Rethinking our Defense Budget:

Achieving National Security through Sustainable Spending

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I want to begin by thanking Chairman Tierney, Congressman Flake and the members of the subcommittee for this opportunity to appear before you and discuss an obviously important topic—one which will have an enormous impact on not only our nation's security but also on the future peace and prosperity of the world.

As someone who has worked both as a staff director on a Senate committee dealing with national security issues and in a senior post in the White House handling the same policy area, I am fully aware of the great value that hearings such as these can have over time in making our policymaking more deliberative and more substantive. It is one of the great strengths of our constitutional system that we are known around the world not only for having a strong presidency but also the world's most powerful legislature.

Turning now to the hearing's topic—"Rethinking our Defense Budget: Achieving National Security through Sustainable Spending"—I would like to proceed, first, by analyzing the recent report of the Sustainable Defense Task Force, *Debts, Deficits, & Defense: A Way Forward.* I will do so by examining some of the report's key assumptions, its more prominent recommendations, and the strategic path it would set the country on if the report's roadmap for our defense forces were followed. I will then follow that analysis with suggestions on an alternative approach that, I believe, offers a sounder course for American and global security in the future—a path that has served us well in the past and has had bipartisan support as a result. And, indeed, in what I admit is a most challenging environment given the fiscal health of this country, I will argue that instead of spending too much on America's defenses, we are spending too little.

What's the Problem?

Debts, Deficits, & Defense takes as its key assumption that the increase in defense spending over the past decade has been a major contributor to the fiscal disorder we now find ourselves in. As the report notes, nearly 65% of the increase in federal discretionary spending since 2001 is

attributable to the increase in the Department of Defense's budget. This is an accurate statement but misleading. It clearly is designed to leave the impression that the Pentagon's budget has grown out of control and that, if not substantially cut back, we would, as a country, be well on our way to fiscal perdition.

Now, there is no question that we, as a nation, spend a lot on defense. It is often noted, for example, that measured in FY 2010 dollars, the current Pentagon budget is the highest since World War II, eclipsing the previous high at the height of the Korean War (1952). However, note that the financial burden on the nation was far more significant then; defense spending as percentage of GDP was 14%, while today—with spending for the wars in Iraq and Afghanistan included—the percent of the nation's wealth going to the Pentagon stands at 4.9%. Moreover, imagine what the Korean War might have cost if it had been waged by an all-volunteer force rather than relying on the more than 1.5 million draftees. The fact is, when it comes to waging wars and providing for the national defense, the burden on the country's economy is substantially below what historically has been the average for the past 60 years.

In addition, although the core defense budget—the total Pentagon budget, minus the appropriated supplementals to fight in Iraq and Afghanistan—grew by $228 billion over a decade starting in FY 2001, that increase reflects only a moderate increase in the defense burden to the nation. In 2001, the percentage of GDP that went to defense was 3% (a post-WWII low); in 2010, it was just shy of 3.6%. And, indeed, that growth is on the order of just 4% real (CPI adjusted) growth per year. This is hardly, as Secretary of Defense Robert Gates remarked in his May speech at the Eisenhower Library, a "gusher" of spending sent the Pentagon's way. In fact, if one factors in defense-related inflation—a figure that typically outpaces the CPI—then the so-called gusher for defense spending is more like a trickle than not.

Again, I am not arguing that the United States does not spend substantial amounts for defense; we do. However, suggesting that an increase of $228 billion over ten years is exorbitant is not, to my mind, accurate. Or, if it is, how should we compare that figure with the nearly $800 billion spent to stimulate (it was hoped) the economy?

