

THE WHITE HOUSE

WASHINGTON

ACTION

All-Volunteer Armed Force

MEMORANDUM FOR THE PRESIDENT

During the campaign you pledged to end the draft and put the Selective Service system on standby as soon as reduced manpower requirements in Vietnam permitted you to do so. The Gates Commission, which reported to you on February 21, 1970, unanimously recommended the establishment of an all-volunteer armed force, supported by an effective stand-by draft. On February 27, 1970 the Department of Defense stated they favor an all-volunteer armed force and enthusiastically support the basic conclusion of the Commission.

Public opinion and the political situation appear to have changed dramatically since you first proposed the idea in November, 1967. At that time there was little interest in the Congress and only a small percentage of the public favored it. A Harris poll, taken in January, 1970, shows that the public now prefers -- 52 percent to 38 percent -- an all-volunteer force over a lottery draft. A November, 1969, poll of the Congress by the Christian Science Monitor showed that of those responding (50 percent of the Representatives and 30 percent of the Senators) the all-volunteer plan was favored almost 2 to 1, although many doubted it could be accomplished until the situation in Vietnam improved.

A considerable sentiment is building in the country against the draft and it may even be difficult to get an extension of draft authority when the current law expires on July 1, 1971. Moreover, if the Vietnam situation winds down, the pressures for draft abolition will likely increase, thus making it very difficult to maintain an armed force large enough to sustain our world-wide commitments in the future. On the other hand, there are still powerful forces, particularly among the military and among veteran's organizations, that support retention of the draft.

Since the Gates Commission report was released, John Stennis and Margaret Chase Smith have announced support of the principle of an all-volunteer force, although they clearly do not believe it can be achieved by July, 1971, as the Gates Commission suggested. Mendel Rivers has stated he has an "open mind" on the proposal.

The working group, which includes representatives from the Department of Defense, the National Security Council, the Bureau of the Budget, and the Council of Economic Advisors, has reviewed the Gates Commission report and recommends the implementation of the basic conclusion.

While there are numerous strategies and options available to you, the basic issue is money. The achievement of an all-volunteer force sometime before the end of 1972 will require increasing military pay somewhere between \$2.8 and \$3.4 billion a year, depending on the level of the armed forces and the timing of the pay increase. (The net cost to the Federal government, after taxes, would range from \$2.3 to \$2.7 billion a year.) The impact on the budget for fiscal years '71, '72 and '73 will depend on the effective date of the pay increase --the earlier the pay increase, the better the chances of achieving an all-volunteer force by the end of 1972 and the greater the difficulty of absorbing it in the budget.

If you decide to try to end the draft before the end of 1972, the working group has identified five optional courses of action, each with a different budgetary impact.

OPTIONAL STRATEGIES

Five optional strategies for achieving an all-volunteer force are discussed below. The first option -- the recommendations of the Gates Commission -- aims toward eliminating the draft by July 1, 1971. It is the highest cost option, requiring \$3.4 billion more in the FY 1971 budget (the net cost to the federal government after taxes would be \$2.8 billion). The remaining options all aim toward eliminating the draft by October 1, 1972. They differ primarily in the timing and composition of the proposed pay increase. In each case, the bulk of any new spending is shifted into fiscal years 1972 and 1973.

There are four elements which are included in all options:

- (1) Military Manpower Reform. All options provide for the implementation of comprehensive improvements in the conditions of military service and personnel recruiting, many of which are recommended by the Gates Commission.

RECOMMENDATION

That you request the Department of Defense to begin implementation of these manpower reforms.

_____ Approve _____ Disapprove _____ See Me

- (2) Draft Reform. All options include the implementation of the draft reforms recommended by the NSC study. This would include eliminating occupational and paternity deferments by Executive Order in late March, 1970, and, at the same time, requesting legislation to phase out student deferments. While the working group on the all-volunteer force did not directly address itself to the question of draft reform, the issue was coordinated with the working group on draft reform.

