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MEMORANDUM

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NATIONAL SECURITY COUNCIL

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National Security Council Meeting
May 14, 1985, 11:00 a.m. - 12:00 noon, Cabinet Room

SUBJECT: Briefing and Discussion on National Defense
Stockpile/Industrial Mobilization Planning
Study (U)

PARTICIPANTS:

The President

The Vice President

The Vice President's Office:

Mr. Craig L. Fuller

State:

Acting Secretary Kenneth W. Dam
Mr. W. Allen Wallis

Treasury:

Secretary James A. Baker
Mr. Maynard Comiez

Defense:

Acting Secretary
William H. Taft, IV
Mr. James P. Wade

Interior:

Secretary Donald P. Hodel
Mr. John Morgan

Commerce:

Dep Sec Clarence J. Brown
Mr. John H. Richards

Energy:

Dep Sec Danny Boggs
Mr. Bart House

CIA:

Director William J. Casey

OMB:

Mr. Joseph Wright
Dr. Alton Keel
Mr. Kenneth Glozer

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JCS:

General John W. Vessey, Jr.
Brig Gen William B. McGrath

CEA:

Dr. Beryl Sprinkel
Mr. Lincoln Anderson

GSA:

Mr. Dwight Ink
Mr. Kent N. Knowles

FEMA:

Mr. Louis Giuffrida
Mr. C. Wesley Carson

White House:

Mr. Donald T. Regan
Admiral John M. Poindexter
Mr. John A. Svahn

NSC:

Mr. Robert M. Kimmitt
Mr. Richard B. Levine

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Minutes

Vice Admiral Poindexter introduced the subject by noting that the study was extremely thorough and that over one hundred experts from twelve agencies had participated in it over the course of 2 years. (U)

Richard Levine, of the NSC staff, then briefed the study (Levine's remarks at Tab A). (U)

Vice Admiral Poindexter then turned to Secretary Baker to begin the discussion. (U)

Secretary Baker voiced support for stockpile goals of \$200-700 million plus the supplemental reserve of \$6 billion. He felt the balance should be sold in a manner so as not to disrupt markets. (C)

He opposed using receipts for defense purposes and instead asked that they be applied to the deficit. He stated that the 1984 study was the best one of its kind ever and that all economic agencies were involved. (C)

Vice Admiral Poindexter then noted that the Hill would oppose use of the revenues to reduce the deficit. (U)

Dwight Ink of GSA noted that the stockpile proposals contemplated would require new legislation. (U)

Alton Keel of OMB said we have a good package with goals of \$6.2 to \$6.7 billion. He said many Administration decisions have been tied to the 1979 study which this study demonstrates is fatally flawed; we must move away from the old study. (C)

Keel noted the Administration must act soon--there was nothing in the President's FY 86 budget for the stockpile. (U)

He ended by noting that we must move ahead with the new goals. (U)

Secretary Hodel stated that some agencies oppose aspects of the study. (U)

He said the study lacks reliable data. The data is old (based on '72 to 77 I-O table) and incomplete (high-tech defense requirements not examined). (C)

Hodel mentioned that the study is inconsistent with prior wartime experience. Domestic minerals and basic industrial capacity are under-utilized in NSC study. The study assumes substitutes for materials will be found -- hence requirements are understated. The study was done by economists and not metallurgists. (C)

He noted the need to maintain a high level of civilian production -- civilian austerity is overstated in the study and hence stockpile goals are understated. This is especially true if the war is not as long or as severe as proposed because one couldn't impose austerity in a less stringent war. (C)

Goals should be based on a case-by-case analysis. (U)

Vice Admiral Poindexter noted that the U.S. steel and aluminum industries are far larger now than in WW II. (U)

Louis Giuffrida of FEMA stated that the NSC study evaluation of FEMA's austerity assumptions is incorrect--civilian auto production was cut, increased production was for defense requirements. (C)

