was 5 percent smaller than the FY 1973 budget.²⁷

Annual Inflation Rates, FY 1973–FY 1977

Inflation Rate (Consumer Price Index)	Percent
FY 1973 to FY 1974	9.0
FY 1974 to FY 1975	11.1
FY 1975 to FY 1976	7.1
FY 1976 to FY 1977	6.4

Source: *Department of Defense Annual Report FY 1978*, C-15.

Battling Inflation: The FY 1975 Budget

Although Richardson had started the budget process for FY 1975, his early departure meant that Schlesinger largely shaped the budget. In February 1973 Richardson issued the initial Defense Policy and Planning Guidance for the FY 1975 budget, which was a mere reissue of the September 1971 document. U.S. strategic nuclear forces, the DPPG stated, should be sufficient to deter an all-out surprise attack and remove any incentives for the Soviets to strike first in a crisis. General purpose forces must be capable of mounting a 90-day defense of Western Europe or a joint defense of either Korea or Southeast Asia.²⁸

Once Schlesinger became defense secretary, he wanted no OMB interference on internal Pentagon discussions of the FY 1975 budget proposal. In August 1973 Clements told B. A. Bridgewater, OMB’s associate director for national security and international affairs, that neither he nor OMB director Roy L. Ash could interfere with DoD internal debates, a prohibition

previous secretaries had advocated but largely failed to achieve. Schlesinger warned Clements to be careful, because OMB “can screw DoD quickly by being lax on [limits on] domestic expenditures.” The two persuaded OMB to postpone its review until later in the year, near the end of DoD budget cycle.²⁹

Schlesinger and Clements, however, could not prevent OMB from significantly shaping the final DoD budget proposal that would be submitted to Congress. On November 20, 1973, Ash informed Schlesinger that overall federal spending in FY 1975 would have to be pared back. Schlesinger responded by giving Leonard Sullivan, director of Program Analysis and Evaluation, a \$89.5 billion ceiling in TOA and \$84 billion in outlays for FY 1975. But on November 29, Schlesinger informed Kissinger that DoD needed a \$1.7 billion readiness supplemental for FY 1975, with another \$500 million perhaps following later, totaling \$2.2 billion. The secretary now had to convince the White House and OMB of the need for a supplemental.³⁰

On December 19, Schlesinger and Ash conducted a budget review with Nixon. Noting that DoD’s request for FY 1975 outlays had been cut from \$90 billion to \$84 billion, Schlesinger asked the president to consider a \$3 billion supplemental based on military and economic considerations. Justifying the extra \$3 billion, which included \$800 million to cover higher fuel costs and the \$2.2 billion readiness supplemental, the secretary enumerated deficiencies in the military posture. With oil price hikes inflicting increasing damage on the economy, the administration feared a recession loomed. By remedying some of the military’s deficiencies, Schlesinger argued, the administration would boost the economy. “For each \$1 billion in outlays,” he told the president, “there are about 60,000 jobs and secondary employment of 90,000.” Ash agreed in principle: “We are at the best possible tradeoff. We need to spend on things that have maximum impact on the economy in the short term.” The president asked

whether defense was the best place to put money. In certain areas it would be, Ash said.

Increases for inventory, operations, and maintenance would get money into the economy as fast as anything. “Roy,” Nixon replied, “here goes your balanced budget. But we need a strong defense and if we throw money around, here is the best place.” Schlesinger thought he had convinced the president of the need for a supplemental, which would soon be sent to Congress.³¹

Schlesinger discovered the next day, however, that he had not gained Nixon’s complete backing. Ash told Schlesinger that DoD’s bid for \$87 billion in FY 1975 outlays, the accepted \$84 billion plus the \$3 billion supplemental, exceeded the president’s guidance by \$3 billion. Ultimately on January 2, 1974, Ash agreed to \$85.8 billion in outlays, with a \$2.8 billion supplemental coming later, and \$92.6 billion in TOA. Schlesinger would present these figures, a clear DoD budgetary victory over OMB, to Congress later that spring.³²

He anticipated fairly easy passage of the FY 1975 budget in Congress. There had been, he told his staff, a “magnificent change” in congressional attitudes. He thought the “old game” of delaying action on DoD requests to fund domestic programs, thereby forcing defense budget cuts, was dead. When Schlesinger prepared his posture statement for congressional committees, he emphasized to his staff, “This is the year for strategic forces and NATO.”³³ In an interview, Schlesinger later confessed that his emphasis on NATO had partly been to prevent Congress from slashing the budget after Vietnam. “I’m not above admitting that there was also an element of calculation in it,” he said, “that when we came out of Vietnam that I turned back to our NATO responsibilities. Because without the NATO responsibilities there would have been no justification for an army of the size that we were maintaining. And the rebuilding of NATO was not only a labor of love for me, as a believer in the Atlantic alliance, it also provided a rationale for the defense budget.”³⁴

In his late February 1974 statement to Congress, Schlesinger sought to counter the notion that détente allowed the United States to cut its Defense budget. “The Soviet Union,” he warned, “shows that it, at least, sees no inconsistency between détente and increasing military capabilities.” Washington must not rely “solely on fond hopes or soft words.” The Pentagon, the defense secretary stressed, needed a sufficient budget to maintain balances of strategic nuclear forces, conventional forces in Europe, and naval power.³⁵

The secretary’s statement justifying the budget for strategic forces focused on the shift in U.S. nuclear targeting known as the Schlesinger Doctrine and growing Soviet intercontinental ballistic missile (ICBM) capabilities. Superpower strategic parity, Schlesinger argued, had heightened “the need for options other than suicide or surrender, and other than escalation to all out nuclear war.” By giving the president a greater range of options and making it clear to the Soviets that he had these options, Schlesinger argued that deterrence would be enhanced. If deterrence failed, the president’s ability to choose selective nuclear options might limit collateral damage and prevent a limited nuclear war from escalating into one of mutual annihilation. Schlesinger turned to the looming strategic threat, warning of the Soviet development of four new types of ICBMs (SS-X-16, SS-X-17, SS-X-18, and SS-X-19), several of which could be fitted with multiple independently targeted reentry vehicles (MIRVs). Once these ICBMs were produced and deployed, Schlesinger feared that the Soviets, by obtaining the greater throw weight (total warhead weight and thus destructive power) along with greater missile accuracy, might conclude they had gained a one-sided counterforce capability. “This is impermissible from our point of view,” he said. Washington had to maintain an essential strategic equivalence with Moscow, “an equivalence perceived not only by ourselves, but by the Soviet Union and third audiences as well.” Without it, Soviet leaders might take greater risks in crises and the resolve of

U.S. allies might weaken. Although he hoped SALT II would uphold the principle of essential equivalence established in SALT I, expanding it to cover new strategic systems, the United States must hedge against a potential arms control failure by funding strategic research and development programs, such as an improved warhead for the Minuteman III ICBM, to allow Washington to counter any Soviet buildup of larger, more accurate weapons.³⁶

Turning to his second objective, Schlesinger explained that he wanted to maintain current U.S. force levels in Europe while seeking to have NATO allies assume more of the defense burden. He would pursue financial offset agreements with the allies, particularly West Germany, to lower the cost of keeping U.S. troops in Europe. Bonn would purchase military equipment and services from the United States to balance American spending to station U.S. troops in West Germany. Responding to congressional demands for troop withdrawals, he argued there was “frankly, no satisfactory alternative” to keeping U.S. troops in Europe given recent improvements in Warsaw Pact capabilities. He also warned that a unilateral withdrawal of U.S. forces would ruin the chance of reducing both American and Soviet forces on the continent through the Mutual and Balanced Force Reduction Talks.³⁷

In addressing the naval balance, the secretary warned of the danger posed at sea by both the large Soviet naval construction program and the increasing Soviet naval deployments to new maritime areas, such as the Indian Ocean. To counter growing Soviet naval power, Schlesinger pursued “the high-low mix concept,” in which the United States would combine a smaller number of expensive ships with high combat capabilities, such as sophisticated multipurpose aircraft carriers, with a larger number of low-cost ships with lower combat capabilities, such as missile frigates and small patrol frigates. Schlesinger was advocating a major shift in U.S. naval

construction. Historically, the Navy mostly preferred high capability ships. This concept ultimately floundered because of Navy resistance.³⁸

