

U.S. Defense Strategy and the Defense Budget

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Introduction and Summary

How much should the next American president spend on the nation's armed forces? Although this question can never be definitively answered, since events around the world can throw any plan quickly to the wind, it is important that each presidential candidate develop a thoughtful draft of how he or she would proceed.

This short paper makes the case for a base U.S. defense budget that grows modestly relative to current levels. (By base budget, or core budget, I mean the funds provided in the normal appropriations process to build and sustain the nations' defense. Additional costs for overseas missions like the conflicts in Afghanistan, Iraq, and Syria, or for disaster response to tragedies like Ebola outbreaks or earthquakes, are harder to foresee and control. One hopes these additional costs would continue their overall decline beyond the \$64 billion spent on such purposes in 2015 or the \$51 billion requested for 2016, down from annual levels well in excess of \$100 billion during the latter Bush and early Obama years.

The Obama administration requested \$612 billion for national defense for 2016. About \$534 billion is for base funding for the Department of Defense, another \$27 billion is principally for the Department of Energy's nuclear weapons activities, and, as noted, a final \$51 billion is for overseas contingencies operations. Those numbers were up modestly from the 2015 grand total of \$585 billion, including, as mentioned, \$64 billion for contingencies. The administration's five-year plan would then have base funding for Defense decline slightly, from \$534 billion in 2016 to around \$525 billion in 2021. Sequestration or similar cuts, were they to recur, would drop the base budget to just under \$500 billion (all these figures and others in this paper are expressed in constant, inflation-adjusted 2016 dollars).ⁱ

In my view, a reasonable level of spending the candidates should propose would be around \$535 billion annually in the base defense budget. That figure is similar to the Obama request for 2016 but is modestly greater than Obama's plan for the following years. I would describe it as a plan for modest real defense budget increases. Adding in money for the Department of Energy and other agencies, the base total might be about \$560 billion. Further adding in costs for contingencies, assuming modest and ongoing reductions in these accounts, would bring the grand total for national defense to nearly \$600 billion a year. Under this proposal, however, the base budget would still be modestly less than what was projected after the 2011 Budget Control Act was first passed—so one might quarrel with the description of such a budget as an increase. It all depends on the reference point.

Thus, I think the presidential candidates should propose that military spending tick up gently in real terms, relative to the Obama plan, for the following reasons. Operating and support costs for Defense continue to trend upward slightly faster than inflation due to aging equipment and other factors. Procurement budgets to buy new equipment are reasonably healthy today, but they were suppressed for so long after the Cold War ended that equipment stocks remain rather old and in need of replacement across many sectors of Defense. Modernizing weapons tends to be expensive, even if done judiciously. Force structure and uniformed personnel totals have been shrinking for a quarter century, and the military is now about 40 percent smaller than under Ronald Reagan, so there is little basis for hoping that

further cuts can be easily made. Indeed, as the independent [National Defense Panel argued in 2014](#), today's military is smaller than the 1990s armed forces, yet the world seems more dangerous and certainly more complex than it was during that earlier period. Various reforms and efficiencies, some advocated below, can still yield savings—but generally only incrementally and slowly. As such, holding the line more or less in real defense dollar terms, with a slightly positive real-dollar trend to allow for modernization, is the soundest course.

More significant growth in defense budgets will be needed, however, if various defense reforms are not made in the years ahead. These include the reforms recommended by the Obama administration related to base closures and military compensation, and the additional reforms I recommend below in areas such as weapons modernization as well as management and operations. My defense budget recommendations to the candidates are part and parcel of a broader plan for Department of Defense reform, and should not be viewed in isolation.ⁱⁱ

Perspectives on Defense Spending

Today's U.S. defense budget, nearly \$600 billion in round numbers, is down substantially from the peak of some \$750 billion a year that characterized the late Bush and early Obama period. But it is up considerably from the \$400 billion level at the turn of the century—and even from the \$500 billion average of the Cold War decades. (Again, all these figures are expressed in 2016 dollars; they include Department of Energy nuclear costs and Defense war costs—but do not include Veterans Affairs, Homeland Security, or foreign aid and security assistance spending.)

Those defending the magnitude of current Pentagon spending often point out that in recent times the military's share of the nation's economy has been modest by historical standards. During the 1960s, national defense spending was typically 8 to 9 percent of gross domestic product (GDP), but it declined to just under 5 percent by the late 1970s. During the Reagan buildup of the 1980s it reached 6 percent of GDP before declining to around 3 percent by the late 1990s after the cold war ended. During George W. Bush's first term, the figure rose and ultimately approached 5 percent of GDP, but is now again headed back down and will be just 3 percent within a year or two. As a percent of federal spending, defense has also declined dramatically, from typically 40-50 percent of the total in the 1950s and 1960s to the range of 20-30 percent in the 1970s and 1980s to about 15 percent today. Seen in this light, current levels, even including wartime supplemental budgets, seem relatively moderate.ⁱⁱⁱ

On the other hand, those who criticize the Pentagon budget often note that it constitutes about 35 percent of aggregate global military spending, and that American allies contribute another third or more of global spending.^{iv} Or they note that recent real-dollar defense spending levels, attaining at one point \$750 billion a year, exceeded the Cold War inflation-adjusted spending average of \$500 billion by about 50 percent, and that current budgets still exceed the Cold War norm.