Deputy Secretary Taft noted that he shares Hodel's reservations on study. He went on to say that the study is better than 1979 study, but more work needs to be done. A follow-up study is needed to:

- Examine need for goals for materials not considered in this study.
- Examine capability to process raw materials into finished goods. This study showed raw material availability was not the problem.
- Stock defense weapons long lead-time components. (C)

He agreed with the use of receipts from sales of surplus materials to meet DOD requirements--especially since they don't have enough money in budget now. DOD opposes sending the receipts to the Treasury. (U)

Deputy Secretary Dam said the study is a great improvement and the packaging of results contains more than enough safeguards. We should approve new goals without delay. (C)

He noted that there always will be reasons not to sell some materials. The Administration is proposing to sell only \$500 million a year--we should get on with it. (C)

His concerns were that the Administration needs to brief Allies--otherwise they'll think the reduced goals are due to U.S. plans for a nuclear war. He also reiterated support for an interagency mechanism to consider sales. (C)

Deputy Secretary Brown questioned the models used in analysis. He said bottlenecks in production and distribution are likely and will be problems in this type of war. (C)

He stated the need for an industry-by-industry, product-by-product analysis of capability/capacity. For example, U.S. steel quality is inadequate and skilled labor may not be available. U.S. is losing capacity in

some industries in today's market. Sixty percent of the copper industry is shut down today. Will it be available as assumed in the NSC study? (C)

Brown said the type of economy modeled is insufficient. What is modeled is a service economy whereas a war economy is a product economy. (C)

He opposed disposal plans because they will put industries out of business. Proposed sales appear to follow a "buy - high and sell - low" philosophy which is bad investing for the country. (U)

He agreed, however, with Defense that receipts should be used to purchase defense-required materials. (U)

He opposed using this study for other mobilization activities (i.e., machine tools). (C)

Vice Admiral Poindexter noted that the 1979 study is now used for other mobilization activities. (U)

Deputy Secretary Boggs favored adopting the NSC study. It is far superior to 1979 study. He noted that beryllium metal is a special case and we understand it will be retained in the stockpile reserve. (U)

Chairman Sprinkel stated that the NSC study stockpile goals should be adopted and the study should be used for related mobilization activities. (U)

Per capita consumption in study is four times WW II level. This is not drastic austerity. Substitution concerns expressed earlier are not the problem because Input-Output tables used to generate industrial production estimates assume no substitution. (U)

Receipts from sales should be used to reduce deficit--there need not be a supplemental reserve. (U)

General Vessey said that it is a good study for the 42 materials; the stockpile needs to be modernized. Further study on additional materials is needed. (C)

New goals are 1/70th of previous study. This is a radical change. The goals need further review before decisions are made. (C)

The President then asked two questions:

First--for WW II we were far less prepared than for today. Is this a reason for the difference in goals? (C)

Second--was U.S. in the war theater? (C)

Richard Levine answered that the U.S. was not considered a war theater because a conventional war was modeled and that large sections of U.S. industry can only be destroyed by nuclear weapons. If, however, U.S. industry was destroyed, it would thus process and hence require less materials--a smaller stockpile would result. (S)

Levine answered the first question by noting that U.S. infrastructure and capital stock is many times the size of its WW II level, it would not have to be built up. He also noted that U.S. austerity in the 1984 study is against a very high level of civilian spending. He noted that the only materials substitution was modeled by the Department of Commerce. (C)

Deputy Secretary Taft and Mr. Giuffrida then restated their request for more study on the matter. (U)

Vice Admiral Poindexter closed the meeting. (U)

NATIONAL SECURITY COUNCIL

May 17, 1985

ACTION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: RICHARD LEVINE *RL*

SUBJECT: Stockpile/Industrial Mobilization Planning
NSC Meeting

Attached are the minutes for the NSC meeting of May 14.

RECOMMENDATION

That you approve the attached minutes.

Approve *RMK* Disapprove _____

Attachments

- TAB I Minutes
- TAB A Levine brief

great minutes, Dick!

*Bob
6/3/85-*