Schlesinger fumbled badly in responding to questions from House Appropriations Committee chairman George Mahon. Mahon asked Schlesinger whether any of the proposed aircraft purchases in the FY 1975 budget were for domestic economic stimulus rather than actual military requirements. Schlesinger denied this but Mahon was unconvinced. Schlesinger snapped back at a February 1974 hearing, “The only time in recent years when it struck us that there was a stimulus to the aircraft industry was the thrusting of money for A-7s and F-111s on the Department,” which the Pentagon had not requested. While true, Schlesinger’s comment reflected poor political judgment. Mahon had been one of the architects of the FY 1974 purchase of additional A-7 and F-111 aircraft. Both planes had been assembled in Texas, his home state. The secretary had publicly accused Mahon of hypocrisy, which, though plausibly accurate, was an ineffective tactic for building rapport with the chairman of one of the most important defense committees.³⁹

A second fight in March between Schlesinger and Mahon over aid for South Vietnam left a lasting impression on Vice President Gerald Ford. In his memoir, Ford recalled how Schlesinger poorly handled a jurisdictional dispute between Mahon, who proposed a \$1.1 billion aid package, and House Armed Services Committee Chairman F. Edward Hébert, who proposed \$1.4 billion. Rather than work with individual members of Congress or seek some compromise, Ford recalled that Schlesinger’s “approach was to side with Hébert and try to run roughshod over Mahon.” Ford wrote, “You don’t win the war by beating one of the chairmen over the head.” The vice president was forced to broker a last-minute compromise between Mahon and Hébert. Shortly afterward, he told John Osborne, a reporter for the *New Republic* magazine, that he found

Schlesinger's approach to Congress particularly ham-fisted. Although Osborne did not cite Ford as a source, it was clear to readers he had been consulted. Osborne wrote:

Ford's reservation about Schlesinger has to do with Congress. In the Vice President's opinion, Schlesinger doesn't understand Congress and doesn't know how to deal with Congress. Ford holds that one of any administration's biggest problems in the foreseeable future is going to be dealing with Congress on defense matters and that an effective Secretary of Defense has to know how to deal with Congress or, if he doesn't know, have somebody at Defense who does know how.⁴⁰

At the time, the Nixon presidency appeared increasingly unlikely to survive Watergate, and reporters had begun discussing the inevitability and potential timing of a Ford succession. The Osborne article indicated Ford might quickly replace Schlesinger at Defense if he became president. Ford called Schlesinger to apologize for the resulting media firestorm but said, "Jim, that's the way I feel, and I don't think you're going to get your budget through—and as Vice President I want to help you with that—you're going to have to broaden the base of your Congressional support." After a "pretty disagreeable" conversation, Ford sensed he had failed to persuade Schlesinger to handle members of Congress with greater political tact. He would keep Schlesinger as defense secretary after becoming president following Nixon's resignation in August 1974, largely because he did not want to add to the national tumult by changing the cabinet upon taking office. Ford's relationship with Schlesinger would remain uneasy, however, and the new president would never fully trust his defense secretary to work effectively with Congress.⁴¹

Despite Schlesinger's missteps, many in Congress were more reluctant than in preceding years to make deep cuts to the Pentagon's budget in FY 1975 because of heightened tensions with the Soviet Union and the economic fallout from the Arab oil embargo. Moscow's resupply effort during the October 1973 Arab-Israeli War and punitive treatment toward Soviet Jews

seeking to emigrate had darkened congressional attitudes towards the Soviet Union. The Arab oil embargo against the United States and American allies disrupted oil supplies, causing economic consequences that would reverberate throughout 1974. The Dow Jones Industrial Average lost a third of its value, and inflation spiked.⁴² Congress lost its enthusiasm for spending cuts, which might only worsen conditions. Its attention, moreover, had shifted away from concern over Vietnam and its aftermath, causing the debate over the Defense budget to lose some of its earlier rancor. Throughout much of 1974, the Watergate investigation and the economy were the main concerns on Capitol Hill.⁴³

Many in Congress, however, concluded that the administration's proposed increases were excessive. On August 1, 1974, the House Appropriations Committee cut \$3.8 billion from the administration's request and warned against making further supplemental requests, as had occurred with FY 1974. Senator McClellan's Appropriations Committee cut deeper, taking out \$4.9 billion, which the full Senate upheld on August 21. The House-Senate conference agreed on a \$4.4 billion cut from the administration's request, closer to the Senate's number than the House's. The conference also restored funding the Senate had deleted for the F-111s built in Fort Worth and championed by Chairman Mahon. Congress finalized the appropriations bill on September 24, 1974. In comparison with the FY 1974 budget, which had not been approved until January 1974, the \$82.6 billion FY 1975 budget sailed through both chambers as Congress sought to separate the Defense budget from heightened political tensions over Watergate.⁴⁴

Neither Congress nor the administration had, however, anticipated the rise in inflation that would follow the passage of the FY 1975 budget. Developed by DoD in late 1973, the FY 1975 budget had assumed a 6 percent rise in pay and prices. During the first half of 1974, however, inflation ran around 12 percent annually. On 10 June, Comptroller McClary proposed a

budget amendment of \$1.45 billion, mainly to cover fuel price increases. Schlesinger initially wanted to wait until Congress finished with the regular FY 1975 budget. McClary reminded him that the FY 1974 supplemental request, even though it had preceded passage of the regular budget, had been well received by Congress. Persuaded, on June 13 Schlesinger asked Director Ash at OMB to support a \$1.5 billion amendment.⁴⁵

On June 24, Nixon sent Schlesinger's proposed \$1.5 billion supplemental to Congress. But in early July Ash undercut the supplemental by remarking publicly he believed DoD could live with the original figure of \$85.8 billion for FY 1975 outlays unless world conditions changed. McClary responded that although the original budget request might absorb pay and fuel increases, the rising prices for goods and weapons concerned him. The Pentagon had drafted the procurement part of its FY 1975 budget on the basis of industrial prices prevailing in November 1973. In mid-1974, though, the wholesale price index for nonagricultural commodities was rising at an astonishing 30 percent annual rate. After approving the FY 1975 budget amendments, Congress refused to consider further supplements and directed DoD to compensate for inflation by reprogramming funds to meet priority needs rather than through supplemental requests.⁴⁶

Schlesinger had succeeded at convincing Congress to preserve research and development programs for strategic nuclear forces and to reject a mandatory withdrawal of troops from Europe. Yet, because of high inflation and congressional unwillingness to overcome it, the FY 1975 budget was 3 percent smaller than FY 1974 when adjusted in constant dollars. Procurement took the biggest hit, falling by over 11 percent from the previous year after inflation. Of the three services, the Army's budget suffered most. Inflation caused an over 6 percent real drop from FY 1974 to FY 1975 in both TOA and BA. The FY 1975 budget of \$86.1 billion TOA and \$85.7 billion BA represented the bottom of the post-Vietnam drawdown. The budget was the smallest

since FY 1950 when adjusted for inflation, a 25-year low, and over 30 percent smaller than FY 1968, the height of the Vietnam War.⁴⁷

Conflict between congress and the Nixon administration over the execution of appropriated funds resulted in the passage of the Congressional Budget and Impoundment Control Act of 1974, which significantly altered the development of future budgets. Signed by Nixon on July 12, the act strengthened congressional control over the budget process, established national budget priorities, and kept expenditures in line with revenues. It moved the start of the fiscal year from July 1 to October 1 to end the growing use of continuing resolutions, which authorized continued spending at the prior fiscal year levels whenever appropriations bills were under debate. This change would occur in 1976, with a three-month transition budget spanning the gap between the end of FY 1976 on June 30 and the beginning of FY 1977 on October 1. The Defense Department recommended that proposals covering FY 1976 and FY 1977, the transition quarter, be submitted to Congress simultaneously. The House and Senate Appropriations Committees agreed, as did OMB. The act also established House and Senate Budget Committees to set caps on overall federal spending each year and required executive departments to submit five-year budget projections. To help discipline spending and curb deficits, the act organized budget authority and outlays into major functional categories, such as defense, agriculture, and transportation.⁴⁸

A Minor Turnaround: The FY 1976 Budget

Although Schlesinger hoped to achieve a defense spending increase in FY 1976, high inflation once again threatened to devour any budget growth. Increasing congressional apprehension about détente had saved his FY 1974 and 1975 budgets from catastrophic cuts, but inflation turned

these modest defense increases into real losses. Schlesinger later admitted that he had failed to establish a positive rapport with many members of Congress, and this complicated his efforts: “Some people on the Hill did not like my style. Other people liked it. All in all, it was a wash. But probably a touch more of the hail-fellow-well-met might have helped me ... because I was so dependent on the goodwill of the Congress to get my budget through.” To many, even those who agreed with his intellectual arguments, the secretary came across as arrogant and condescending.⁴⁹