The report and the press accounts about the report make much of the fact that it begins with a quote from Kori Schake—a former national security official, a McCain advisor during his presidential campaign, and a friend. The report quotes Ms. Schake as saying, "Conservatives need to hearken back to our Eisenhower heritage, and develop a defense leadership that understands military power is fundamentally premised on the solvency of the American government and vibrancy of the U.S. economy." This is certainly true. However, while Eisenhower ended the fighting in the Korean War and cut defense spending, the percent of GDP that went to defense remained above 10% until the final year of his administration. And despite dealing with three post-war recessions, the economy grew by an average of 2.5% during his eight years in office and public debt was held well within reasonable bounds.

Of course, the real difference is Eisenhower and subsequent presidents did not have to face the real problem of today: the rise in entitlement costs and the increase in domestic spending. The cost of the core entitlement trio of Social Security, Medicare and Medicaid is now double that of defense spending. As the Congressional Budget Office calculates the 2010 budget, some 56% of federal outlays now go to "mandatory" spending accounts, while (with wars costs included) the Defense Department receives some 18%, and non-defense, discretionary spending, 19%.

As Ms. Schake herself notes in a recent post on *Foreign Policy*'s website ("A roadmap worth following"), "Advocates of a strong national defense ought to be thinking seriously about entitlement reform….As Representative Paul D. Ryan of Wisconsin stresses in his *Roadmap for America*, the threat to adequate defense spending is entirely from the price tag for domestic programs. Defense spending isn't even addressed in the roadmap, because it is not material to the debt picture." In short, by most reasonable yardsticks, defense spending is not the real problem here.

Drilling Down

Regardless of the role one thinks defense spending might have in fixing our fiscal house, *Debts, Deficits, & Defense: A Way Forward* offers up a number of specific suggestions on how defense spending might be cut that can be argued on their own merits and certainly considered—if they can truly cut costs without affecting military effectiveness.

The report identifies numerous broad categories of potential cuts, which it estimates would amount to $1 trillion over 10 years. In testimony of this sort, it would be impossible to give each proposed cut its proper due or properly estimate whether the numbers and savings are as significant as argued. However, there are specific points about some of the proposed cuts that need highlighting.

On the strategic front, the report recommends moving from the long-standing triad of strategic bombers, ballistic-missile-carrying submarines and land-based ICBMs to a dyad of submarines and ICBMs. It also downsizes the number of warheads to be deployed by a third below the limits set in the new arms control treaty with Russia. Lastly, it puts a stop order on renewing America's nuclear-weapons industrial base.

The first thing that must be said is that the report's proposals run directly against the recently completed Nuclear Posture Review, released in early April. The fact that the current administration—an administration that is more serious about nuclear disarmament than any previous—believes it must retain the triad and calls for warhead modernization, a new ICBM to replace the 40-year-old Minuteman III, and a new ballistic-missile submarine to replace the aging Ohio-class Tridents, suggests that the report's proposals are substantially out of sync with what most strategic analysts in and out of the administration believe is required.

They also fly in the face of the recommendations made this past spring by the bipartisan commission led by former Secretaries of Defense William Perry and James Schlesinger. That review noted that arms control reductions should be accompanied by modernization of stockpile and a serious upgrading, indeed, transformation of the country's now quite decrepit nuclear industrial weapons complex. Nuclear weapons obviously do not have the same strategic centrality as they did during the Cold War; however, they are still required. As the report issued by Secretary Perry and Schlesinger notes: "The need to reassure U.S. allies and also to hedge against a possible turn for the worse in Russia (or China) points to the fact that the U.S. nuclear posture must be designed to address a very broad set of U.S. objectives, including not just deterrence of enemies in time of crisis and war but also assurance of our allies and dissuasion of potential adversaries. Indeed, the assurance function of the force is as important as ever." And as

such, “the United States requires a stockpile of nuclear weapons that are safe, secure, and reliable, and whose threatened use in military conflict would be credible.”

Finally, the task force’s report fails to take into account that serious reductions in the number of nuclear weapons, combined with a smaller number of platforms for delivery and aging delivery platforms and weapons, may well have the perverse effect of increasing the incentive of potential adversaries to modernize their arsenals, not reduce them.

