

**A** decade after the end of the cold war, the process of cutting United States defense forces and defense spending is over. The United States has chosen to retain a substantial global military capability, making it the only country on the world scene that does so and rightfully earning it the moniker of the sole surviving superpower. Moreover, it has managed to trim its military by one-third, without imperiling the basic quality and cohesion of the armed forces. Without reversing those cuts in forces and personnel, it is now planning on a major defense spending increase that would return resources to Reagan-like levels (see tables 1-1 and 1-2).

Why is this the case? September 11 provides some of the answer, but there are other factors at work as well. Although the U.S. military remains excellent, there are numerous strains and shortfalls in its combat readiness. Personnel are being worked to the limit of their endurance; many are voting with their feet and leaving the services, though fewer than in the late 1990s. Equipment purchased largely during the Reagan buildup of the 1980s is beginning to wear out in large blocs, necessitating prompt replacement. New security challenges require attention—most notably defending America against various forms of attack, as well as being ready to face clever potential adversaries who would likely identify and exploit American military vulnerabilities more effectively than Saddam Hussein did in 1991. Possible conflicts against Iran, Iraq, and

## 2 INTRODUCTION

**Table 1-1. National Security Spending, Various Years, Historical Perspective**

Billions of constant 2002 dollars

<i>Year</i>	<i>Outlays</i>
Planned, 2007	406
Planned, 2003	372
2002	348
2000	295
Cold war average	335
1980s peak (1989)	410
1990	390
1982–91, ten-year average	370
1992–2001, ten-year average	310

Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2003*, March 2002; and Executive Office of the President, *Budget of the United States Government Fiscal Year 2001* (GPO, 2000), p. 118.

Note: Includes spending for Department of Energy nuclear weapons programs. National security budget authority would be \$420 billion in 2007 (or \$470 billion in nominal dollars).

North Korea remain serious concerns, and the specter of conflict with China over Taiwan has become more worrisome.

This book considers how to address these new challenges and how to do so within realistic fiscal limits. The war on terrorism and the Bush administration's budget plans make it reasonable to anticipate that real defense spending will increase. However, increases are unlikely to be as great as the Pentagon now expects. The Congressional Budget Office (CBO) forecasts deficits through 2009 (not counting Social Security surpluses); in these circumstances, year-after-year defense budget jumps may prove politically unsustainable. Moreover, the homeland security budget

**Table 1-2. Defense Personnel, 1990–2000**

Thousands unless otherwise specified

<i>Component</i>	<i>1990</i>	<i>2000</i>	<i>Percent change, 1990–2000</i>
Active	2,069	1,408	32
Reserve	1,128	865	23
Civilian	1,070	700	35

Source: For active component, as of June 30, 2000, Office of the Secretary of Defense, <http://web1.whs.osd.mil/mmid/military/ms0.pdf> (September 14, 2000). For reserve and civilian component, as of September 30, 1999, William Cohen, *Annual Report to the President and Congress* (Department of Defense, February 2000), appendix C-1.

may be more important than many defense needs in this new era, making it important on national security grounds to restrain Pentagon spending (a summary of that budget is presented later in this chapter). To respect fiscal realities and to relieve the heavy burdens being placed on the men and women of the armed forces, difficult decisions will need to be made on subjects ranging from overseas deployments to force structure to weapons modernization goals.

Some observers believe that U.S. defense spending should be drastically reduced. Noting that it now constitutes more than one-third of global defense outlays, roughly as much as the world's next eighteen military powers combined, about five times more than either China's or Russia's defense spending, and about thirty times the sum of Iranian, Iraqi, and North Korean military spending, they question why America's annual defense budget remains at around \$350 billion today (see tables 1-3 and 1-4).

However, such broad arguments are unpersuasive. There are good reasons why the United States should spend far more than any other country on its military. The United States has unique global interests and multiple military commitments far from its national territory. It maintains worldwide military deployments to keep alliances credible. It rightly desires a military so unambiguously strong that it can generally deter war and, failing that, win decisive victories with minimal casualties. Finally, given that its armed forces are not particularly large (constituting only about 6 percent of global military manpower), it relies on high-quality and thus expensive equipment and manpower rather than sheer size for its war-fighting edge.

Even if the United States cut its defense spending in half, it would still outspend Iran, Iraq, and North Korea by a factor of fifteen, and China by more than 2 to 1. Yet it would then have far too small a military to maintain its global commitments. As a result, potential foes might be tempted to attack U.S. allies in key regions such as the Persian Gulf and Northeast Asia. Recognizing the potential danger, these U.S. allies would be likely to embark on military buildups, perhaps even pursuing nuclear weapons capabilities, in a manner that could be destabilizing. So broad defense budget comparisons resolve little, especially when made between countries with different types of global military responsibilities, economies, and political systems.