RECOMMENDATION

That any draft reform measures adopted be integrated with the all-volunteer force proposal.

_____ Approve _____ Disapprove _____ See Me

- (3) Stand-by Draft. All options provide for the establishment of an effective stand-by draft at whatever time the draft is phased out. The Commission has recommended that a stand-by draft system can be invoked only by resolution of Congress at the request of the President. At issue is whether or not the Congress or the President should have the authority to invoke the draft.

RECOMMENDATION

That you recommend, in any stand-by draft legislation, that Congress should have the authority to invoke a stand-by draft.

_____ Approve _____ Disapprove _____ See Me

- (4) Draft Extension. With the exception of the possibility that no extension of draft authority would have to be requested under option one, it is generally agreed that it is very unlikely that draft calls would fall to zero before the expiration of the current draft law on July 1, 1971. Therefore, it will most likely be necessary to extend the draft beyond that point to maintain the projected level of the armed forces. There are three possibilities:
- (1) No extension of draft. If the draft were not extended beyond July 1, 1971, it is very doubtful if the actions taken toward an all-volunteer force would be sufficient, by that time, to maintain the projected level of armed forces. While it would undoubtedly be popular with some groups, and we must be prepared for pressure, it is generally agreed that no extension would pose grave problems.
 - (2) Extension of draft (limited authority). In place of asking for extension of general draft authority on July 1, 1971, you could request limited authority to draft up to say, 125,000 men in FY 1972 and 75,000 men in FY 1973. Included would be a proviso that you could, by Proclamation, end the draft at anytime during this two-year period and institute the standby draft. This has the advantage of presenting, to the public, a clear timetable for phasing out the draft, even while asking for an extension. On the other hand, it does limit your flexibility during these two years, although expected DOD draft calls are lower than the specific limits set.
 - (3) Two-year extension of draft. A two-year extension of the draft beyond July 1, 1971 would be requested. As in the limited liability case, this would place the expiration of the draft 8 months beyond the 1972 elections. Included in the request for extension would be a proviso that you could, by Proclamation, end the draft at anytime during this two-year period and institute the standby draft.

RECOMMENDATION

_____ No Extension of Draft. Recommended by Gates Commission if \$3.4 billion pay raise is effective on July 1, 1970.

_____ Extension of Draft (Limited authority). Recommended by Anderson, Meckling (Director of Gates Commission Staff), CEA.

_____ Two-year Extension of Draft. Recommended by DOD, BOB, NSC

Budgetary Options

The five options are ranked in descending order of cost. Generally speaking, the less costly the option, the less powerful the strategy is for achieving an all-volunteer force before October 1, 1972. The largest part of the cost associated with each option consists of military pay increases, although some money is ^{now} ~~is~~ expected to be allocated to payments in kind, such as housing.

OPTION ONE

Goal Elimination of all draft calls by July 1, 1971.

Cost Starting July 1, 1970, the pay scale recommended by the Gates Commission would go into effect. This would give proportionately higher increases to those with fewer years of service, thereby eliminating the existing pay inequity and making the military pay scale comparable to the civilian pay scale. The average level of basic pay for those serving less than two years would increase from \$180 to \$315 a month. The cost (in billions) added to each of the next three fiscal years would be:

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
*Budget Cost	\$3.4	\$3.1	\$2.8
Net Federal Cost (after taxes)	\$2.7	\$2.5	\$2.2

*The cost is expected to decline because of the anticipated decrease in the level of the armed forces.

Comment Advantages

- Would be recognized as a clear, uncompromising commitment to move toward an all-volunteer force as fast as possible.
- Provides greatest chance of eliminating the draft before the end of 1972, perhaps well before then.

Disadvantages

- Would create very severe budgetary problems for fiscal 1971. It would mean one, or some combination of the following: (1) a substantial budget deficit, (2) a cutback in defense spending, (and very probably a reduction in force levels below those recommended by the NSC) (3) a cutback in domestic spending, or (4) higher taxes.
- Granting such an increase to the military in July, 1970 would greatly increase the political pressures for moving up the general pay increase 6 months from January, 1971. This could add another \$1.2 billion to the FY 71 budget.