A second cost-saving measure is to downsize America’s land forces. But, arguably, the land forces are already too small. As a measure of that, one only has to note the substantial use of National Guard and reserve forces and the shorter-than-desired dwell times between deployments to see that the current force structure is already strained to the hilt. Now, it is possible to argue that we will not be engaged in such extended land wars in the future and hence some trimming is possible. However, are we certain that will be the case? Certainly Secretary Gates and others seems to think these extended conflicts are what the future holds for us and must be planned for. Moreover, I have my doubts that, if we are to be successful in Afghanistan, we will be reducing force levels there substantially anytime soon.

As for the Navy, the single largest cost-cutting proposal in the report is to shrink the U.S. Navy to 230 ships, including downsizing to nine aircraft carriers, seven ballistic missile submarines, 37 attack submarines and 25 littoral combat ships. According to the report, “the 230-ship option could have met all the naval requirements of our recent wars.” But, of course, the recent wars are not all the requirements our Navy has or will have: indeed, it has so many functions, in addition to supporting the war effort, that no serious study by either a Republican-led or Democratic-led Pentagon has come close to suggesting a 230-ship navy would be adequate. (Lest we forget, the first major review by the Clinton administration of defense needs, the so-called “Bottom Up Review,” called for a navy with 346 ships, including 12 carriers and 45-55 attack subs.) Today’s Navy serves multiple functions in addition to war fighting: as a missile defense force, a partnership builder, a protector of sea lanes and international trade, a conventional and strategic deterrent force, an emergency relief force, an anti-proliferation force, an intelligence collector, and so on. Combined with the need to refurbish ships, train up crews and then deploy, a 230-ship navy cannot possibly carry out the duties we now assign to it. The Navy is already showing reduced readiness levels and operational problems at its current fleet size of 286.

On the air front, the report calls for reducing the procurement of the F-35 by more than 200 planes (or not buying the plane altogether) and delaying the procurement of a new tanker fleet for another five years. There are questions whether there are as much cost-savings in buying fewer F-35s, while acquiring the most modern F-15s and F-16s. But putting this aside, the fact is that other nations are developing and producing advanced fighters that, when combined with advanced air defense systems, puts in jeopardy the kind of air dominance that we have enjoyed the past two decades. And, indeed, the current buy of F-35s was predicated on a force structure

that included more than the 187 F-22s we will be acquiring. Cutting back that number or eliminating that buy altogether is rolling the dice when it comes to a conventional military advantage that has served us extraordinarily well. It is useful to remember in this context that the planes we acquire now (or, don't) will shape our tactical air posture for decades to come.

As for the delay on the start of buying new tankers, this postponement is only a book-keeping savings, pushing off the actual cost beyond the timeline the report discusses. The reality is that the KC-135 tankers first entered the force six years before President Obama was born. Needless to say, keeping them in the air for an even more extended period will continue to drive up operations and maintenance costs.

The report also suggests major cuts in missile defense and the "research, development, testing and evaluation" accounts. On the former, it is difficult to see how such cuts would allow the Obama administration to move forward with its own plans in redirecting the missile defense effort. These cuts are not to some "Star Wars" program (or even a Bush administration version of) but to the upgrades required if the new architecture the Obama administration is moving toward is to be fielded and effective. On the latter, it should be noted that the administration is already planning more than a 20% reduction in RDT&E spending from FY 2010 to FY 2015. The report's recommendation, if implemented, would make that approximately 30%, leaving the Pentagon and the defense industry with even fewer resources to secure preeminence in such critical areas as space and cyber security, or work to develop the latest in sensor technology, or fully utilize the on-going revolution in directed energy weapons or nanotechnologies.

All in all, the report seems satisfied with having our armed forces possibly fight in the coming decades with platforms and technologies that largely date from decades ago.