Internal Pentagon deliberations over FY 1976 budget planning in January 1974 revealed a split between the Joint Chiefs and the secretary. The difference stemmed from the JCS’s Joint Strategic Objectives Plan (JSOP), prepared in advance of the secretary’s defense policy and planning guidance, which laid down guidance for POM preparation. Schlesinger noted to his staff on January 30 that JSOP 76-83 assumed the Soviets would not counter a U.S. buildup with one of their own. He disagreed; the Soviets would certainly respond, and since the United States could never have a force big enough to give it “a lead pipe cinch in a fight,” U.S. forces must optimize their training, quality, and effectiveness.⁵⁰

The secretary and the Joint Chiefs also disagreed on the adequacy of budget-squeezed U.S. forces to counter the Soviet threat on a worldwide scale. Since late 1969 the United States had adhered to a “1 ½ war” strategy that required DoD to maintain forces sufficient to mount either an initial defense of Western Europe (lasting approximately 90 days) or a sustained defense against significant aggression in Northeast or Southeast Asia while simultaneously assisting allies and conducting contingency operations elsewhere in the world. In the wake of the Arab-Israeli War and the resulting oil embargo the Chiefs were concerned that the United States would not be able to respond to future aggression in the Middle East given Europe’s centrality in

U.S. strategy and the recent years' real-dollar decline in the defense budget. While formulating guidance for the FY 1976 budget Schlesinger initially favored keeping DoD's existing Europe-centered force planning scenarios in place but relented in the face of JCS objections. His September 1974 defense policy and planning guidance altered the scenario for conventional conflict with the Soviet Union in Europe, adding that such a war would also have "requirements elsewhere such as the Middle East, the Persian Gulf area, or the Far East." The Middle East's growing importance to U.S. force planning became even clearer by the time the Schlesinger issued his final FY 1976 planning and programming guidance in early 1975. It directed that DoD maintain forces sufficient to conduct worldwide conflict with the Soviet Union preceded by unilateral U.S. operations in the Middle East.⁵¹

Although Schlesinger could direct military planners, he could not control rising inflation. Double-digit inflation persisted, climbing to 11.5 percent in July 1974 and 12.3 percent by November, causing upward revisions of budget projections. On November 15 Schlesinger informed Ford that an OMB-DoD agreement would allow \$107–\$108 billion for TOA, a 7.7 percent increase over May projections. Comptroller McClary told Schlesinger in December that he thought the DoD would gain a real increase in TOA from the reduced FY 1975 budget. After years of constant-dollar budget cuts, the Pentagon hoped for a reversal.⁵²

Meeting with Schlesinger on December 14, Ford said he would accept \$95 billion for outlays and a "comparable" TOA figure. The president also pursued some novel economic measures. He strongly supported phasing out the commissary subsidy and, with Schlesinger's agreement, rejected the services' complaints about an erosion of military benefits. Schlesinger thought the 10 percent drop in real income in civilian life had created a "general malaise" that had not affected the military. Partly because Ford capped pay increases at 5 percent, below

expected inflation, the proposal for FY 1976 outlays sent to Congress in early 1975 was only \$92.8 billion. The request for TOA amounted to \$104.7 billion. In January 1975 the service chiefs assured Schlesinger that they were satisfied with these budget figures. However, the composition of the new Congress that took office that month increasingly alarmed the administration.⁵³

Buoyed by Watergate, Democrats won more than two-thirds of the seats in the House of Representatives and a sizable majority in the Senate in the 1974 midterm elections. Schlesinger expected that liberal Democrats, with their numbers strengthened, would call for serious defense cuts in the FY 1976 budget. He also faced challenges from conservative Democrats, particularly from Mahon, the powerful chairman of the House Appropriations Committee whom he had repeatedly irked and who now pressed for spending cuts to curb inflation and hold down a ballooning budget deficit.⁵⁴

Nonetheless, Schlesinger was optimistic about his ability to work with enough of the new members to achieve a real defense budget increase. "I have sat down with some of the new Democrats," he told Ford at a January 23, 1975, NSC meeting. "They ... want to make a serious appraisal of defense needs, and not only react to Vietnam. I believe we can hold the House, and the climate in the Senate is better than it was a few months ago." Ford disagreed. "My visceral reaction," he said, "leads me to the opposite conclusion." Ford thought that support for more defense spending had been weakened by the election.⁵⁵

In February 1975 Schlesinger presented Congress with FY 1976 requests for \$104.7 billion in TOA. He sought \$24.6 billion in TOA for the transition quarter (referred to as FY 197T) caused by Congress shifting the fiscal year. Testifying before the House Armed Services Committee on February 18, Schlesinger argued that the Defense budget must show real growth

“if the United States is to continue to play its historic role as the mainstay of the free world.” He again focused on the balance between the superpowers’ strategic forces, conventional forces in Europe, and navies for FY 1976.⁵⁶ Schlesinger demonstrated how effective he could be before Congress when speaking on defense policy. Although the committee contained eight new members, critics like Representative Aspin remained a minority. Aspin charged Schlesinger with “fiddling” with figures to emphasize the small size of the Defense budget in comparison to federal spending. The secretary responded with an extensive survey of Washington’s role in the world, suggesting that Aspin wanted to return to pre–World War II isolationism. The Pentagon’s budget, he insisted, was at its lowest point since 1940 in terms of relative resources, and the United States risked losing its “military power second to none” if the trends did not change. Senior Democrats joined their Republican colleagues in applauding the secretary as he finished.⁵⁷

Schlesinger found Chairman Mahon less sympathetic when he testified before the House Appropriations Committee. Simply continuing current budget trends, the secretary warned, would “collapse ... the military equilibrium that undergirds détente.... At that point, perhaps, the West will wake up and those who would make our military establishment gradually dwindle away will conclude that they may just have been wrong.” Shocked by what he called “astronomical figures,” Mahon replied that “you could have presented a lower budget, there is no doubt about that.” Nevertheless, Schlesinger remained optimistic. Later, at a meeting of the Armed Forces Policy Council, Schlesinger said he had not detected any “fiery anti-defense causes” among young members of Congress. Instead of fighting about the force structure, he related, critics now focused on expensive weapon systems like the B-1 and “so-called frills.”⁵⁸

The domestic economy continued to undercut Schlesinger's efforts to increase defense spending. The unique combination of inflation and recession in 1975, a year in which revenues fell while outlays for welfare and unemployment compensation rose, created a massive federal budget deficit. Congress looked to the Pentagon's budget for cuts to reduce it. Pentagon allies on the Hill, however, worked to preempt cuts. Senator Scoop Jackson, the third-ranking Democrat on the Armed Services Committee, asked Schlesinger in March to evaluate proposed cuts ranging from \$10 billion to \$16 billion in TOA and from \$4 billion to \$9 billion in outlays, offering the secretary an opportunity to frighten Congress with dire estimates. Seizing the opening, Schlesinger warned that such cuts would force a catastrophic 20–40 percent manpower and procurement reduction, compelling a major strategic reassessment.⁵⁹

Schlesinger's relationship with Ford, never warm, was abysmal by summer 1975, which complicated his efforts to achieve real budget increases. Ford, increasingly frustrated over the defense secretary's feud with Kissinger regarding SALT II and détente, and angered by his suspected insubordination during the *Mayaguez* incident, found Schlesinger's personal condescension toward him particularly grating. When Ford reviewed budget issues with the defense secretary, the service secretaries, and the JCS at the Pentagon on July 15, Schlesinger began by lecturing the president: "Management is not as important at this point as is the need to articulate to the American people the need for a strong defense in the era of détente and the aftermath of Vietnam." While Ford understood the Pentagon's need for a larger budget, he needed to keep the deficit below \$60 billion. "That allows for a 5 percent increase, not the 14 percent you ask for," the president said. When the president asked for cooperation in meeting that goal, Schlesinger warned that only a military balance with the Soviets could preserve détente. "It is not up to us to select your strategy and policy," he told Ford, rather tactlessly, "but

to give you options. The Air Force and Navy have introduced less than optimum capable equipment in order to get more and to economize.” General Brown then added that the readiness of the services had improved somewhat from the shortfalls caused by Vietnam, especially in the Army, but readiness in the Navy and Air Force remained uneven.⁶⁰

