Statement of
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before the
Subcommittee on Military Personnel and Compensation
Committee on Armed Services
U.S. House of Representatives

February 27, 1990

NOTICE

This statement is not available for public release until it is delivered at 10:00 **a.m. (EST),** Tuesday, February 27, 1990.

I appreciate the opportunity to testify today about the costs and the effects on military manpower of possible changes in the structure of U.S. military forces.[1] The United States and the Soviet Union are currently negotiating the Strategic Arms Reduction Talks (START) treaty. NATO and the Warsaw Pact are negotiating the Conventional Forces in Europe (CFE) treaty. At the same time, many of the Warsaw Pact nations are undergoing far-reaching political changes that are moving them toward democratic governments.

These momentous changes could significantly reduce the threats to U.S. security. But there remains considerable uncertainty about future events, which is reflected in the wide range of reductions in military forces that the Congress may consider. This testimony examines several reductions in this range, including:

- The minimum changes in forces required by the CFE and START treaties;
- Possible Administration plans for reductions in active and reserve forces;
- Large active-duty reductions coupled with the flexibility to rebuild forces quickly; and

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1. More details about this analysis are contained in a CBO paper titled Meeting New National Security Needs: Options for U.S. Military Forces in the 1990s. The paper reflects the efforts of many people. Robert F. Hale and John D. Mayer coordinated the analysis. Other contributors include Michael B. Berger, Bonita J. Dombey, Richard L. Fernandez, Jonathan E. Ladinsky, Corey D. Luskin, Frances M. Lussier, William P. Myers, V. Lane Pierrot, and Amy Plapp. Portions of the analysis were performed at the request of the Chairman or Ranking Minority Member of the Committee on the Budget, United States Senate.

- Large active and reserve troop reductions that assume a major, permanent reduction in security threats.

These alternatives would eventually reduce the annual U.S. defense budget by between $9 billion and $80 billion. Reductions in active-duty manpower range from about 100,000 to almost 600,000.

My testimony today will discuss these estimates of budget and manpower reductions as well as the effects of the alternatives on military capability. Although the statement focuses primarily on long-run effects, I will also discuss how quickly the Congress might be able to make changes in the numbers and cost of military personnel.

ALTERNATIVE FORCE STRUCTURES AND MILITARY STRATEGY

It is not my purpose today to propose an alternative military strategy for the United States. Nevertheless, the alternatives listed above would imply changes in some aspects of U.S. strategy. In keeping with the reduced security threat implied by the CFE treaty and recent political changes, all of the alternatives assume larger percentage reductions in military forces designed primarily to defend Europe. Thus, percentage reductions are larger in the budgets of the Army and the tactical Air Force than in the budgets of

the Navy and Marine Corps. Moreover, all of the alternatives are designed to provide adequate numbers of active-duty military personnel to handle smaller military contingencies, such as the recent action in Panama. All of the alternatives are also intended to provide adequate active and reserve forces to permit mobilization for a future large war.

The alternatives differ in the amount of flexibility they retain to rebuild military forces quickly in the event of a major war. They differ most widely in the overall amount of reduction in military forces they assume can prudently be made, an important strategic decision that the Congress must face.

ALTERNATIVE I: MAKE MINIMUM CHANGES REQUIRED TO CARRY OUT TREATIES

The United States could decide to make only the minimum changes required by the proposed CFE treaty and to make only the minimum reductions in warheads required by the START treaty while continuing to modernize all of its strategic weapons. These minimum changes would be consistent with the view that, while the reductions in threats to U.S. national security are potentially great, they could be transitory.

For the CFE treaty, a minimum response could mean withdrawing from Europe and demobilizing two heavy Army divisions and two tactical fighter wings. For START, the United States could retire older strategic systems but continue all of its modernization programs-buying more Trident submarines, rail MX missiles, small ICBMs, and B-2 bombers (see Tables A-1 and A-2 at the end of this testimony for details).

CBO's analysis of the CFE and START treaties assumes that the NATO and U.S. proposals for the treaties are carried out.[2] The CFE analysis reflects the lower U.S. and Soviet personnel ceilings recommended by President Bush in his 1990 State of the Union message.

Budgetary and Manpower Effects

Eventually, the changes in forces directly related to the treaties would reduce the annual budget of the Department of Defense (DoD) by about $9 billion (see Table 1). After the reduction, DoD would have a budget of $282 billion in 1990 dollars, roughly 3 percent below the 1990 budget level. Most of the savings would be associated with conventional force cuts.