The bottom line is that the U.S. defense budget is, and will remain, large relative to the budgets of other countries, and relative to historical precedent. Yet at the same time, it is modest as a fraction of the nation's economy, in comparison with the Cold War era. That means the next president will need to determine the size of any future defense budget cuts based on careful analysis, not hand waving or ideology.

Purposes of American Military Power

As the United States seeks to shape defense strategy and spending, presidential candidates must have a clear view of the purposes of defense spending as well as the ability to articulate the purposes to the American public. Foundational U.S. defense objectives typically include limiting the spread of nuclear weapons, protecting the global commons (the international airspace and maritime space in which trade and travel occurs), deterring the rise of powers that might challenge today's generally stable international system, and preventing crises or conflicts from metastasizing into large regional wars in strategically crucial parts of the world. More specifically, I would translate these broad goals into the following somewhat more specific requirements, similar to those of current official U.S. national security and military strategy:

- Deter an assertive Iran in the broader Persian Gulf and Middle East;
- Degrade and ideally defeat al Qaeda, the Islamic State of Iraq and the Levant, and associated movements from Iraq and Syria to other parts of the Middle East and Africa to Afghanistan and South Asia;
- Preserve stability in East Asia in the face of major structural changes due to the rise of China as well as the threat posed by North Korea;
- Help sustain a sufficiently robust NATO alliance to provide some basis for global action by a community of democracies, while reducing risks from Russian aggression;
- Maintain enough combat capability to deter or, if necessary, wage and win one substantial war in a key strategic location (for example against nuclear-armed North Korea), while also carrying out perhaps two smaller multilateral but protracted stabilization or deterrence operations at the same time;
- Retain a reliable, safe nuclear deterrent that is the equal of Russia's and superior to China's, even as the United States pursues lower force levels through arms control, and also deploys limited missile defense capabilities;
- Maintain some capacity to help stop genocide and other mass atrocities as part of a coalition, since America's values are part of what helps it hold together a large network of nations for a common strategic cause;
- Maintain a strong all-volunteer military, with quality of personnel comparable to that of recent years; and
- Retain the world's best scientific and defense industrial base.

To achieve these goals, the United States presently fields a military that remains excellent, though relatively small and still somewhat strained by the wars in the Middle East—as well as the additional nationally self-imposed wounds resulting from sequestration and other types of budgetary constraints. Politicians often say that the U.S. military remains “second to none;” this point is obvious, and so banal that it should be banned from future American policy lexicon when discussing the nation's armed forces. Since the United States has far more security responsibilities than any other country—for good reason—it had better be heads and shoulders ahead of all other armed forces. But more tellingly, the U.S. military does indeed remain as good as it has ever been by most measures, and better than ever by a number of metrics. The presidential candidates may not agree with all the goals set forth above, but they should at least be clear about the goals that would be pursued in their administration and communicate those goals to the public. Each candidate should devote a major address as well

as a white paper to presenting the defense goals that would guide their administration and to a detailed description of why those goals are necessary to protect the nation. The statement should include a detailed discussion of how much the nation should spend on defense.

Defense's total active-duty uniformed personnel number some 1.31 million, with a planned further reduction to about 1.275 million by 2020 (even if sequestration-like cuts can be averted). These totals are down from late Cold War totals of more than 2 million, and from Clinton-era figures around 1.4 million. Another 815,000 reservists and 775,000 full-time civilian employees of the Department round out the official workforce (not counting contractors). The 2020 Army will have some 450,000 soldiers and 30 brigade combat teams in the active force (it will have 27 more brigade combat teams in the National Guard). The Navy's 330,000 active-duty sailors will maintain a fleet of 304 ships then, including 11 large-deck aircraft carriers and 14 ballistic-missile submarines. The Air Force, with its 310,000 active-duty airmen and airwomen, will operate 49 squadrons of aircraft (including reserve units) and about 100 bombers as well as 450 ICBMs. The Marine Corps, at 182,000 active-duty uniformed strength, will continue to maintain three divisions and three associated air wings.