As Congress debated the FY 1976 budget, the secretary found himself caught between the White House and Capitol Hill. On September 27 Ford complained to Kissinger about “the clobbering we have gotten on the defense budget,” stating, “I have got to get Jim over here and say I am disappointed in him not getting through the defense budget. They [defense officials] have done a poor job of justification.” The House Appropriations Committee recommended, and on October 2 the full House passed, a bill appropriating \$90.2 billion for FY 1976 and \$12.6 billion for FY 1977, paring the administration’s amended requests by \$7.5 billion and \$1.4 billion, respectively. Schlesinger promptly wrote an appeal to Senator McClellan, warning that the House’s FY 1976 program would be “a quarter century low in terms of real buying power” and would allow a dangerous decline to continue. He urged McClellan’s Appropriations Committee to restore about \$2.5 billion. He then called Senate Budget Committee chairman Edmund S. Muskie (D-ME), who agreed that there had been some bad “score keeping.”⁶¹

Not content with quietly working with senators to restore House cuts to the Pentagon’s budget request, Schlesinger allowed his ire to spill into the public. At a press conference on October 20, Schlesinger lashed out at the House Appropriations Committee for imposing “deep, savage and arbitrary cuts” that would involve “major surgery” for the operations and maintenance accounts plus “some substantial surgery” to R&D and procurement funding. Schlesinger ominously warned, “If one strips away pensions and other considerations, the

Soviets may at this point ... be outspending us by 50 percent.” Cuts to the intelligence budget, he said, were “particularly harmful and savage.”⁶²

The secretary’s strong words angered Chairman Mahon, an old friend of Ford’s, who asserted that a \$90.2 billion appropriation was “adequate at a time when no U.S. military forces are engaged in combat and the nation is faced with a huge deficit.” In a telephone conversation on October 22, Mahon told Schlesinger, “I read your words and was shocked; I had to react.” Schlesinger responded, “You asked me to take a look at the cuts; they hurt. I’m going to have to make more noise.” The next day, the secretary told Deputy National Security Adviser Brent Scowcroft that the public rebukes of the budget cutters must continue.⁶³

Ford was furious with Schlesinger for his bungling and senselessly rude treatment of Congress and decided to intervene. The president appealed to Senator McClellan for a restoration, but Democratic and Republican leaders of the Senate Budget Committee warned McClellan that their target ceiling left no room for a substantial increase. Accordingly, on October 29, the defense subcommittee of McClellan’s Appropriations Committee voted for a \$90.6 billion bill, restoring only \$406 million of the \$7.5 billion cut. James Reston, Washington bureau chief for the *New York Times*, rated Schlesinger’s October 20 press conference as a serious political blunder that weakened his standing on Capitol Hill.⁶⁴

Ford saw Schlesinger’s struggle with Mahon over the FY 1976 budget as further proof of the secretary’s inability to work with Congress. When combined with Ford’s own frustration with Schlesinger over the FY 1977 budget and the defense secretary’s ongoing struggles with Kissinger, Schlesinger’s troubled relations with Congress drove the president into prompt action. On November 2 Ford called Schlesinger to the White House, asked for his resignation, and replaced him with Donald Rumsfeld.⁶⁵

Despite Schlesinger's efforts, budget cutting remained the dominant mood in Congress. On November 6 the Senate approved a \$90.7 billion appropriation for FY 1976. That figure was \$7.1 billion below the administration's request but still roughly \$8 billion above the prior year's level. The full Senate approved \$90.7 billion on November 18. Concurrently, the Senate confirmed Donald Rumsfeld as secretary of defense. At his confirmation hearing, Rumsfeld indicated that he was prepared to accept that figure.⁶⁶

For FY 1976 the House and Senate agreed on \$98.3 billion in TOA and \$91.2 billion for outlays. Within those totals, Congress authorized \$30.9 billion in TOA for procurement and research, development, and test and evaluation—\$2 billion less than Schlesinger had sought but in line with what the Senate had rejected earlier. The assistant secretary for program analysis & evaluation, Leonard Sullivan, nevertheless provided the incoming secretary of defense with an upbeat assessment: "FY 76 was our first attempted 'turnaround year' to take us from the negative ... to a positive slope of plus two percent for each of the next five years. Despite our concern for the heavy Congressional cuts, it is now evident that we have been partially successful in beginning that 'turnaround.'" Comparing FY 1975 with FY 1976 in constant dollars, TOA rose from \$100.7 billion to \$105.3 billion while outlays dropped from \$99.1 billion to \$98.2 billion. As had occurred the previous two years, the FY 1976 budget cut military personnel strength in the final drawdown from the Vietnam War.⁶⁷

The FY 1976 budget benefited from shifting congressional attitudes on defense spending after the final defeat of South Vietnam in April 1975. Compared with FY 1975, the military's budget grew 1.1 percent in constant dollars. Although slight, this was the first real growth in the Defense budget in the 1970s. Procurement funding grew almost 10 percent after falling by roughly 10 percent in real terms over the previous three fiscal years. Despite his political

blunders, Schlesinger's final budget proved to be his most successful.⁶⁸

Foreshadowing a Buildup: The FY 1977 Budget

Preparations for the FY 1977 budget were well advanced by the fall of 1975. In mid-September 1975, Comptroller McClary informed Schlesinger that service proposals for FY 1977, based on their amended program decision memoranda, would cost about \$120.8 billion in TOA. McClary believed that a \$119.4 billion figure could be justified. On October 8 Schlesinger informed the JCS that overall federal budget outlays for FY 1977 must be held to \$395 billion. That meant a government-wide reduction of \$28 billion, of which Defense would have to bear \$5 billion. Therefore, the secretary urged, anything that the JCS might do to push outlays into FY 1976 would help with FY 1977.⁶⁹

In early October 1975 Ford and OMB Director James T. Lynn, who had succeeded Roy Ash in February, discussed the gap between the DoD's plans and the OMB's targets. Lynn subsequently informed Ford by memo that Defense sought \$122 billion for TOA in FY 1977. Lynn proposed allowing only \$110 billion, arguing that this would support current manpower levels, allow for real growth, fulfill all Schlesinger's force-related objectives, and supply much of the funding needed to address his other identified needs.⁷⁰

In the Oval Office on October 15 Ford and Schlesinger clashed over the FY 1977 guidelines. Lynn's paper, Schlesinger said, was "off by 5.9 billion." OMB, he said, had assumed a 4 percent inflation rate while the Defense Department predicted 7.5 percent. He thought the OMB was also off on costs for retirement, civil servant pay, and for the military assistance program. The defense secretary then attempted to negotiate with the president: "If you will give me the flexibility to stay around 116 TOA, we will try to control outlays—by prespending, etc.—

to a number you can live with.” The president rejected the idea, saying he wanted Schlesinger to curb the DoD budget proposals. The secretary resisted, claiming, “We’ll have to tear up the five-year program.” Ford countered, “Congress has already done a good job at that.... We are deadly serious about this [budget-trimming] program, and I want to see what DoD can do.” It was too late in the year for such changes, Schlesinger argued. Ford agreed but noted that was true in other federal departments as well. Schlesinger responded, “But they are not playing with three million men. The others’ problems are simpler.” Ford replied, “The other departments all say the same thing. You show me what you would give up.” Schlesinger would not relent, declaring, “The program will shrink about seven percent in real terms from last year.... Shipbuilding will be especially hard hit. We will have to take down the force structure.”⁷¹

The next morning, Ford met with Kissinger to tell him about his conversation with Schlesinger. Ford said that in addition to pressing Schlesinger to cut his budget proposal, he had “hit him” over making public a Defense Intelligence Agency (DIA) report critical of détente, saying “it was amateurish and shouldn’t have been released.” He also said he criticized Schlesinger for not working well with Congress on the Defense budget. According to Ford, Schlesinger “said no organic harm had been done, but I said it was not perceived that way.”⁷² Referring to Schlesinger working with other critics of détente to undermine him, Kissinger told Ford, “They are after me but it is going to get to you.” Ford agreed. After listening to Kissinger vent his frustration over Schlesinger interfering with SALT negotiations, Ford said, “I want to let my conversation with Jim sink in and then talk to him next week.” Kissinger recommended, “You must tell him that what should be coming from the Pentagon is simply support for your position.” He told him that he had learned from his former deputy, Alexander Haig (now

NATO's supreme allied commander, Europe), that Schlesinger "wants to be president." The group, according to Scowcroft's notes, then discussed whether Schlesinger would resign.⁷³

Ford summoned Schlesinger to his office the following week and demanded his resignation. Kissinger called Schlesinger afterward to tell him "how much he regretted" his firing and that he "did [his] best to prevent it." The secretary of state, who had also been deprived of his second role as national security adviser during the cabinet shakeup, was concerned about the damage Schlesinger could do outside of government. The next day he remarked to Lawrence S. Eagleburger, then the deputy under secretary of state for management, "I wonder when Schlesinger is going to unleash. He will unleash on someone. He is the meanest bastard." Schlesinger's firing would cause Ford and Kissinger problems with critics of détente like Scoop Jackson and Ronald Reagan, the former governor of California who was challenging Ford for the 1976 nomination. Any relief Kissinger might have felt by the denouement of a rival soon vanished, however, as Rumsfeld would prove an even more effective foe, and one with a far closer relationship with the president.⁷⁴

Donald Rumsfeld entered office with far more political experience than his predecessor, having been in the House from 1963 to 1969 where he helped elevate his close friend, Gerald Ford, to minority leader. Rumsfeld was Ford's chief of staff when the president asked him to serve as defense secretary. Aided by an election year in which few in Congress wanted to appear soft on defense, Rumsfeld and Ford worked together throughout spring 1976 to highlight the scale of the Soviet buildup to Congress and the need for the United States to respond.