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2. The analysis does not reflect proposals, recently submitted by NATO, which may exclude some trainer and interceptor aircraft from the CFE treaty. The analysis assumes that U.S. troops withdrawn from Europe to comply with the CFE treaty are demobilized even though the proposed treaty may not require demobilization of all the troops.

TABLE 1. LONG-RUN BUDGETARY SAVINGS (In billions of 1990 dollars)

Category	Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts More Reserves	V. Large Cuts
Operating Costs					
Direct and indirect	7	13	20	20	31
Overhead	a/	8	13	13	19
Subtotal b/	7	21	33	33	50
Procurement	2	5	10	9	18
RDT&E	0	0	0	0	10
Military Construction/ Family Housing	0	1	1	1	2
Total	9	26	43	43	80

SOURCE: Congressional Budget Office.

NOTES: Numbers may not add to totals because of rounding.
RDT&E = Research, Development, Test, and Evaluation.

a. Because reductions are assumed to be made in a manner that responds to the treaties with only minimum changes, no overhead reductions are assumed.

b. Operating costs include funding for some spare parts that are bought out of procurement funds.

Under this alternative, active-duty personnel would eventually fall by about 107,000 below their level in 1990, a reduction of 5 percent (see Table 2). Civilian personnel would be reduced by 16,000 or 2 percent.

Dollar savings and personnel estimates for this and the other alternatives discussed in this statement are long-run estimates. All force changes

TABLE 2. LONG-RUN MANPOWER EFFECTS
(Number of personnel in thousands)

Category	1990 End Strength	Reductions (-)/Additions (+) under Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Active-Duty Personnel						
Army	744	-77	-132	-199	-240	-272
Air Force	545	-22	-61	-101	-115	-139
Navy	591	-9	-57	-82	-99	-127
Marine Corps	197	0	0	-20	-36	-56
Total	2,076	-107	-251	-401	-491	-594
Selected Reserves						
Army a/	756	0	-130	0	+75	-149
Air Force a/	201	0	0	0	+25	-19
Navy	153	0	0	0	+11	0
Marine Corps	44	0	0	0	+14	0
Total	1,155	0	-130	0	+125	-169
DoD Civilian Personnel						
Army	334	-15	-79	-103	-89	-132
Air Force	249	-1	-8	-15	-6	-44
Navy	337	0	-18	-29	-33	-49
Marine Corps	b/	0	0	-2	-4	-7
Total	1,018 c/	-16	-105	-149	-132	-231

SOURCE: Congressional Budget Office.

NOTE: Numbers may not add to totals because of rounding.

a. Includes changes to both the Reserves and National Guard components.

b. Included in Navy numbers.

c. Includes civilians in the defense agencies.

