

The Military Budget Under Bush: Early Warning Signs

By Richard Kaufman

The U.S. emerged from the cold war as the only military and economic superpower and maintained that position throughout the 1990s while substantially reducing military spending and force levels. The peace dividend produced by the spending reductions contributed significantly to America's sustained economic expansion by easing pressures on the federal budget, making possible lower interest rates, and fueling greater investment. Although it is arguable whether the best use was made of the resources that were freed, it is unquestionable that military cuts were a major cause of the record long recovery.

The U.S. is now at an important crossroads. The military budget has begun to rise once again. Many Americans question the appropriateness of giving more resources to this sector in the absence of credible threats to U.S. security and the relative peace that prevails around the world. Given the situation in Washington, however, the question is, realistically, how fast will the military budget continue to rise in the administration of George W. Bush? A brief review of the trends will provide some basis for understanding the options that lie before the new administration and the nation.

After peaking at \$448 Billion (all figures used in this article are in inflation-adjusted fiscal year 2001 dollars) in 1985, the military budget (officially termed the National Defense Budget) reached a low point of \$291 billion in 1998 and has been rising since then. The budget approved for FY 2001 is \$310 billion. This amount already compares favorably with the average annual budgets during the cold war. The averages for each 10 year period since 1950 are as follows:

1951 - 1960: \$315.3 billion
1961 - 1970: \$355.7 billion
1971 - 1980: \$297.1 billion
1982 - 1990: \$402.9 billion

The average for the 4 decades, 1951 through 1990 is \$342.6 billion. At \$310 billion, the current military budget is 90 percent of the cold war average.

The 90 percent figure is a conservative one as the averages actually exaggerate the levels of the cold war budgets. They exclude the years of the late 1940s

when demobilization after World War II brought about very large reductions and left very low budgets, and they include the temporarily inflated budgets during the limited wars in Korea and Vietnam.

A literal interpretation of the statements made about defense by George W. Bush during the campaign and since the election could leave some doubt as to whether the buildup will continue and accelerate. Bush said he would increase defense spending by \$45 billion over the next 10 years. Such an action would amount to a modest annual rise but a sustained one. He also said that he would modernize some existing weapons on a selective basis and use the window of opportunity presented by our relative peace to "skip a generation of technology" in order, according to his advisors, to acquire new weapons that are more lethal and mobile.

Some hopeful observers believe Bush may cancel or delay some of the more expensive weapons under development such as the F-22 aircraft and the V-22 Osprey aircraft. Many consider these weapons to be among the Pentagon's cold war relics and within that generation of weapons that could well be skipped. When Dick Cheney was Defense Secretary he tried to cancel a number of systems including the Osprey, the Seawolf Submarine and the Midgetman missile. One Bush advisor, Dov Zakheim, who was Defense Undersecretary for Policy under Reagan, said about the controversy over the high costs of tactical aircraft, that there aren't enough resources for all the tactical aircraft programs, and "something has to give." Donald Rumsfeld Bush's choice for Defense Secretary, is believed to share these views. These facts, and the widely held views of Bush, his foreign policy advisors and Republican leaders in Congress, all of whom believe that Clinton has sent military forces to too many places around the world, can be interpreted as indicators of more moderation in military policy in the next four years.

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However, there are other factors that lead to the opposite conclusion. One is Bush's intentions. They are not altogether clear but so far as we now know they do not exclude the possibility of accelerating the existing buildup. During the presidential campaign, Vice President Gore contrasted his position that military spending should be increased by \$100 billion over the next 10 years with Governor Bush's promise to spend a lesser amount over the same period in order to make it seem that he would be more generous to the military than Bush. But the Bush camp told all who would listen that the amount put forward by Bush covered only certain specific programs and that Bush would not propose a "top line" number—that is, a figure for the total defense budget—until there is a thorough review of the defense program. Such a review is supposed to take place this year.

The second factor that needs to be kept in mind when considering Bush's defense policy is national missile defense. Bush said during the campaign that he would accelerate this program and that he supports a comprehensive missile defense system rather than the limited land-based defense supported by Clinton. The comprehensive system includes land based, sea based, and possibly space based missile interceptors. He went on to say that his administration would deploy "at the earliest possible time" both theater and national missile defenses. In addition to defending the continental U.S. he would deploy interceptors to defend our allies in Asia.

The approach favored by Bush is the most expensive and expensive variant of missile defense programs. The program considered by the Clinton administration would cost about \$34 billion and could be expanded at a total cost of about \$60 billion. The Bush NMD, adjusted for likely schedule delays and cost increases, would cost about \$100 billion.