In late November, after Rumsfeld's confirmation, Ford chose to limit Defense's FY 1977 TOA to around \$110 billion, believing it an appropriate balance between fiscal and strategic needs. Comptroller McClary warned Rumsfeld, however, that Congress probably would neither

accept Ford's 5 percent pay cap for civil servants and retirees nor approve his addition of \$648 million to cover past shipbuilding deficiencies. The president subsequently sought \$112.7 billion in TOA and \$100.1 billion in outlays, keeping the overall federal budget at or below \$395 billion while allowing 5 percent real growth in defense spending between FYs 1976 and 1977. As presented to Congress, the FY 1977 program accepted some delays but avoided serious program cuts.⁷⁵

Throughout much of 1976 Rumsfeld worked to convince Congress of the need for more defense spending by highlighting the Soviet military buildup and focusing his persuasion efforts on strategic legislative decision points. At the end of December 1975 Rumsfeld outlined his plan for the year in a memo to the Office of Legislative Affairs. "The fate of all of our programs this year," he wrote, "depends on how we do on the Hill, where we've got to mount an all-out effort." He was concerned about how the changes in the budget process caused by the 1974 Budget Control and Impoundment Act would affect the Pentagon's ability to get what it needed from Congress. By April 15, according to the act, the House and Senate Budget Committees had to report a resolution proposing targets for spending and revenue. The full House and Senate had until May 15 to approve or revise a concurrent resolution. "Our fate will rest largely on what we do between now and April 15," he wrote, concerned that in the 1976 election year Congress would be faced with "an extra measure of old problems—the unpopularity of Defense spending, competition with domestic priorities, a tight economy." He thought they needed to improve old processes, which included close coordination with the oversight committees, the presentation of precise national security or policy justifications for every policy, and the use of the best recent intelligence to demonstrate to Congress the nature of the threat each Pentagon program had to counter.⁷⁶

Rumsfeld, however, thought even more would be needed in 1976. He planned to begin congressional testimony in late January rather than in February as previous defense secretaries had done, and to work with the Armed Services and Appropriations Committees to “come to a reasonable position on our policies, programs, and funding, across the board, by March 15” when they reported to the budget committees. “These reports,” he wrote, “will set the tone for our support of the entire year.” Defense officials would then need to shift their focus to the Budget committees to ensure that they had reasonable figures for Defense by April 15, when they reported their first budget resolutions. “These targets,” he wrote, “will tend to turn into rigid ceilings as the year progresses.” While he would continue working with traditional congressional allies, “providing them with ammunition in the form of talkers, figures, intelligence data, etc., to use in mark-up and debate,” he thought defense officials must also work with the entire Congress, as “some of the old friends we’ve relied on have lost their clout and we need a wide base.” He wanted the campaign carefully coordinated to avoid “overkill” and make sure they all did not “gang up on some of the same members,” noting, “Not only does it make them mad, but it makes us look poorly coordinated.”⁷⁷

On January 2 Rumsfeld shared his concerns with Ford about the effects of the Budget Control and Impoundment Act. He told Ford that Congress would make its biggest budget decision fairly early in the calendar year. The administration, he stressed, must launch a massive campaign to persuade media, business, and congressional leaders to support a Defense budget increase. Ford agreed. The OSD’s legislative and public affairs offices prepared scheduled briefings and discussions. At the center of this campaign was a DIA briefing for Congress that illustrated the alarming growth of Soviet military power.⁷⁸

Rumsfeld wanted Pentagon allies to dissuade their colleagues from cuts, particularly in the Budget Committees. He believed that in preparing the FY 1976 budget resolution, the Budget Committees had insufficiently considered DoD needs and based their defense spending recommendations on economic concerns rather than national threats and policy. The secretary wanted Appropriations and Armed Services Committee members with defense expertise to inform the Budget Committees that the budget resolution's recommended level of defense spending would be closely scrutinized. The pressure of such a close review, he hoped, would prevent the Budget Committees from again paring back the administration's defense budget request. On January 15, Rumsfeld drove to Capitol Hill to speak with Representative E. A. Cederberg (R-MI), the ranking Republican on the House Appropriations Committee. Since Republicans were weakly represented on the House Budget Committee, Cederberg suggested that DoD officials should confer with the Democratic chairmen of the House and Senate Appropriations and Armed Services Committees. Rumsfeld came away convinced that his presentation to these committees must focus heavily on the threat posed by the Soviet arms buildup and the capabilities required to meet it.⁷⁹

In early February, Rumsfeld presented the administration's FY 1977 DoD budget to Congress. The request was for \$112.7 billion in TOA, a \$7.2 billion increase above inflation in baseline programs, which excluded military assistance and retiree pay. Outlays were estimated to reach \$100.1 billion, taking 5.4 percent of the gross national product. In congressional testimony, Rumsfeld described "a dramatic shift in military capabilities," that had reduced clear U.S. superiority to rough equivalence. "Unless those trends are checked," he warned, "we will find ourselves in a position in the period immediately ahead where we lack this rough equivalence."

To prevent the United States from slipping, Rumsfeld said that defense spending must be increased to match Soviet spending.⁸⁰

In his annual report to Congress days earlier, Rumsfeld had focused on the need for a strong U.S. military to counter the growing Soviet military buildup. “Security,” he warned, “is not available at bargain-basement rates.” Détente did not remove the need for a robust force structure. He argued that U.S. forces should be evaluated based on the possible scenarios of a nuclear war, the defense of Western Europe, the defense of South Korea, and a war at sea.⁸¹

Although Schlesinger had made similar arguments, Rumsfeld used different tactics. He met with Democratic senators’ legislative aides at the start of the budget cycle in early February, calculating that the aides were the ones who had initiated debilitating amendments in the past. The aides had sensed, notes of the meeting recorded, that Schlesinger was “not approachable” but Rumsfeld appeared “friendly, sincere, and reasonable.” The looming election made members of Congress reluctant to impose cuts that would eliminate jobs, and Rumsfeld’s argument that Soviet military investment kept growing while U.S. spending shrank was winning converts. The administration proposed a 2 percent overall increase above inflation (forecast to be 7.5 percent) and a 4 percent boost in weapons procurement. Even Representative Aspin, a tenacious critic of Pentagon spending, now endorsed real growth, but sought to hold it to one percent.⁸²

On February 26, as the House Appropriations Committee prepared to vote on the DoD’s request, Rumsfeld told Ford that Congress might vote for pay increases exceeding the administration’s proposal. He warned that shipbuilding, then under review, might need more funds, and an arms control negotiation failure might require more spending on strategic weapon systems. Responding to Rumsfeld’s prediction that Congress might grant the administration more than it requested, Ford said, “That would be a miracle.”⁸³

Unlike his predecessor, Rumsfeld received Ford's clear support as the two pressed forward in a joint effort to persuade Congress to boost defense spending. At a March 2 briefing of senior members of the Senate Appropriations and Armed Services Committees, Rumsfeld and Ford found a friendly audience. Senator McClellan, Appropriations Committee chairman, said he was inclined to cut several billion dollars, but added, "With the Budget Committee increasing everything else and holding DoD, I don't like it." Senator John Stennis, Armed Services Committee chairman, accepted the administration's manpower and procurement requests as "at rock bottom." That afternoon, Ford and Rumsfeld briefed their House counterparts. Chairman Mahon said that, although his appropriations committee had just voted a \$900 million cut, larger reductions like those of the past two or three years were "not in the cards. You are preaching to the choir here." Mahon warned that members were asking why the Defense budget should be increased while social programs were being cut.⁸⁴