OPTION TWO

Goal Elimination of all draft calls by October 1, 1972.

Cost This option would achieve the pay level recommended by the Gates Commission in two steps: (1) A 25 percent average pay increase on July 1, 1970 for military personnel in the first two years of service, and (2) A second, larger pay increase on July 1, 1971 that takes into account the needs of both short-service and long-service personnel. The cost (in billions) is expected to be:

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
Budget	\$0.6	\$3.1	\$2.8
Net Federal Cost (after taxes)	\$0.4	\$2.5	\$2.2

Comment Advantages

--Would provide excellent chance of achieving an all-volunteer force by the end of 1972. If draft calls fell, as expected to zero in mid-1972, you could, by Proclamation, end the draft in the early fall of 1972.

--Would make it possible to acquire 6 months experience with the pay increase before deciding on the amount of the FY 72 increase.

--Would demonstrate a stronger commitment by taking some action, even though small, in July, 1970.

Disadvantages

--Would create budgetary problems for fiscal 1971. It increases the FY 71 budget by \$600 million, and only \$250 million has been set aside in the contingency fund.

--As in option one, a pay increase for the military on July 1, 1970 would increase the political pressure for speeding up the general pay increase, and could possibly add \$1.2 billion to the FY 71 budget.

OPTION THREE

Goal Elimination of all draft calls by October 1, 1972.

Cost This option has the same pattern of pay increases specified in option two -- a small increase in FY 71 and a large one in FY 72 -- but the cost would be reduced by delaying the 25% FY 71 increase from July 1, 1970 to January 1, 1971. The cost (in billions) is expected to be:

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
Budget Cost -	\$0.3	\$3.1	\$2.8
Net Federal Cost (After taxes)	\$0.2	\$2.5	\$2.2

Comment Advantages

--Would provide excellent chance of achieving an all-volunteer force by the end of 1972. If draft calls fell, as expected to zero in mid-1972, you could, by Proclamation, end the draft in the early fall of 1972.

--The FY 1971 budget cost is \$300 million less than option two.

--The delay of the pay increase to January 1, 1971 reduces pressure for a general pay increase on July 1, 1971.

Disadvantages

--Does not give any experience with effect of pay increases before decision must be made on FY 1972 military pay increases.

OPTION FOUR

Goal Elimination of all draft calls by October 1, 1972.

Cost Involves the same pay increases as in option one. However, the pay increases would not become effective until July 1, 1971. The cost (in billions) is expected to be:

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
Budget Cost	none	\$3.1	\$2.8
Net Federal Cost (after taxes) -	none	\$2.5	\$2.2

Comment Advantages

--Would provide excellent chance of achieving an all-volunteer force by the end of 1972. If draft calls fell, as expected to zero in mid-1972, you could, by Proclamation, end the draft in the early fall of 1972.

--No additional budget strain in FY 71. In fact, the \$250 million currently budgeted would be saved.

Disadvantages

--Still has a substantial cost, and would consume a significant part of your budget flexibility for FY 1972.

OPTION FIVE

Goal Elimination of all draft calls by October 1, 1972.

Cost This option calls for one 20 percent pay increase on January 1, 1971 for military personnel with less than two years of service, a second 20 percent increase on July 1, 1971, and finally a substantial increase on July 1, 1972. The cost (in billions) is expected to be:

	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
Budget Cost	\$0.3	\$1.3	\$2.8
Net Federal Cost (after taxes)	\$0.2	\$1.0	\$2.2

Comment Advantages

-- Postpones major spending beyond FY 71. Some picked up in FY 72, with the major portion delayed until FY 73.

Disadvantages

-- Sharply reduces chances of achieving all-volunteer force by the end of 1972

-- Gives appearance of weak commitment to the idea of an all-volunteer force.