Donald Rumsfeld chaired a commission established by Congress which concluded in 1998 that North Korea and Iran were developing missile capabilities

that could threaten the U.S. faster than was previously thought. The report strengthened support in Congress for the national missile defense program. Rumsfeld chairs another congressional commission, due to issue its report soon, that will reportedly endorse putting weapons in space to defend U.S. satellites and attack those of potential enemies. This would mean an entire new generation of weapons and possibly a spacebased arms race with other nations who are not likely to remain passive while the U.S. deploys these new weapons. It is not known how much a space based warfare program would cost. But it, together with NMD begins to resemble President Reagan's Star Wars proposal and could be very expensive indeed. If the program goes forward, one might expect a large step up in R&D for space warfare. At least one of the military service chiefs, Air Force Chief of Staff Michael E. Ryan, has spoken out publicly in favor of it.

Gen. Ryan's support for a space-based warfare capability raises the subject of the role of the military services in decisions about the military budget. This is the third factor that needs to be kept in mind when considering Bush's—or any president's—military policy. It is obvious that the military services play an important part in the determination about the size and composition of each year's military budget and about military plans in general. But the size of their role is not generally appreciated. Because of their influence with Congress and the public, no President or Defense Secretary can afford to ignore, antagonize or lose the confidence of the military services. In fact, a lot of pandering goes on here no matter who occupies the White House.

But the military is not supposed to be able determine its budget by itself. There are supposed to be the usual checks and balances. Along with all the other agencies of the Federal Government, the Pentagon's budget is reviewed by the Office of Management and Budget. The Secretary of Defense, the President, and Congress are also part of the formal process.

Here, roughly, is how the defense budget process is supposed to work. First, the President communicates his military policy to the Secretary of Defense. The Defense Secretary then issues a detailed policy guidance document for the military services. Each of the services are supposed to reply with a report showing how their programs fit in to the president's policy. In theory, those programs that are not compatible with the president's policy should be at least curtailed, and, if the resources the services want to spend compete with the president's priorities, the services should give way. The military bureaucracy and inter-service rivalry being what they are, that is not what always happens. There is a strong preference within the military to continue old programs, whether they fit any new policy, and add new ones as the occasions arise. The Defense Secretary's task is to reconcile the differences between the president's policy guidance and the military programs. There proceeds a period of scrutiny of the services programs and some hard bargaining. Inevitably, the arms lobby and Congress become involved.

Technically, this phase of the budget process—reconciling the president's policy with the wants of the military—occurs in the second half of the calendar year. The President then submits his budget in the new year, and the congressional appropriations process takes up the next several or many months. As we shall see, the military services, with the help of Congress, have punched a gaping hole in this process.

Over the past several years, the services have been arguing for larger budgets by emphasizing what is referred to as the plans-funding mismatch. What is meant by this term is that future budgets will have to be substantially increased in order to provide the funds to carry out present military plans. (To digress slightly, in earlier years, this might have been termed the plans-funding gap—as in the cases of the bomber gap and the missile gap which were supposed to exist between us and the Soviet Union, but did not. However, this gap or mismatch

is between us and ourselves, not some potential enemy.) It is always the case that there are things the military wants but cannot afford. Many of the struggles during the budget cycle in which the services try to enlarge their shares are usually fought out internally so as to not unduly embarrass the major actors, especially the administration. Of course, military leaders have often made end runs up to Capitol Hill to try to get this or that item restored or enlarged. What is significant about the effort to close the plans-funding gap is not only the fact that military leaders have gone on record to say that our national security will be in jeopardy if budgets are not substantially increased, but that the service chiefs, led by the chairman of the Joint Chiefs of Staff, now take their cases directly to the House and Senate Armed Services Committees for a full fledged public hearing while the budget process is in its most critical phase. This is different than the normal round of military hearings that take place in Congress in the spring after the president has submitted his budget.

The emphasis placed by Congress on the priorities of the military services, as opposed to those of the White House, is symptomatic of the way the budget now works. There was a time when the items that the services were not able to get funded during the budget process were simply called the military's "wish lists." Several years ago, leaders of the military committees in Congress asked the service chiefs to provide their wish lists to the committees in letter form. These at first were called the services' "Unfunded Requirements," and were then renamed the "Unfunded Priorities Lists" or UPLs, in recognition of the nicety that items should not be called requirements until officially approved.

The new process became further formalized in September 1998, when Gen. Henry H. Shelton, Chairman of the Joint Chiefs of Staff, in effect, presented a large portion of the services unfunded priorities to Congress in a public hearing. Shelton then announced in that hearing before the Senate Armed Services

Committee that the department needed an increase in its budget of \$25 billion a year just to reverse the decline in readiness. That public announcement surprised even some of the Pentagon's most ardent supporters in Congress. Congress had been adding billions of dollars each year to Clinton's defense budget proposals, mostly for a patchwork of weapons the services did not request, and much of which was labeled Congressional Pork by Senator John McCain. But until that appearance before Congress, the elected representatives had been led to believe that there was no major readiness problem. But Congress and the White House quickly fell into line. The budget for readiness and pay was subsequently increased although not by as much as the Pentagon wanted.