On March 8 Ford and Rumsfeld put their case before members of the House Budget Committee. Past cuts, Rumsfeld explained, had preserved large weapon systems but hurt spare parts, overhauls, and training time, which weakened readiness and overall capability. The committee chairman, Representative Brock Adams (D-MD), agreed that domestic programs no longer could be funded out of the DoD budget but rejected the administration's bid for an additional \$7 billion above inflation as "really too much to swallow, given all the other constraints." Democrats criticized the B-1 bomber in particular. One member claimed there were enough votes in the House to eliminate it.⁸⁵

The next day, Rumsfeld devoted three hours to briefing senators from the Budget Committee about "the tremendous momentum of the Soviets," focusing on his theme of responding to the alarming growth in Soviet capabilities. On March 10, at the White House, he

and Ford fielded questions from the Senate Budget Committee. Republicans Robert J. “Bob” Dole (R-KS) and Pete V. Domenici (R-NM) asked about rumors that the administration had added \$3 billion in “cut insurance” to the budget proposal in anticipation that Congress would, as they had in the past several years, significantly trim the budget request. Domenici warned Ford, “You and Mr. Lynn must prove that it is not in your budget.” Rumsfeld responded brusquely, “What the President did is tell us that we have to live with a level of \$110 billion. Everyone knows that we’ve cut \$33 billion from the President’s requests over the past five years. There isn’t an extra dollar in this year’s budget.” Ford recalled how Schlesinger had made “very dire predictions” about a budget limited to \$110 billion: “His 5-page memo made it seem that the whole Defense Department would be abolished at that spending level.” Senator Lawton Chiles (D-FL) argued that, even though the downward trend of defense budgets should be reversed, accepting DoD figures and adjusting other priorities could destroy efforts toward fiscal responsibility. Democrat James Abourezk (SD) opposed the B-1 bomber and *Ohio*-class ballistic missile submarine (SSBN), preferring instead less-expensive weapon systems. Rumsfeld pressed forward with his persuasion campaign.⁸⁶

On March 24 Ford and Rumsfeld met with a bipartisan group of senators and encouraged them to reject any cuts from the House. Hearing that Brock Adams was contemplating cutting DoD’s request for budget authority by \$7 billion or more, the president reacted sharply: “This is simply intolerable and we are going to fight it all the way.” He threatened to veto any bill that “slashed the DOD budget that much.” Senator Stennis described FY 1977 as “the best constructed budget request I have seen in years, and I think your levels can be sustained.” Rumsfeld urged all senators to attend the Defense Intelligence Agency briefings he offered to members of Congress at the White House, “which show clearly that we cannot wait one more

year” before reversing budget trends. He warned, “Further defense cuts will weaken our future posture and make the world awfully wobbly.” Senator Sam Nunn (GA), a conservative southern Democrat, said of the Budget Committee, “We have a one-vote majority for a strong defense budget. The situation is just that close.”⁸⁷

Rumsfeld and Ford’s efforts paid off in late March. On March 30, majorities in the House and Senate Budget Committees rebuffed attempts to impose sizable defense cuts. A coalition of Republicans and southern Democrats outvoted liberal Democrats from the North and West. The Senate Budget Committee approved token reductions of \$200 million in outlays and \$300 million in budget authority for DoD. The House Budget Committee limited its cuts to \$500 million in outlays and \$1.3 billion in budget authority, bringing the latter down to \$113.3 billion. Chairman Adams first tried to reduce the DoD’s budget authority by \$5.6 billion, then agreed to support a \$3.2 billion cut. But Representative Sam M. Gibbons (D-FL) instead proposed a cut of only \$1.3 billion and supplied the key vote as it passed by 13–12. On April 9 the full House approved \$113.3 billion in budget authority by a vote of 298–52.⁸⁸

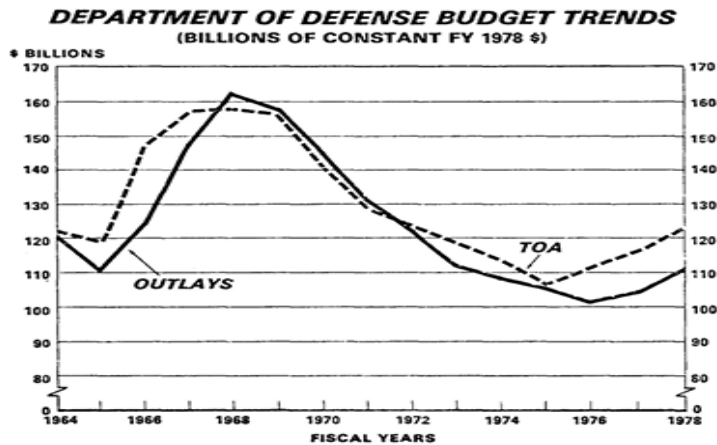
The tide kept moving in the DoD’s favor. In late April the Senate approved a \$412.2 billion target ceiling for overall federal spending. The House voted for a figure of \$415.4 billion, rejecting by 317 to 85 a bid to cut \$7.5 billion from what its Budget Committee had recommended for the DoD. On May 6 conferees from the House and Senate Budget Committees settled on a \$413.3 billion target ceiling. The Defense Department would be allowed \$112.5 billion in budget authority and \$100.6 billion in outlays.⁸⁹

On May 12, the defense subcommittee of the House Appropriations Committee voted for an \$800 million cut from the president’s request. Echoing Rumsfeld’s warnings that the Soviets were “moving forward very rapidly” with their military programs, Chairman Mahon saw no

possibility of paring defense budgets “in the short run”—a reversal of his past position. By this time, DIA deputy director John Hughes had briefed 41 senators and 160 representatives about the extent of the Soviet buildup. This wider campaign involving large portions of both houses built on Rumsfeld’s private meetings with key congressional figures. Although some members asked for a more balanced briefing, most left Hughes’s presentations deeply troubled by the adverse trends highlighted.⁹⁰

Election year politics now began driving the budget debate. The House Appropriations Committee approved an overall \$104 billion defense bill that ran about \$3.9 billion below the administration’s request. At a press conference, Rumsfeld claimed that the additions and subtractions Democrats imposed had created a \$4.2 billion budget gap. On September 1, House and Senate conferees agreed upon a \$104.3 billion appropriation for the DoD.⁹¹

Rumsfeld had accomplished most of what he had intended in his effort to persuade Congress of the need to boost defense spending. The Pentagon had achieved a second year of real growth in the Defense budget and had begun to emerge from its post-Vietnam nadir. When adjusted for inflation, the FY 1976 budget was over 5 percent larger than the previous year, by far the biggest budget increase of the 1970s.⁹²



Source: FY 1978, Department of Defense Annual Report, 1, https://history.defense.gov/Portals/70/Documents/annual_reports/1978_DoD_AR.pdf?ver=2014-06-24-150750-460.

Preparing the FY 1978 Program

The schedule in 1976 for program and budget reviews remained almost identical with that of the prior year. However, the OSD considered several proposals to change the Pentagon's budget process. In January, Under Secretary of the Navy David S. Potter sent Clements a critique of DoD's procedures for reaching program budget decisions (PBDs), the documents that set final spending levels on individual service programs for the president's DoD budget request. Too frequently in this process, Potter wrote, the staffs of the services and OSD made decisions that should have gone to senior officials. Moreover, the PBD process generated a "staggering" amount of paperwork that mostly pertained to small-dollar matters (under \$5 million). To reduce the paper flow and make sure senior officials and not staff members made decisions on the most significant matters, Potter recommended that staff roles be limited to resolving "questions of fact"; that the appropriate service secretaries decide single-service issues under \$5 million; and that all decisions over the \$5 million dollar level be sent to the deputy secretary of defense.⁹³