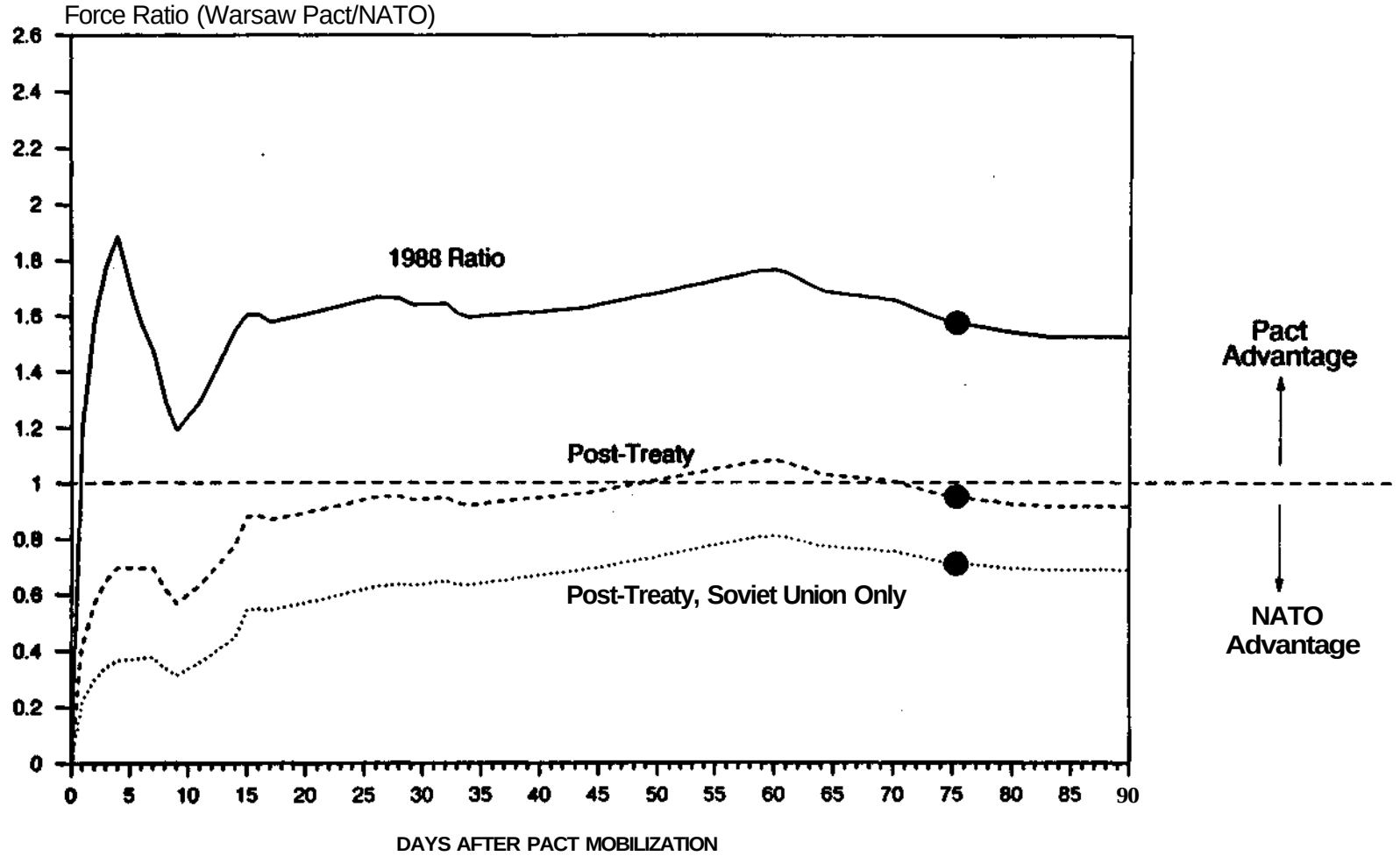
envisioned under the alternatives are assumed to have been made, and procurement budgets are assumed to have been adjusted to accommodate the smaller forces. Long-run savings are expressed in 1990 dollars of budget authority and represent savings relative to the 1990 level of the defense budget. Estimated savings reflect reductions in both operating and procurement costs. But the estimates do not reflect the added costs of verifying the proposed treaties, which cannot yet be determined with confidence.

Effects on Military Capability

How would this alternative affect military capability? The response to the START treaty envisioned under this alternative would maintain the rough parity in numbers of strategic warheads that exists today between the United States and the Soviet Union, but at the lower START levels. That would leave the United States with about one-quarter fewer warheads than it has today (see Table A-3). Most remaining U.S. strategic systems would be of modern vintage, having been deployed after 1980.

This alternative would also substantially reduce the risk that the Warsaw Pact nations could successfully invade NATO with conventional forces. Figure 1 illustrates this point. It shows the balance of Warsaw Pact and NATO ground forces in Central Europe at various periods after mobilization

FIGURE 1.
EFFECT OF ARMS CONTROL ON GROUND FORCE RATIO IN CENTRAL EUROPEAN THEATER



Source: Congressional Budget Office

for war begins. Consider a period in Figure 1 about 75 days after mobilization begins, when both sides would have most of their forces in place (see the black dots in Figure 1). In 1988, before any of the unilateral force reductions now being made by the Soviet Union and other Warsaw Pact nations, the Pact-to-NATO balance of ground forces in Central Europe favored the Warsaw Pact by a ratio of 1.6 to 1--a figure that some viewed as unacceptable. After both sides carry out the treaty, however, the ratio would be roughly equal. If, because of political changes in Eastern Europe, NATO need only worry about an attack by Soviet forces, then this ratio of ground forces falls to 0.7 to 1, a level that would be highly favorable for a defensive alliance.

Ratios for tactical air forces under this alternative would be even more favorable to NATO (see Table A-4). Ratios for both ground and air forces are based on scoring methods that account for the quantity and quality of major weapons.