Of the requested \$534 billion in base budget for 2016, some \$210 billion was planned for Operations and Maintenance, nearly another \$140 billion for Military Personnel compensation, almost \$110 billion for procurement, and \$70 billion for Research, Development, Testing and Evaluation (with small amounts for construction and housing). Broken down a different way, that \$534 billion was allocated as follows: \$161 billion for the Navy (including the Marine Corps); \$127 billion for the Army; \$153 billion for the Air Force (including many intelligence-related expenditures, since the U.S. intelligence budget of some \$70 billion is hidden throughout the defense budget); and almost \$95 billion for defense-wide activities or organizations.

Some might argue that the above list of strategic requirements that leads to such a large American defense budget is too long. They might assert, for example, that the United States need not focus as intently on the Middle East as in the past, especially since the boom in North American energy production may make this continent energy-independent within a decade or so. But in addition to the fact that a number of key American friends are found there, the Middle East remains the location of [more than a quarter of today's global oil](#) production and more than half of world oil reserves. And the global oil market is interconnected and interdependent. Creative new thinking for how to enhance Middle East and Persian Gulf stability is appropriate, but U.S. disengagement from the region is not.

Others might argue that America's allies, which on average spend about 1.5 percent of GDP on their armed forces in contrast to the U.S. level more than twice as high, should share more of the collective western military burden. Indeed, Washington periodically attempts to shame its European allies in particular into higher levels of defense spending—and the NATO alliance has a formal goal for each member that defense spending should reach 2 percent of GDP. But the United States does not make decisions for its allies. It can be no other way, in fact. The United States could choose to break certain alliances, but then it would have to run the risks of arms races and nuclear proliferation, as well as greater instability, in parts of the world where the U.S. has important interests but has nonetheless chosen to withdraw militarily. I would personally favor some U.S. distancing, or other creative strategies, for dealing with allies whose behavior is particularly destabilizing or dangerous—Egypt and perhaps Pakistan may top the current list. But in fact, the United States does not allocate a large fraction of defense

resources to prepare for the defense of either of these countries at present. In summary, the goal of greater burden-sharing is laudable; the means for achieving such an outcome are less clear.

Further Reforms and Efficiencies

The Pentagon may be, on balance, slightly underfunded today. But that is not to say that everything it currently wishes to buy is needed, every way it currently operates is optimal, or every dollar spent is used efficiently.

Still, there are several dilemmas that confront the defense reformer—as well as the future president—who would propose that Pentagon efficiencies become the primary means of funding new investments needed for the nation’s defense. For one thing, one person’s waste is often another’s useful capability or insurance policy. Planning for the nation’s defense is not so scientific a matter as to determine which weapons and forces are truly needed. Second, even when desirable reforms can be identified, they usually take time to implement, meaning that savings can be delayed. Third, existing budgets are inadequate to fund the programs and plans that the Pentagon already has on the books. The Department of Defense is perennially optimistic in its projections of what future forces will require—meaning that some reductions in planned forces and planned purchases will be needed just to balance the checkbook and bring resources in line with requirements. Right now, the Department projects that it can afford its plans for the rest of the decade with about \$525 billion annually in base funding, as noted; in late 2014, the Congressional Budget Office estimated the needed average funding level as closer to \$540 billion.^v We have little choice other than to simultaneously pursue greater efficiency in order to modestly expand available resources.

The presidential candidates should spell out how they would resolve the need for budget efficiencies so that Defense can continue doing its part to control the national debt. What follows are a set of recommendations for cuts in specific areas of Pentagon spending that illustrate how fiscal efficiencies can be achieved while allowing for needed expansions in selected areas.^{vi} Presidential candidates may disagree with some or all of these recommended cuts, but they should present a plan for achieving the level of defense spending—including possible expansions in selected areas—they think is necessary to protect the nation.

- The Navy wishes to enlarge its fleet modestly in coming years—partly to give backbone to the notion of the Asia-Pacific rebalance and partly to reduce strains on the fleet that come from maintaining the current pace of deployments with an inadequate number of ships. These concerns are valid. Rather than increase its fleet, however, the Navy could employ innovative approaches like “sea swap,” by which some crews are rotated via airplane while ships stay forward-deployed longer than is currently the norm. This idea, and more forward home porting of attack submarines at Guam, could eventually allow the Navy to get by with perhaps 270 ships rather than the current 285 or the planned 305 or so.
- The F-35 joint strike fighter is a good plane but an expensive one. Moreover, it is more stealthy and expensive than what is needed for the kinds of wars the nation has typically been fighting of late. In an era of improving sensors and munitions, and improving unmanned aerials systems, the Pentagon does not need to prioritize purchase of so many high-end manned fighter jets. The program could be scaled back by roughly half from its current intended buy of 2,500 planes.