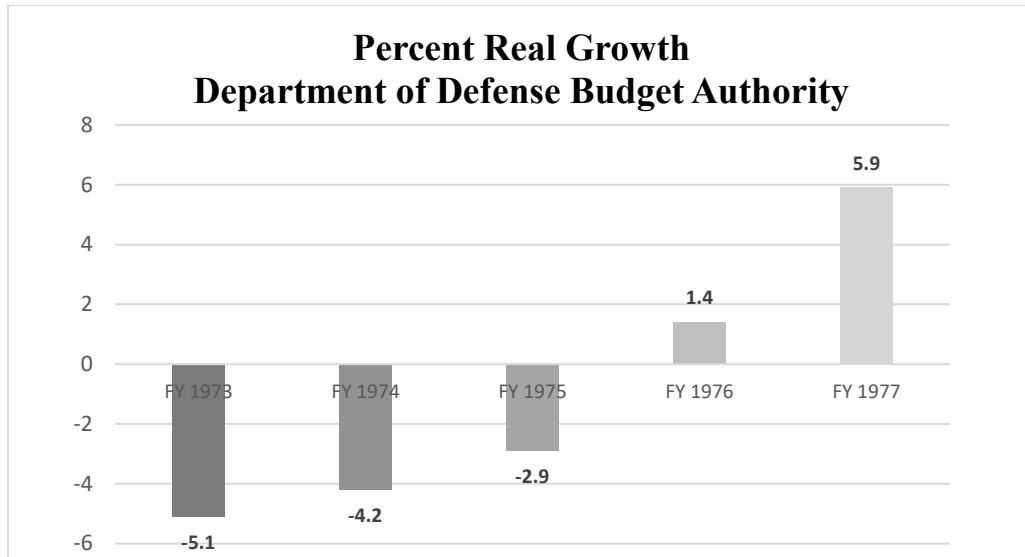
To evaluate proposed changes to the PPBS, Comptroller McClary had created a PPBS Improvement Working Group. One participant said the existing system was too adversarial, pitting the comptroller against everyone else. But John F. Ahearne, principal deputy assistant secretary for manpower and reserve affairs, sent Clements a defense of the comptroller's staff. Poorly written PBDs, he argued, were often the result of OMB analysts, who neither worked with OSD nor accepted its input, and OSD staff members, apart from the comptroller's people, who proved "unwilling to put in the hard grubby work that is required."⁹⁴

The working group left the PBD phase unchanged. However, the OSD and Joint Staff members of the working group recommended combining the Defense Policy and Planning Guidance with the Planning and Programming Guidance Memorandum into a single document titled Defense Guidance. Taking this step would simplify the planning process and improve understanding of the secretary's intent. Rumsfeld approved. In November he issued the first Defense Guidance, providing "the authoritative basis for Defense planning, programming, and guidance" in the next cycle. The comptroller also proposed eliminating the Joint Strategic Objectives Plan and Joint Force Memorandum, but the Joint Chiefs of Staff strenuously and successfully objected. With one modest change, the existing PPBS process remained in place.⁹⁵

In his tentative program decision memoranda in August and September 1976, Rumsfeld focused on correcting perceived deficiencies in each service's force structure and readiness. For the Army, he proposed accelerating the conversion of two infantry divisions into heavy mechanized divisions and filling up stocks of equipment and ammunition held as wartime reserves. These stocks had been depleted in some critical areas, such as tanks, by arms deliveries to South Vietnam and Israel in the last years of the Nixon administration. Rumsfeld also wanted to increase shipbuilding funds though he could not achieve consensus with the Navy on the types

of ships to build. He supported continued production of the F-14 Tomcat fighter and maintaining the *Ohio*-class ballistic missile submarine program. For the Air Force, he preserved the planned mix of advanced F-15 fighters and lower-cost F-16 fighters. The Joint Chiefs accepted the Secretary's decisions with little criticism.⁹⁶

By October 1976 service estimates of TOA for the FY 1978 Defense budget came to \$119.3 billion, military assistance excluded. Starting with the level appropriated for FY 1977, the services had added pay and price increases using factors provided by OMB. Comptroller Fred Wacker advised Rumsfeld that, apart from \$1.6 billion included for the forward pricing of operations and maintenance, their requirements were "very clear cut with practically no margin for arguments over the numbers." In January 1977, through his Department of Defense Report to Congress for FY 1978, Rumsfeld requested \$123.1 billion in TOA and \$110.1 billion in outlays. The election of Jimmy Carter two months earlier, however, made this a mostly pro forma exercise. The incoming administration had made clear that it had different perspectives and priorities. During the 1976 campaign Carter had pledged to cut \$5 billion from the military budget. The president-elect was also more skeptical of the value of the B-1 bomber, which the Air Force considered essential to maintain the bomber leg of the nuclear triad. By the time the FY 1978 budget was passed in September 1977, budget authority had been cut to \$109 billion, a slight decrease compared to the FY 1977 budget after adjusting for inflation.⁹⁷



Source: Undersecretary of Defense (Comptroller), National Defense Budget Estimates for FY 2023, Table 6-8, 140, https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2023/FY23_Green_Book.pdf.

Inflation cut deeply into the department's budget in the 1973 to 1977 period. Although Richardson and Schlesinger secured larger budgets in FY 1974 and FY 1975, the Pentagon's purchasing power fell each year because of inflation. Rising prices forced delays in procurement schedules for weapons and equipment and reductions in the total quantity. A supplemental appropriation for FY 1974 helped to counter declining purchasing power but at the cost of souring Congress on supplemental bills for the next year. Inflation also hurt the department's ability to restock inventories depleted by arms transfers to Southeast Asia and Israel.

Still, OSD successfully promoted several projects that promised to preserve U.S. advantages in critical areas. Among strategic systems, the *Ohio*-class ballistic missile submarine cleared its biggest hurdle on Capitol Hill in 1973. Delays thereafter were more the consequence of technological limitations than budgetary constraints. To keep tactical aircraft inventories sufficient in quantity and superior in quality, Schlesinger pressed the Air Force into procuring F-16s and a reluctant Navy into accepting F-18s. Both lower cost aircraft quite successfully

complemented the more expensive F-15s and F-14s. The E-3A airborne warning and control system (AWACS) provided a quantum jump in capabilities and moved into production under strong OSD sponsorship. The Army looked forward to fielding the M1A1 tank, which would become the nation's main battle tank in the coming decades.

Congress gradually became more receptive to the Pentagon's insistence on the need for more defense spending. The Arab-Israeli War, the fall of South Vietnam, and Soviet involvement in Africa eroded congressional interest in cutting defense spending. OSD efforts, sometimes in cooperation with the White House, played a part in this shift, as did the growing awareness of the Soviet military buildup. For FY 1977, Ford and Rumsfeld's persuasion campaign helped secure from Congress that year's 5.9 percent real increase in defense spending.

In FY 1976 and 1977, Schlesinger and Rumsfeld managed to end the downward trend in Defense budgets and achieve real growth beyond the rate of inflation. This growth supported modernization of strategic forces, acquisition of a new generation of weapon systems, and an overall increase in combat capabilities. Schlesinger and Rumsfeld viewed this increased spending as essential, politically and psychologically as well as militarily, to demonstrate that the United States would answer the Soviet buildup.

Endnotes

1. Under Secretary of Defense (Comptroller) [hereafter USD (Comptroller)], *National Defense Budget Estimates for FY 2023*, Jul 2022, Table 6-1, 82.
2. Gallup Poll, Feb 1973, USGALLUP.864.Q015; CBS News/New York Times Poll, Oct 1976, USCBSNYT.76DEB3.R34: both in Cornell University, Ithaca, NY: Roper Center for Public Opinion Research, iPOLL, accessed 29 Jul 2016.
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4. Before the DPPG, the JCS issued Joint Strategic Objectives Plan (JSOP), but because it lacked fiscal guidance constraints, it had little influence on OSD planning. House Committee on the Budget, *Five-Year Defense Planning: Hearing*, 14 Jul 1997, 1–18.
5. Richard Nixon, “Annual Budget Message to the Congress, Fiscal Year 1974,” 29 Jan 1973. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. <https://www.presidency.ucsb.edu/documents/annual-budget-message-the-congress-fiscal-year-1974>, accessed 14 Jul 2016; OASD(C), FAD 809, 20 Jan 1978, folder Hist Sum, box 801A, OSD Subject Files, OSD/HO; Secretary Richardson testimony on FY 1974 Appropriations, 26 Mar 1973, *Public Statements of Elliot Richardson, Secretary of Defense, 1973*, OSD Historical Office, 1:258; Legislative History of P.L. 93-238, Proquest Congressional, Pentagon Library; “Congress clears \$73.7 Billion Defense Appropriation,” in *CQ Almanac, 1973*, 29th ed. (Washington, DC: Congressional Quarterly, 1974), 167–177.
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7. Memo, Phil Odeen for Kissinger, 18 Jul 1972, folder 4, box H-106, DPRC Meetings, NSC Institutional Files, Nixon Presidential Library, Yorba Linda, CA; Richard Hunt, *Melvin Laird and the Foundations of the Post Vietnam Military, 1969–1973*, 513; ltr, Melvin Laird to Casper Weinberger, Director, Office of Management and Budget (OMB), 18 Jan 1973; ltr, Weinberger to Laird, 26 Jan 1973; ltr, DepDir OMB to Laird, 26 Jan 73; folder “110.01 (Jan) 1973,” box 20, Acc 330-78-0001, OSD Records, WNRC.
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9. “Backing Said to Rise on Defense Outlays,” *New York Times*, 15 Mar 1973, 21.
10. Elliot Richardson, *Annual Defense Department Report FY 1974*, 119, 122; Robert Bowie, “The Defense Budget,” *Christian Science Monitor*, 13 Jun 1973, 18; USD (Comptroller), *National Defense Budget Estimates for FY 2023*, Jul 2022, Table 6-4, 104.
11. William Beecher, “Richardson Orders a Defense-Cut Study,” *New York Times*, 1 Feb 1973, 74; “‘Fat’ in Defense Budget,” *Washington Post*, 13 Mar 1973, A23 (quote).