ALTERNATIVE II: IMPLEMENT POSSIBLE ADMINISTRATION PROPOSALS

The reduced military risk, coupled with recent political events, may permit larger force reductions than the minimum ones required to respond to the treaties. Indeed, DoD has said it will propose larger reductions. The

department has not yet submitted a long-term plan that fully reflects the treaties and political events. However, in recent testimony before the Congress, the Secretary of Defense has suggested the elements of such a plan. The Congressional Budget Office (CBO) used this testimony as the main basis for constructing a possible Administration plan.

Under this plan, DoD would eliminate five Army divisions and five tactical fighter wings. The department would also comply with the START treaty but, judging from its 1991 budget proposal, would continue modernization of all strategic forces in the aggressive manner assumed under Alternative I. The Secretary has not yet been specific about Navy cuts but has indicated they are possible. For illustration, CBO assumed the elimination of 1 aircraft carrier and a total of 50 ships (see Tables A-1 and A-2 for details).

Effects on Military Capability

Under this possible Administration plan, strategic capability would remain substantial, but the plan would forgo part of the improvement in the balance of conventional forces available to NATO if it only makes the minimum reductions required by the treaty. For example, under this possible Administration plan, the Pact-to-NATO ratio of ground forces would be slightly higher (1.0 to 1) than the ratio if NATO makes only the cuts required

by the treaty (0.95 to 1). But the ratio would still be substantially better than the 1988 ratio of 1.6 to 1. Moreover, if NATO need only worry about countering Soviet forces, then the ratio of ground forces under this alternative is a favorable 0.8 to 1.

Budgetary and Manpower Effects

Moreover, this possible Administration plan would eventually reduce the annual DoD budget by about $26 billion, leaving the department with a budget of about $265 billion in 1990 dollars. If carried out in even increments over five years, this budgetary reduction would result in real cuts of nearly 2 percent a year, the amount recently proposed by the Administration. Almost all the savings ($23 billion out of $26 billion) would be achieved through cuts in conventional forces, and percentage reductions in the budgets of the Army and the tactical Air Force--whose forces are designed primarily to help defend Europe--would be significantly larger than those in the budgets of the Navy and Marine Corps.

Under this possible Administration plan, active-duty manpower would be reduced by 251,000, about 12 percent of the 1990 level. Civilian personnel would be cut by 105,000 or 10 percent. There would also be a reduction of 130,000, or 11 percent, in the number of personnel in the selected reserves.

Roughly 30 percent of the dollar reductions represent cuts in what CBO labels "overhead," which raises an important issue for the Congress. Overhead costs--which include portions of costs for activities such as headquarters, the training establishment, and the operation of military bases--are often assumed not to vary with relatively small changes in numbers of forces. They should vary with larger changes, but achieving reductions in overhead will require difficult choices beyond the decision to eliminate a military unit. For example, large reductions in overhead would certainly require closing and realigning military bases. If overhead reductions are not made, however, then cost savings associated with any particular force cut would be smaller, and more military units would have to be eliminated to achieve a specific target for savings in the defense budget.

MAKE LARGE ACTIVE FORCE REDUCTION BUT RETAIN THE FLEXIBILITY TO REBUILD (ALTERNATIVES III and IV)

In response to recent political changes, the Congress could decide to reduce military forces more substantially than what might be proposed by the Administration. For example, the United States could maintain numerical parity with the Soviet Union in numbers of strategic warheads by keeping older systems, thus buying fewer modern Trident submarines, B-2 bombers, and small ICBMs (see Table A-2 for details). As for conventional forces, reductions could include 7 active Army divisions, 10 active tactical fighter

wings, and 58 active ships (plus some strategic submarines that bring the total reduction of ships to 72).[3] For forces of the Army and the tactical Air Force, these reductions represent cuts of about 50 percent in forces planned for use in a European war--roughly the percentage reduction that the Warsaw Pact would be required to make under the proposed CFE treaty.

While opting for a large cut in active forces, the Congress could judge that the political situation in the Soviet Union and Eastern Europe will remain uncertain for many years. Thus, the United States might seek to retain the flexibility to rebuild its military forces in less time than would be required if all the trained personnel and equipment associated with these active units is eliminated. CBO examined two alternative means of retaining flexibility to rebuild: establishing cadre divisions (Alternative III) and making greater use of selected reserves (Alternative IV).