All this said, there is no question that savings can be made in the Pentagon's budget. There will always be inefficiencies in how government operates, the Pentagon being no exception. In addition, the personnel and healthcare costs associated with our all-volunteer force have obviously skyrocketed, and need addressing. However, several caveats: making a large government agency more efficient by say 5% is a steep hill to climb, if public administration scholars are accurate. Moreover, the high cost of new weapon systems is not primarily a product of "waste, fraud or abuse" as is often said but rather because, on the whole, they are far more advanced in complexity and the technology they employ. This, combined with the extended and smaller rate of unit buys, has been a large factor in why the cost of each new generation of weapons continues to go up. And, finally, although some military benefits seem high or exorbitant—such as TriCare for Life—much of the increased personnel cost comes from the following factors: having had in place an all-volunteer force now for some four decades; the need to keep retention rates high while fighting two wars; and, more broadly, the implicit promise we give our volunteer soldiers, airmen, sailors and Marines that they will, for the

sacrifices they are willing to make, enjoy something of a middle-class life for themselves and their families.

Strategic Retreat?

Debts, Deficits, & Defense: A Way Forward is, despite its title, not simply a report about cutting defense spending to help solve the country's fiscal problems. Buried somewhat, but made more explicit at the document's end, is a section that calls for a grand strategy of "restraint." The implicit message is that cutting the size of the armed forces would serve to reduce the capacity of the United States to act, in the phrase used by the Clinton administration, as "the indispensible nation." We would be in a position where our military's primary mission would be, according to the report, to react "to danger rather going out in search of it." Our strategy would be one of "Offshore Balancing," in which we would bring force to bear to defeat enemies if the need arose and generally adopt a more isolationist policy with selective diplomatic and military engagement.

If this strategy sounds familiar, it is. Great Britain adopted it for extended periods. What it required were governments and leaders willing to be quick on their feet when it came to finding new allies and dumping old ones in an effort to play the decisive power broker between competing states. Putting aside the question of whether democratic and liberal America could sustain such a Machiavellian approach to international affairs—remember Great Britain was dubbed "Perfidious Albion"—the key problem with such an approach is to carry it out effectively requires no less engagement with the world. Britain found itself involved in any number of small, re-balancing conflicts. Or, if one adopts a more passive version of this strategy, the trouble is that one allows security threats to grow to such an extent that they are likely to become even more dangerous and costly to deal with—a problem faced by London and Washington in dealing with Berlin in the past century.

It is often said that the 1990s was a period in which we cut back the "Cold War" force. That is true to some extent but misleading in another. The military force we had in place around the world was not the force that we would have gone to war with if there had been a major conflict with the Soviet Union or the People's Republic of China. In addition to the standing forces, hundreds of thousands of reserves would have been necessary to fight that conflict successfully. That standing force was there to help deter such a war, provide reassurance to allies, keep the great commons of the air and sea clear for trade, and occasionally deal with peripheral conflicts to keep them from becoming major ones. It was also essential for backing other tools of statecraft, such as economic sanctions or diplomacy.

Those tasks have not gone away, although after the collapse of the Soviet Union, they allowed the U.S. to pare back its military—which we did. This global posture has, both before and after the Cold War, kept the great powers at peace with each other and forestalled, since the end of the Cold War, the kind of "bandwagoning" against the U.S. and the West that many might have

expected in the absence of American security leadership. All in all, this forward-leaning strategy has resulted in considerable peace and stability among the great powers to both our and our allies' advantage. Moreover, this is a strategy that has been adopted and accepted by both parties when a president of their party occupied the White House. We ought to think doubly hard before letting go of a strategy that has had such backing and served us this well.

To bring the difference in strategies home to something even more concrete, think of New York City before the "broken window theory" of policing was implemented across the city by former mayor Rudy Giuliani. What the theory argued was that by actively policing smaller-scale vandalism, one could reduce not only that vandalism but also help prevent it from escalating into more serious crime. Policing the beat, not coming to the scene of a crime after it had been committed became the norm. The result was that crime rates fell for ten years after the strategy's implementation in New York City. And, as the former mayor once told me: in morning briefings, when told about potential problem areas that needed police attention, his strategy was to ask police officials what resources they might need and then, often, double it. And while expensive to implement, the benefits to the city and its prosperity certainly outweighed the costs.