Finally, although U.S. defense spending remains high in absolute terms, it is far smaller as a percent of the nation's economic output than

**Table 1-3. Global Distribution of Military Spending, 1999**

<i>Countries</i>	<i>Defense spending (billions of 1999 dollars)</i>	<i>Percent of global total</i>	<i>Running total (percent)</i>
<i>United States and its major security partners</i>			
United States	283.1	35.0	35
NATO (not including the United States)	186.1	23.0	58
Major Asian allies <sup>a</sup>	60.3	7.4	65
Other allies <sup>b</sup>	39.7	4.9	70
Other friends <sup>c</sup>	66.4	8.2	79
<i>Others</i>			
Russia	56.8	6.9	85
China	39.9	4.9	90
"Rogue states" <sup>d</sup>	11.4	1.4	92
Remaining Asian countries	34.7	4.3	96
Remaining European countries	9.5	1.2	97
Remaining Middle Eastern countries	10.8	1.3	98
Others <sup>e</sup>	9.8	1.9	100
<b>Total</b>	<b>808.5</b>	<b>100</b>	<b>100</b>

Source: International Institute for Strategic Studies, *The Military Balance 2000/2001* (Oxford University Press, 2000), pp. 297–302.

a. Japan, South Korea, and Australia.

b. New Zealand, Thailand, Philippines, and the Rio Pact countries minus Cuba.

c. Austria, Belize, Egypt, Guyana, Israel, Ireland, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Suriname, Sweden, Switzerland, and Taiwan.

d. Cuba, North Korea, Iran, Iraq, and Libya.

e. Principally African and Caribbean countries.

at any time during the cold war. In fact, the 3 percent of gross domestic product (GDP) currently devoted to the armed forces is about half that of the Reagan era and about one-third that of the early cold war decades (see figure 1-1). Even the planned Bush administration increases will not push defense spending beyond 3.5 percent of GDP. Some use this historical perspective to argue, rather unconvincingly, that current U.S. defense spending should increase to perhaps 4 percent of GDP. But the real point is that such broad, sweeping arguments can be marshaled to suggest that U.S. military spending is either very high or very low, and hence prove

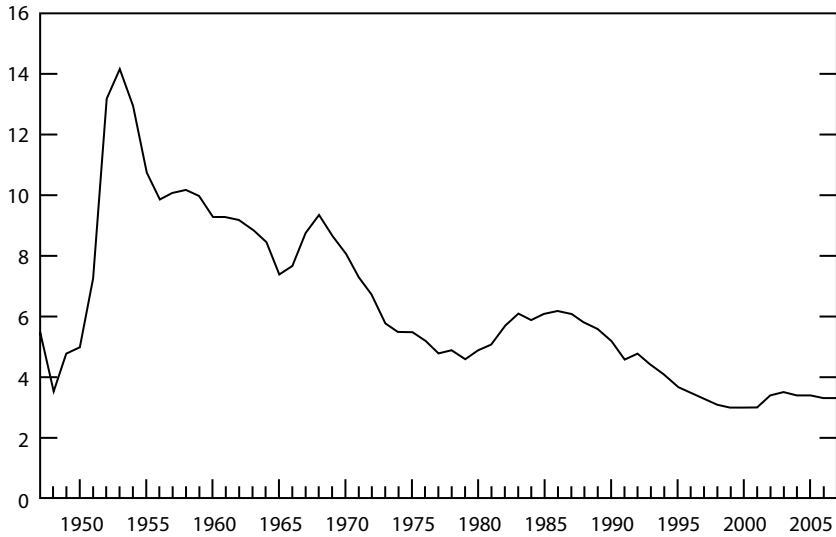
**Table 1-4. Defense Spending by NATO and Major Formal U.S. Allies, 1999**