Establish Cadre Divisions

The cadre approach would convert five Army divisions from full active-duty status to cadre status. Instead of the roughly 12,000 troops assigned to an active-duty heavy division, each of these cadre divisions would retain on active duty about 3,000 commissioned officers (paygrades O-2 and above) and

3. In some cases, larger active-force reductions are made under the selected reserve alternative because reserve forces would be available after mobilization (see Table A-1).

senior noncommissioned officers (paygrades E-6 and above). The mission of these cadre personnel would be to remain ready to fight a war in Europe by maintaining up-to-date war plans, performing limited training, and maintaining equipment. In the event of war, the unit would be filled out with individual ready reservists (personnel who have had active duty service but are not in the drilling reserve). Only those individual ready reserve (IRR) personnel who have been off active duty for fewer than 18 months would be assigned to fill out these cadre divisions.

The Federal Republic of Germany currently maintains cadre units and apparently plans to expand their use. German cadre units are quite similar in concept to those proposed here, though they differ in some of the details of their design.

Add to Selected Reserves

Alternatively, the United States could retain flexibility to rebuild its forces by increasing the number of selected reserve units. (Selected reserves are paid to drill part-time in peacetime.) The number of reserve units that could feasibly be added may be limited by recruiting problems. Nevertheless, the United States should be able to add 2 Army divisions, 5 tactical fighter wings, and 35 ships to its reserve forces.

The Similarities in Costs and Effects of Cadre and Selected Reserves

The approaches using cadre and selected reserves to maintain flexibility would be similar in many of their effects on costs and military capability. Coupled with cuts in active-duty forces, these approaches would each eventually reduce the annual defense budget by about $43 billion. Reductions in active-duty personnel would amount to 401,000 for the cadre approach and 491,000 for the selected reserve approach. Of course, the selected reserve approach would add a substantial number of reserve personnel (about 125,000).

The two approaches would also be similar in their effects on military capability. Both would result in the same changes in strategic capability-changes that should retain rough numerical parity with the Soviet Union in total warheads but provide somewhat less modern forces. As for conventional capability, both would result in a Pact-to-NATO balance of ground and tactical air capability that is more favorable to NATO than the 1988 balance. The degree of improvement would differ somewhat between the two approaches, however, notably in the additional tactical air capability afforded by the selected reserve approach (see Tables A-3 and A-4 for details).

Differences in the Cadre and Selected Reserve Approaches

Important differences exist, however, between these two approaches, some of which argue against the cadre concept. It might be difficult to keep up peacetime maintenance and morale in a cadre division that has no junior troops. Also, the Army might have to move toward shorter initial enlistments in order to have enough IRR personnel to man the cadre units. Finally, unlike the selected reserves, the cadre units would not have trained together in peacetime, even in small groups. This might slow the cadre's mobilization or reduce its capability after mobilization.

However, there would also be advantages to cadres. After mobilization, cadre divisions would be manned entirely with experienced personnel, including an experienced active-duty corps of commissioned officers and senior noncommissioned officers. This factor could reduce the time needed to mobilize and enhance warfighting capability. Moreover, cadre divisions may be the only means of maintaining some capability to rebuild as many as five Army divisions quickly. It would probably be impossible to recruit enough personnel to maintain another five divisions of selected reserves.

The potential advantages of cadre divisions, coupled with the risks inherent in what for the United States would be a new concept, suggest the need for a test. The Army might, for example, create one or two cadre

divisions and evaluate the success of the concept before attempting to create five of them.

ALTERNATIVE V: MAKE LARGE ACTIVE AND RESERVE CUTS

Responding to recent changes in world politics, the Congress could decide to begin now to make large reductions in active U.S. forces and some reductions in reserve forces. This final alternative would be consistent with a judgment that the CFE and START treaties are likely to be carried out and that the extensive political changes in the Soviet Union and Eastern Europe could not be reversed without substantial warning. The large force cuts under this alternative would also be consistent with a desire to reduce the annual defense budget by about $80 billion.

For strategic systems, the alternative would terminate all future buys of major systems, including rail MX missiles, small ICBMs, B-2 bombers, and Trident submarines. Older strategic systems would be retained in sufficient numbers to remain at the START limits (see Table A-2).

Cuts in active conventional forces would include 8 Army divisions, 10 tactical fighter wings, 91 Navy ships (plus 17 strategic submarines for a total reduction of 108 ships), and 1 Marine expeditionary force (3 brigades).

Reserve forces would be reduced, though by smaller amounts--the equivalent of three Army divisions and a total of five tactical fighter wings. This alternative would also reduce spending for research and development.