At the same time, the procurement side of the budget was increasing at a fairly rapid rate and in 1999 reached the \$60 billion per year goal set by the Pentagon for itself a few years earlier. However, the services realized that with the rapid escalation in the costs of weapons, such as the F-22 aircraft which was threatening to cost about \$200 million per plane, that they would need relief in this area as well.

Throughout the year 2000 warning signs were coming out of the Pentagon and its allies in Washington that larger infusions of cash were needed for arms purchases. In late September 2000 the service chiefs returned to Congress, this time to raise the bar for procurement. General Shelton would not say precisely how much money the military wants to acquire new weapons but he presented a series of charts showing what he believed the shortfalls are in various categories. The figure implicit in the charts for both readiness and procurement was \$30 to \$50 billion per year. The chiefs of the services apparently want more than that. When Air Force Chief Ryan was asked by a member of the Senate Committee how much additional funds the Air Force wants just for the Air Force, he said between \$20-\$30 billion a year. Shelton's coyness and Ryan's bluntness suggests

that the figure will be closer to \$50 billion than \$30 billion per year, and possibly higher.

While the military leaders have been intentionally vague about how much more money they want, they have been very specific about how they would spend it. The military services want to continue funding the expensive tactical aircraft programs now underway, many more ships and submarines, and a new generation of lighter ground weapons, which the Army calls the Medium Weight Force. They also want more money for operations and maintenance, and higher pay and benefits. Bush promised during the campaign to add \$1 billion for military pay, although a substantial pay increase was recently enacted. But that amount and the rest of the funds he specified will not come close to eliminating the plans-funding mismatch, as defined by the military.

How much will all this cost? A reasonable assumption is that military spending will rise by about \$30 billion per year, within a few years, as an interim measure. The military services have set their sights much higher. But unless the new president is willing to present the public with military sticker shock early in his administration, the likelihood is that defense funding will rise at a rate of about 2 or 2½ percent per year over the next several years or more. Compounded, this type of increase would reach the levels now being demanded in a relatively short time, and might have some political appeal as a “moderate” approach. It would be a compromise from the \$50 billion plus figure the service chiefs would like added to their budget in the first year, and substantially less than increases being proposed by others. Some military leaders and former officials have proposed that the defense budget be enlarged to four percent of GDP—at a cost of \$90 to \$100 billion per year.

One possible path for the military budget is based on the assumption that Bush’s first budget includes funds to supplement the amount appropriated for 2001, a common practice to cover “unanticipated” costs such as those involved in peace-keeping efforts in Bosnia and Kosovo. The supplemental has the effect of raising the base for the following year, in this case FY 2002. Assume the supplemental is \$3 billion, a conservative

figure in light of past actions. The FY 2002 budget would include some increased funds for national missile defense, and additional money equivalent to about 2½ percent of the 2001 defense budget. In those circumstances the defense budget for the coming year, FY 2002, would rise by \$10 billion over the present figure. Each year thereafter, the budget would increase by about \$7 billion. As a result, in the fourth year, FY 2005, the budget will have increased by \$31 billion. By FY 2007, the increase will have been \$45 billion.

Applying the \$31 billion increase to the current defense budget figure of \$310 billion plus the \$3 billion supplemental produces a total of \$344 billion for defense in 2005. In real terms, that number is larger than the average annual amount budgeted for the cold war in the years 1951-1990.

To provide some perspective, a few domestic ratios and international comparisons should be mentioned. These will be in outlay terms. Throughout this paper amounts cited are budgeted rather than spent to be consistent and also because budgets produce the more accurate picture during the early stages of a military buildup. This is due to the lags that exist between the time a budget is authorized and actual outlays.

Military outlays now comprise about 3 percent of GDP, about half of what they absorbed during the 1980s. As the economy expanded in the 1990s while military spending declined, this was to be expected. Nevertheless, the absolute amount of military spending remains very large and is growing larger. The budgetary category National Defense comprises 16 percent of total U.S. Government outlays and close to 50 percent of discretionary outlays.

The U.S. military budget is larger than the budget of all our NATO allies combined, plus the budgets of the countries considered to be our likely adversaries. Russia, the world’s second largest military power, spends an estimated \$55 billion on its military. China spends about \$38 billion. The U.S. share of global military spending has gone up since 1985, from 30 percent to 36 percent.

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