

3. *Overdue Adjustments in Military Compensation.*—That the absurdly low levels of first-term military pay are an embarrassment, is manifest in the myriad of post-service veteran benefits. The G.I. Bill, subsidized home mortgages, medical care, and life insurance policies for veterans all exemplify attempts to remedy the financial burden of military service. The high time preference of youths suggests that these post-service benefits are highly discounted in any calculation of the financial rewards of active military service. I strongly recommend that the military pay profile be adjusted upward according to the schedule proposed below:

Proposed adjustments in the compensation of enlisted men

Years of service	Present pay ¹	Proposed pay	Percentage increase
1	1,830	3,130	71.0
2	2,143	3,380	57.7
3	2,991	3,630	21.4
4	3,344	3,880	16.0
5	4,130	4,130	---

¹ Figures represent annual military incomes consisting of (1) base pay, (2) quarters and subsistence allowances, and (3) implicit tax advantage. The data pertain to the pay scales as of fiscal year 1963.

If these pay increases are adopted, the budgetary payroll cost for an enlisted strength of 2.31 million men (corresponding to a total strength of 2.65 million) would climb by \$1,368 million. Moreover, the pay increase is estimated to increase Army enlistments in the absence of a draft by 48 per cent. Finally, the hidden tax of the draft would be sharply reduced, thereby lessening the financial cost of service for the reluctant service participants. Whatever else is done, this one recommendation deserves serious consideration and, I hope, adoption.

4. *Flexibility and the Role of the Reserves.*—A professional voluntary army has been severely criticized on the ground that it does not have the requisite *flexibility* to meet short-run demands for active-duty personnel. What amount of flexibility is required of a voluntary force has never been specified. Within FY 1954-65, the largest year-to-year increase in the active-duty strength has been under 350 thousand men. In the recent Vietnam build-up when *no* reserves were activated in significant numbers the active-duty force strength climbed by 438 thousand men. (See footnote 11.)

During the Berlin crisis of FY 1962, substantial numbers of reserves were recalled to active duty. The political aftermath of that incident seems to have neutralized the Reserve and National Guard units as a source of manpower for the active-duty forces. Presently around 1.3 million men are on a ready, paid-drill, reserve status. If this reserve strength were reduced to 700 thousand men who were paid competitive wages, they could provide the needed flexibility for an all-volunteer force. The present organization of reserve units defies rational explanation. A careful study of the role and function of reserve units should, I believe, be undertaken as part of an integrated study of military manpower utilization. It should, moreover, be linked to the initial procurement policies. A truly ready reserve can, in my opinion, supply the desired degree of flexibility.

5. *Toward an Integrated Military Manpower Policy.*—The procurement, retention, and utilization of manpower should logically fit into an integrated military manpower policy. To the best of my knowledge, there is no overall conceptual framework within which one can evaluate specific policy proposals. The draft, for example, is largely examined with only passing reference to the utilization and retention of uniformed personnel. The techniques of systems analysis, which have been so widely used in cost-effectiveness studies of weapons systems, have not been carried over into manpower problems. In evaluating alternative manpower policies with these techniques of systems analysis, care must be taken to use the appropriate cost of labor resources. Because of the low levels of first term pay, the DOD budgetary costs are *not* the real economic costs of labor resources allocated to the Armed Services. I believe that further studies should be made of (a) qualification standards for enlisted men, (b) qualification standards for junior officer ranks, (c) adjustments in the retirement program to permit separation bonuses after ten to twelve years of service, (d) variable enlistment