- Rather than designing a brand new submarine to carry ballistic missiles with nuclear warheads, as now planned, the Navy might reopen the production line for the existing Trident submarine or a close approximation. In addition, on the nuclear weapons front, the Lawrence Livermore National Laboratories could be converted largely away from the nuclear weapons design mission.
- Military compensation could be streamlined further as well, despite Congress's recent reluctance to go along with even the modest changes proposed by the administration. Some stateside commissaries and exchanges could be closed. Military health care premiums could be increased even more than the administration has proposed—while still keeping them less than the average in the United States for civilian-employer plans. Military pensions could be reformed too, with somewhat lower payments for working-age military retirees having 20 years or more of service, and introduction of a 401k-like plan for those who never reach 20 years (and who currently receive nothing). This could be done in a way that would achieve modest net savings.
- Another idea could save substantial sums, although it would require help from allies and would have to be phased in over time. At present the United States relies almost exclusively on aircraft carriers, each carrying about 72 aircraft, to have short-range jets in position for possible conflict, with Iran in particular. Over the past decade, most land-based combat jets formerly based in Saudi Arabia, Kuwait, and Iraq have come home. While the United States occasionally rotates fighter jets through the small states of the Gulf Cooperation Council, and while it maintains command and control and support assets in states like Qatar and the UAE, permanent ashore combat power is very limited. By seeking two or more places to station Air Force combat jets continuously in Gulf states, the United States could facilitate a reduction of one or two carrier battle groups in its fleet.
- Other more modest changes—for example scaling back purchases of the Littoral Combat Ship, curtailing production of the V-22 Osprey, carrying out another round of base closures, making more purchases through “strategic sourcing” methods, streamlining the defense acquisition workforce by reducing paperwork requirements and other steps, adopting best practices for weapons maintenance such as performance-based logistics more widely, and modestly constraining intelligence spending—could save perhaps another of \$40 billion to \$50 billion over a decade.

Conclusion

America's defense policies today are generally sound. The majority of what the Department of Defense does around the world—in terms of combat, other operations, deterrence missions, engagement with allies, training and building up partner capacity, and other activities—is desirable. The Department of Defense undergirds a U.S. national security strategy that, despite numerous mistakes and challenges, has won the Cold War, prevented another 9/11, limited the scale of nuclear weapons proliferation, sustained a U.S.-led coalition of allies and partner nations accounting for two-thirds of global GDP and military spending, and maintained a mostly peaceful international environment conducive to trade and prosperity.

Some improvements to defense capabilities are needed in light of current and projected challenges. Yet, there are ways to make American defense posture and policy more efficient.

Modest budgetary increases should be adequate in the years ahead. An annual U.S. defense budget of around \$535 billion in base funding, plus another \$25 billion or so for nuclear-weapons-related activities in the Department of Energy, plus up to \$40 billion or so in supplemental funds for wartime operations and related matters makes sense. The presidential candidates should spell out the defense spending level they would seek as well as a detailed specification of the ways the money would be spent.

Policymakers looking to achieve fiscal balance by cutting the defense budget will be disappointed. Defense spending is already down below 15 percent of total federal spending and equals just over 3 percent of GDP—very modest figures by post-World War II standards. Indeed, under my proposal, its share of federal spending and GDP would probably continue to decline. To be sure, at nearly \$600 billion a year, defense spending will remain large. But the world is challenging and dangerous, and American military power is a generally stabilizing force within it. Thankfully, while the Pentagon cannot provide an easy panacea for fiscal reformers looking for painless budget cuts, its additional needs are eminently affordable as well.

ⁱ For sources of these and a number of other figures used in this paper, see Office of the Under Secretary of Defense (Comptroller), “Fiscal Year 2016 Budget Request” (Washington: Department of Defense, February 2015).

ⁱⁱ A word of clarification: A subtitle of one of my recent books on defense spending was phrased, “Maintaining Military Preeminence While Cutting the Defense Budget.” However, since that book was written, the defense budget has in fact been further cut; I no longer support additional cuts. On the flip side, I signed a letter written by a number of national security specialists calling for a return to DoD funding levels as they were projected just after the 2011 Budget Control Act was signed, assuming no sequestration or similar curbs on Pentagon spending. While I believe that such funding levels would be reasonable, this paper attempts to achieve strong national security at slightly lower levels than that letter advocated, partly through a number of additional efficiencies and reductions that could not be included in such a consensus document.

ⁱⁱⁱ Office of Management and Budget, “Historical Tables: Budget of the U.S. Government, Fiscal Year 2016” (Washington: Government Printing Office, 2015).

^{iv} International Institute for Strategic Studies, *The Military Balance 2015* (Oxfordshire, England: Routledge, 2015).

^v Congressional Budget Office, “Long-Term Implications of the 2015 Future Years Defense Program” (Washington: November 2014), 1-3.

^{vi} Some of these appear in Michael O’Hanlon, *Healing the Wounded Giant* (Washington: Brookings Institution Press, 2013).