Budgetary and Manpower Effects

In the long run, the changes under this alternative would cut the annual DoD budget by about $80 billion, leaving DoD with a budget of about $210 billion in 1990 dollars. Larger percentage reductions would come out of budgets for conventional forces and budgets of the Army and the tactical Air Force. Eventually, 594,000 personnel would be eliminated from active duty, leaving DoD with about 1.5 million active-duty personnel-a reduction of 29 percent below the 1990 level. Reductions in civilian personnel would total 231,000 or 23 percent. The selected reserves would also be reduced in size by 169,000 persons or 15 percent.

The savings under this and the other alternatives discussed in this statement would be altered, but not greatly, by changes in the proportion of the active-duty troops that are withdrawn from Europe. Roughly 150,000 or one-quarter of the troops demobilized under this alternative are assumed to be withdrawn from Europe (see Table A-5). The estimated savings of $80 billion would not change much in percentage terms if the fraction of troops based in Europe is altered. For purposes of estimating savings, the key

decision is the number of units and troops, not their peacetime location.

Effects on Military Capability

Under some assumptions, the reductions in military capability under this alternative could result in a balance of military forces almost as unfavorable as the one that exists today. But, in view of the recent lessening of threats to U.S. security, the balance may be acceptable.

Under this alternative, the United States should continue to maintain rough parity with the Soviets in total warheads but would have substantially fewer modern forces. Thus, fewer U.S. warheads would be likely to survive a Soviet attack and be available for retaliation, which could reduce the ability of U.S. forces to deter nuclear war (see Table A-3). Nevertheless, under the most likely type of Soviet nuclear attack--an attack with warning--the United States would still have 5,800 surviving warheads. This number of warheads would be substantial and would be about the same number as would have survived in 1982, a year before the effects of the strategic buildup of the 1980s were realized. In an era of reduced tensions, this strategic capability may be adequate.

Similarly, if the Warsaw Pact makes only the reductions in its conventional forces required by the CFE treaty, then the ratio of Pact-to-

NATO ground forces under this alternative could climb back to 1.4 to 1, near the 1988 level. In view of the political changes in Eastern Europe, however, NATO might only have to worry about the threat from Soviet forces. In that case, even after the large reductions assumed under this alternative, the ratio of ground forces would be 1.1 to 1, much more favorable than the 1988 ratio and one that may well be acceptable to a defensive alliance like NATO (see Table A-4).

The forces available under this option should also be adequate to meet smaller military contingencies. Since World War II, military interventions (excluding the Korean and Vietnam Wars) required many fewer active-duty military personnel than would be available under this alternative. In the largest of these operations, the recent military action in Panama, the troops attributable to the operation numbered 27,000. Under Alternative V, the United States would have 1.5 million people on active duty, which should be adequate to meet such needs.

The large reductions under this alternative raise more difficult questions about the ability of the United States to mobilize for a future, major war. The key issue would be warning time. If the United States has made major reductions in its military, and a security threat begins to build up again, would this country recognize that change and allow itself the substantial time that would be required to reestablish a large, trained military? No one can know

for sure. The risk of failing to act in time must be weighed against the costs of retaining a large military in a period when it may not be needed.

TIMING OF MANPOWER EFFECTS

So far this discussion has focused on savings and the effects on manpower in the long run after force changes and procurement reductions have been fully carried out. But how quickly could personnel outlays be reduced to help meet deficit targets or other spending needs?

Unfortunately, I cannot give you a precise answer because the appropriate timing depends on answers to many complex questions. For example, what pace of manpower and other reductions is correct in view of the uncertainty about future developments in the Soviet Union? Also, what pace of manpower reduction would be fair to military employees and to defense industries and affected communities in the civilian sector?

Clearly, historical experience notwithstanding, it will be difficult to reduce the size of today's military quickly. The largest alternative discussed in this statement--if carried out in even increments over five years-would involve annual reductions of active-duty personnel of about 120,000 a year, only about half the rate of drawdown that followed the Vietnam and Korean

Wars. But drawdowns that followed past wars are not a good guide to the problems that would confront today's military managers. Today, the military is composed entirely of volunteers, many of whom have chosen to make a career of military service. Their choices, coupled with past personnel policies that permitted high rates of reenlistment, have created a military force that contains a large fraction of career personnel (53 percent today compared with 39 percent in 1974). Thus, rapid reductions in the size of the military would raise the specter of large involuntary separations that would be costly and painful to carry out.