The fact is, the nation faces several daunting security problems: the continuing problems that flow from failed states; the rise of competition among the great powers for resources; a struggle for power in the Persian Gulf and continuing instability in the Near East and Central and South Asia; the rise of an increasing assertive (and militarily modernizing) China; and, of course, still dangerous and global Islamist terrorist threat. In light of these problems, proposals to substantially reduce the resources that go to the U.S. military seem short-sighted, to say the least.

Problems Ahead

But doesn't the United States spend nearly half the total amount of all military expenditures worldwide? Yes, but no other state has the global role the U.S. has. Being the world's preeminent military does not equate simply to being the dominant military globally. Having scores of modern nuclear-powered attack submarines in the fleet is obviously important. But, if deployed globally, maintained and equipped properly, the real issue is whether they will be available in sufficient number to deter a possible crisis sometime in the future, say, with China over the Taiwan Strait or in the South China Sea given the rate of expansion of the Chinese's own submarine and maritime force. In short, numbers matter. Or, to put it as Secretary Gates has: "a given ship or aircraft, no matter how capable or well-equipped, can be in only one place at one time."

And if numbers matter, so do resources to create those numbers. As noted earlier, the core defense budget has not in fact grown substantially over the past decade. It's been kept above the rate of inflation but not by much more. The fact is, the so-called "procurement holiday" that marked much of the 1990s was a hole that the Bush administration never dug the Pentagon out of. And now the Obama administration wants to hold defense spending largely flat (or less) in

the coming years, all of which is combining to result in a significant gap in what is needed to recapitalize the armed forces and what dollars will be available. According to the Congressional Research Service, given other expanding expenses, the budget projects a decline of nearly a third in funding for equipment replacement between FY 2010 and FY 2020.

In years past, this gap was assessable to some degree by the various Services' reports of "unfunded" priorities to the Congress. Over the past decade, the amount grew from $7.6 billion in 2001 to $35 billion in 2008. At that point, Secretary Gates required his office to review the Service-generated lists before being sent to the Hill. Not too surprisingly, the most recent amount for unfunded priorities is less than $2 billion. Often called "wish lists" by their detractors—and sometimes for good reason—one has to wonder if they are simply that. Numerous respected defense analysts, such as Michael O'Hanlon at the Brookings Institution and David Berteau at the Center for Strategic and International Studies, have written that the current defense program cannot be supported by planned budgets. And, the Congressional Budget Office has consistently suggested that the Defense Department's current plans would require $40-50 billion more per year in spending than currently budgeted for. The reality is, more than $300 billion in defense programs have already been cut by the administration. There is little more to cut, unless it's bone.

The 2010 Quadrennial Defense Review was supposed to provide a road map forward. At its best, the QDR did an adequate job of laying out the security environment we face and will face; what it did not do sufficiently is explain how we address those problems in the years ahead. Within the month, the Congressionally-mandated QDR Independent Review Panel is expected to report its findings. Co-chaired by former Secretary of Defense William Perry and former National Security Advisor Stephen Hadley, I have high hopes that it will address this shortfall in the QDR and provide a truly bipartisan road map for the way forward.

Conclusion

The danger really is that by chronic underfunding of core defense capabilities we will slip into a posture of strategic retrenchment through inadvertence. Now, as I have argued, letting go of this grand strategy will come with its costs, which the success of this strategy since World War II has largely kept hidden from us. So, while I disagree with the conclusions and implications of *Debts, Deficits, & Defense: A Way Forward,* I must say that it has the virtue of not hiding its larger intent. This is a debate we need to have but, so far, have avoided.