12. Memo, Nixon for Secretary of State Rogers and Richardson, 10 Mar 1973, *FRUS 1969–1976*, vol. 35, *National Security Policy, 1973–1976*, ed. M. Todd Bennett (Washington, DC: GPO, 2014), 31–32 (doc 9) (quotes).
13. Mahon quote in HCA, *Department of Defense Appropriations for Fiscal Year 1974: Hearings*, 3 Apr 1973, part 1 in *Richardson Public Statements 1973*, 3:892; SCA, *Department of Defense Appropriations for Fiscal Year 1974: Hearings*, 26 Mar 1973, pt. 1:1, 2–5, 15, 141.
14. Elliott Richardson, interview by Alfred Goldberg and Maurice Matloff, 14 Dec 1989, OSD Historical Office, 11; “Richardson Cuts Close to Home,” *New York Times*, 22 Apr 1973, 165; Charlotte Twight, “Institutional Underpinnings of Parochialism: The Case of Military Base Closures,” *Cato Journal* 9, no. 1 (Spring/Summer 1989): 73–105, 76.
15. John Finney, “Proxmire Wins Point as Pentagon Cuts Limousine Use: A Change of Policy,” *New York Times*, 4 May 1973, 12. One defense official told the *New York Times*, “It just reached the point where it was awfully difficult to maintain the position that no cuts were possible in the defense budget as long as Proxmire was out there creating the impression that the brass was living a pampered life.”
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22. BG Taylor Notebook, entry for 14 Oct 1973; folder 020 SD (31 Dec 73) 1973, box 7, Acc 330-78-0001; address by James Schlesinger to AFL-CIO Convention, 18 Oct 1973, *Schlesinger Public Statements 1973*, 3:749, 753 (quotes). “Senate Critics Try Again to Cut Military Spending,” *Washington Star-News*, 1 Oct 1973, P2 (quote).
23. “Overseas Troop Cut Dropped from Bill,” *Washington Post*, 12 Oct 1973, 1; Warren L. Nelson, “Pentagon Backers in House Foil Aspin,” *Washington Post*, 22 Nov 1973, M6.
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26. Memo, Assistant Secretary of Defense (Comptroller) [ASD(C)] Terence McClary for Schlesinger and Clements, 2 Nov 1973, folder Chon File November 1973, box 3, Acc 330-80-0034; SCA, *Department of Defense Appropriations for Fiscal Year 1975: Hearings*, 93rd Cong., 2nd sess., 5 Mar 1974, 1:1, 18–21, 337, 426. James Schlesinger, *Annual Report, 1976-1977*, Table I, A-2.

27. USD(C), *National Defense Budget Estimates for FY 2023*, Table 6-1, 82.

28. The FY 1974 DPPG was derived from NSDM 16, Criteria for Strategic Sufficiency, and NSDM 27, U.S. Military Posture, both issued during 1969. Southeast Asia's inclusion in the guidance reflected a lingering focus on Vietnam in early 1973. "Defense Policy and Planning Guidance (DPPG)," 14 Feb 1973, attached to memo, Jonathan Moore for Richardson, 22 Feb 1973, folder 100.54 (Feb) 1973, box 1, Acc 330-78-0002, OSD Records, WNRC; NSDM 16, 24 Jun 1969; NSDM 27, 11 Oct 1969: both in *FRUS 1969–1976*, 34:153–154 (doc 39), 223–224 (doc 56). The Chiefs submitted their JFM for FY 1975 in mid-May and the services completed their POMs in May and June. These proposals envisioned keeping the existing structure of the active forces: 13 Army and 3 Marine divisions, 22 Air Force tactical fighter/attack wings, 13 multipurpose aircraft carriers, 78 attack submarines, and 186 surface combatants. Memo, Richardson for et al., 26 Mar 1973, II-3, folder 100.54 (16 Mar-Apr) 1973, box 17, Acc 330-78-0001; Poole, *Joint Chiefs of Staff and National Policy 1973–1976*, 27–28. For FY 1975, recommendations in the Joint Force Memorandum ran very close to service proposals.

29. BG Taylor Notebook, entry for 7 Aug 1973 (quote), folder 020 SD (31 Dec 73) 1973, box 7, Acc 330-78-0001.

30. MG John Wickham Notebook, entries for 20 and 29 Nov 1973, box T-5, Schlesinger Papers, Library of Congress (LOC).

31. Memcon, Nixon, Schlesinger, 19 Dec 1973, *FRUS 1969–1976*, 35:123–126 (doc 27) (quotes).

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33. BG Taylor Notebook, entries for 4 Feb and 16 Jan 1974, folder 020 SD (31 Dec 74), box 7, Acc 330-78-0011, OSD Records, WNRC.

34. James Schlesinger, interview by Ole R. Holsti, Richard A. Stubbing, and A. Kenneth Pye (Duke University Living History Program), 23 and 24 Feb 1987, <https://www.youtube.com/watch?v=bJzJXXmqB6w>, accessed 5 Aug 2016.

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43. Richard Levine, “Congress Smiles on the Pentagon Again,” *Los Angeles Times*, 10 Mar 1974, H3–H4.
44. “Congress Sends Ford \$82.6-Billion Defense Bill,” *CQ Almanac*, 1974, 30th ed. (Washington, DC: Congressional Quarterly, 1975), 6, 41–49.
45. John Finney, “Rise in Spending on Arms Resisted by White House,” *New York Times*, 7 Jul 1974, 1, 30; memo, McClary for Schlesinger, 10 Jun 1974; memo, McClary for Wickham, 10 Jun 1974; ltr, Schlesinger to Roy Ash, Director, OMB, 13 Jun 1974: all in folder Chron File June 1974, box 4, Acc 330-80-0034.
46. SCA, *Department of Defense Appropriations for Fiscal Year 1975: Hearings*, 5 Mar 1974, pt. 1:233–234; John Finney, “Rise in Spending on Arms Resisted by White House,” *New York Times*, 7 Jul 1974, 1 (quote), 30; ltr, Clements to Sen. Stennis, 6 Jun 1975, 2, folder 110.01 (X-1661) (6 Jun 75), box 15, Acc 330-78-0058, OSD Records, WNRC; John Finney, “Budget Cuts and Inflation May Curb Arms Projects,” *New York Times*, 19 Sep 1974, 21.
47. *National Defense Budget Estimates for FY 2023*, Tables 6–1 and 6–3, 82, 98.
48. Congressional Research Service (CRS), *The Congressional Budget and Impoundment Act (P.L. 93-344): A Summary of Its Provisions* (Washington, DC: LOC, 24 Sep 1976), CRS-1976-OSS-0004; memo, McClary for Clements, 18 Apr 1975, folder 110.01 (May-Apr) 1975, box 15, Acc 330-78-0058. The act also created a Congressional Budget Office to supply lawmakers with technical support; its tasks included estimating the costs of pending legislation and forecasting trends in the economy. See memo, McClary for et al., 12 Aug 1974, folder Chron File August 1974, box 4, Acc 330-80-0034.

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52. BG Taylor Notebook, entry for 28 May 1974 (quote), folder 020 SD (31 Dec 74), box 7, Acc 330-78-0011; Memcon, Ford, Schlesinger, Kissinger, 15 Nov 1974, *FRUS 1969–1976*, 35: 215 (doc 46); memo, McClary for Schlesinger, 12 Dec 1974 (quote), folder Chron File December 1974, box 4, Acc 330-80-0034.
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