Nor will it be easy to achieve large outlay savings quickly through personnel drawdowns. In 1991 the Congress could choose to eliminate a total of about 115,000 personnel from active duty, including 100,000 enlisted personnel. If the drawdown were accomplished primarily by reducing new recruits who on average would have entered the military at midyear, then 1991 outlay savings for personnel and training costs would amount to about $1.1 billion compared with spending in the absence of any personnel reductions. Outlays savings in 1991 would be only about $0.7 billion larger than those in the Administration's budget proposal, which already assumes some personnel reductions. (Savings in this section are expressed in 1991 dollars for comparability with the budget proposal.)

Under this approach, 75 percent of the entire personnel reduction would be accomplished by cutting enlisted accessions. This emphasis on cuts in accessions would lead to an even more senior military and might not provide an adequate flow of new recruits to man even a significantly smaller military.

Therefore, the Congress might elect to reduce the size of the military through a combination of cuts in enlisted recruits (making up about half of the total reduction) coupled with restrictions on reenlistments and involuntary separations. All the reductions are assumed to be accomplished, on average, at midyear. Under these assumptions, a reduction of 115,000 persons would save about $0.9 billion in 1991 outlays, roughly $0.5 billion more than savings under the Administration's proposal.

The Congress could also decide to authorize separation payments for those enlisted personnel who are involuntarily separated. Such payments are not currently required. If they were made using the current formula for officer payments, 1991 outlay savings would amount to only $0.4 billion, about the same as savings under the Administration proposal.

As these numbers suggest, it will be difficult to achieve large 1991 outlay savings through personnel reductions, especially if reductions are accomplished while avoiding sharp cuts in accessions. Of course, savings in later years would be more substantial. If the Congress imposed a reduction

of 115,000 people in 1991 using either of the approaches described in this statement, then outlay savings in 1992 would exceed $2 billion even in the absence of any further personnel cuts.

CONCLUSION

Let me return to long-run effects and sum up my findings (see Table 3). A minimum response to the proposed CFE and START treaties would eventually reduce the annual defense budget by only about $9 billion and would result in about 107,000 fewer persons on active duty. This minimum response would, however, substantially reduce the military risk facing the United States and its allies because the minimum reductions required of the Warsaw Pact under the CFE treaty would be much larger than those required of NATO. Under this alternative, as Mr. Cheney has said, peace is the dividend.

Acceptance of the more far-reaching alternative identified in this statement would reduce the annual defense budget by $80 billion and the size of the active-duty military by 594,000 persons. These large budgetary reductions would produce forces that, under some pessimistic assumptions about future threats, would leave NATO facing military risks similar to those

TABLE 3. SUMMARY OF ALTERNATIVES

		Savings		Personnel Reductions(-)/Additions(+) (In thousands)	
		Annual Savings (In billions of dollars)	Annual Percent Cuts a/	Active Duty	Selected Reserves
I.	Minimum Changes Required by Treaties	9	0.6	-107	0
II.	Possible Administration Cuts	26	1.8	-251	-130
III.	Large Cuts but Maintain Flexibility with Cadres	43	3.2	-401	0
IV.	Large Cuts but Maintain Flexibility with Selected Reserves	43	3.2	-491	+125
V.	Large Cuts	80	6.4	-594	-169

SOURCE: Congressional Budget Office.

a. Assumes reductions are made in even increments over five years.

it faces today. But under more optimistic assumptions, which seem well on the way to becoming the most realistic assumptions, the risks under such a far-reaching alternative may be acceptable.

In between the two extreme alternatives are the force reductions the Administration may propose. They would reduce the annual budget by $26 billion--roughly consistent, if carried out over five years, with the 2 percent annual real budget cut proposed by the Administration. This possible Administration plan would result in the elimination of 251,000 active-duty personnel.

Also in between the extreme cases are alternatives that would make large reductions in active U.S. military forces but would retain some ability to build up those forces quickly should events require. Flexibility could be retained either by using cadre divisions or by increasing the use of selected reserves. The two alternatives embodying these changes would each reduce the annual budget by $43 billion. Depending on whether cadre or selected reserves are used, reductions in the active-duty military are either 401,000 or 491,000. These alternatives may offer a reasonable compromise in a period that matches great promise for a safer world with daunting uncertainty about the course of future events.

APPENDIX TABLES

TABLE A-1. CHANGES IN SELECTED CONVENTIONAL FORCE STRUCTURES

Category	1990 Level	Reductions (-)/Additions (+) Under Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Army Divisions						
Active	18	-2	-3	-7	-7	-8
Reserve/cadre	10	0	-2	+5[a]	+2[b]	-3[c]
Air Force Tactical Wings						
Active	24	-2	-5	-10	-10	-10
Reserve	12	0	0	0	+5	-5
Navy Ships						
Active	518	-11	-50	-72	-103	-108
Reserve	33	0	0	0	+35	0
Marine Corps Brigades						
Active	9	0	0	-1	-2	-3
Reserve	3	0	0	0	+1	0

SOURCE: Congressional Budget Office.

a. These would be cadre divisions in peacetime.

b. These would be reserve divisions.

c. While the equivalent of three divisions would be eliminated, only two headquarters would be eliminated.

TABLE A-2. STRATEGIC FORCE LEVELS

Category	1990 Level	Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Land-Based Missiles						
SICBM	0	500	500	250	250	0
Rail MX	0	50	50	50	50	0
Silo-based MX	50	0	0	0	0	50
Minuteman III	500	0	0	295	295	500
Minuteman II	450	0	0	0	0	0
Bombers						
B-2	0	132	132	66	66	15
B-1	97	97	97	97	97	97
B-52	186	0	0	0	0	23
Submarines						
Trident	11	23	23	20	20	17
Poseidon	23	0	0	0	0	0

SOURCE: Congressional Budget Office.

TABLE A-3. DETAILS OF EFFECTS OF ALTERNATIVES ON U.S. STRATEGIC CAPABILITY

Category	1990 Level	Reductions Under Alternatives I. Required Cuts Only	n. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Total On-Line Warheads	11,800	8,900	8,900	8,600	8,600	8,600
Surviving Warheads						
Attack w/warning	8,400	7,500	7,500	6,600	6,600	5,800
Attack w/o warning	4,600	3,700	3,700	3,200	3,200	2,900

1982 Levels for Reference

Total On-Line Warheads	8,100
Surviving Warheads (With warning)	5,600
Surviving Warheads (Without warning)	3,300

SOURCE: Congressional Budget Office.

TABLE A-4. EFFECTS OF ALTERNATIVES ON SELECTED INDICATORS OF MILITARY CAPABILITY

	1990 Level a/	Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Strategic Forces						
Soviet/U.S Ratio of On-Line Warheads	0.9:1	0.9:1	0.9:1	0.9:1	0.9:1	0.9:1
U.S. Number of Surviving Warheads b/	8,400	7,500	7,500	6,600	6,600	5,800
Conventional Forces						
Ground Forces c/						
WP/NATO Ratio	1.6:1	0.95:1	1.0:1	1.2:1	1.3:1	1.4:1
Soviet/NATO Ratio	1.2:1	0.7:1	0.8:1	0.9:1	1.0:1	1.1:1
Tactical Air Forces						
WP/NATO Ratio	1.2:1	0.7:1	0.8:1	1.0:1	0.9:1	1.1:1
Soviet/NATO Ratio	1.0:1	0.6:1	0.7:1	0.8:1	0.8:1	0.9:1
Navy Ships						
Total	551	540	501	479	483	443
Carriers d/	14	14	13	12	12	10

SOURCE: Congressional Budget Office.

NOTE: See forthcoming paper for discussion of methods used here (CBO paper titled Meeting New National Security Needs: Options for U.S. Military Forces in the 1990s. February 1990).

a. Ground force ratios based on Pact forces available in 1988, before any of the ongoing unilateral reductions.

b. Estimates assume warning of an attack.

c. Estimates assume enough time has elapsed so that most forces are in place.

d. This represents deployable carriers.

TABLE A-5. ACTIVE UNITS AND ACTIVE-DUTY PERSONNEL IN EUROPE

Category	1990 Level	Reductions Under Alternatives I. Required Cuts Only	II. Possible Administration Cuts	III. Large Cuts with Cadres	IV. Large Cuts, More Reserves	V. Large Cuts
Army Divisions	4 2/3	2	2	2 1/3	2 1/3	2 1/3[a]
Air Force Wings	8	2	2	4	4	5*
All Services End Strength (In thousands)	325[b]	80	80	100	100	150

SOURCE: Congressional Budget Office.

a. These alternatives assume sufficient changes in headquarters and noncombat personnel to reduce the total number of Army and Air Force personnel in Europe by one-half.

b. This number does not reflect any effects of the legislative requirement that personnel in Europe be reduced to 312,000 by the end of 1991.