<i>Country</i>	<i>Defense expenditures (billions of 1999 dollars)</i>	<i>Percent of GDP</i>	<i>Size of armed forces (thousands)</i>
<i>NATO</i>			
United States	283.1	3.1	1,371.5
France	37.9	2.7	317.3
United Kingdom	36.9	2.6	212.4
Germany	31.1	1.6	332.8
Italy	22.0	2.0	265.5
Turkey	10.2	5.5	639
Canada	7.5	1.2	60.6
Spain	7.3	1.3	186.5
Netherlands	7.0	1.8	56.4
Greece	5.2	5.0	165.6
Belgium	3.4	1.5	41.8
Poland	3.2	2.1	240.7
Norway	3.1	2.2	30.7
Denmark	2.7	1.6	24.3
Portugal	2.3	2.2	49.7
Czech Republic	1.2	2.3	58.2
Hungary	0.7	1.6	43.4
Luxembourg	0.1	0.8	0.8
Iceland	...	...	...
Total, non-U.S. NATO	186.1	2.2	2,725.6
Total, NATO	469.2	2.2	4,097.1
<i>Other major formal U.S. allies</i>			
Japan	40.4	0.9	242.6
South Korea	12.1	3.0	672.0
Australia	7.8	1.9	55.2
Total, other major U.S. allies	60.3	1.9	969.8
Grand total	529.5	2.1	5,066.9

Source: International Institute for Strategic Studies, *The Military Balance 2000/2001*, pp. 297, 299.

**Figure 1-1. U.S. Defense Spending Relative to Gross Domestic Product, Fiscal Years 1947–2007**

Percentage of GDP



Source: *Budget of the United States Government, Fiscal Year 2001* (February 2000), pp. 103–09; *Budget of the United States Government, Fiscal Year 2003* (February 2002), p. 126.

little by themselves. A more detailed strategic and military assessment is needed to reach a thoughtful conclusion about whether military spending is adequate, and about how U.S. defense resources should be spent. This book offers such an assessment.

## A Successful Defense Drawdown

Along with cuts in annual defense spending and troop strength, the combat force structure of the U.S. military has also declined considerably over the last decade. Most types of units—such as Army divisions and Air Force fighter wings—have been reduced by 20 to 40 percent (see table 1-5).

Nevertheless, the past decade has hardly been a story of cuts alone. The defense budget has not dropped below 85 percent of its overall cold war average and has recently returned to that average. Three consecutive

**Table 1-5. Major Elements of Force Structure, 1990 and 2000**

<i>Service unit</i>	1990	2000
<i>Army</i>		
Active divisions	18	10
Reserve brigades	57	42
<i>Navy</i>		
Aircraft carriers (active/reserve)	15 (1)	11 (1)
Air wings (active/reserve)	13 (2)	10 (1)
Attack submarines	91	55
Surface combatants	206	116
<i>Air Force</i>		
Active fighter wings	24	12+
Reserve fighter wings	12	7+
Reserve air defense squadrons	14	4
Bombers (total)	277	190 <sup>a</sup>
<i>Marine Corps</i>		
Marine expeditionary forces	3	3

Source: Cohen, *Annual Report to the President and Congress*, chapter 5, table 2.

a. Reflects the planned reduction of eighteen B-52 aircraft.

presidents and five defense secretaries, while differing on details, have agreed to sustain a U.S. military prepared for two nearly simultaneous major regional conflicts, at least one of them akin to Operation Desert Storm. They have maintained all preexisting U.S. security commitments in Europe, the Middle East, East Asia, and Latin America. In fact, they have increased the overall number of allies that the United States is committed to defend, notably by successfully promoting the membership of Poland, Hungary, and the Czech Republic in the North Atlantic Treaty Organization (NATO) alliance, and by helping protect the new government in Afghanistan.

As a result of these strategic interests and commitments, the United States has also decided to sustain overseas U.S. military presence in all the theaters where it was sustained before, albeit on a smaller scale in most cases. Roughly 100,000 U.S. military personnel are routinely found in East Asia, a comparable number in Europe, and lesser but nonetheless significant numbers in the Persian Gulf (see table 1-6). These overseas forces are intended to deter countries including Iraq, North Korea, and

**Table 1-6. U.S. Military Personnel in Foreign Areas, 1986–2001**

Thousands of troops			
<i>Country or region</i>	<i>1986</i>	<i>1996</i>	<i>2001</i>
Germany	250	49	71
Other European countries	75	66	42
Europe, afloat	33	4	5
South Korea	43	37	38
Japan	48	43	40
Other Asia-Pacific countries	17	1	1
Afloat in East, South, and Southeast Asia, plus all forces in Persian Gulf/North Africa	36	30	40
Western Hemisphere	22	12	14
Miscellaneous	1	1	4
Global total	525	240	255
Percent of total active-duty strength	24	16	19

Source: Department of Defense, *Worldwide Manpower Distribution by Geographical Area*, September 30, 2001, September 30, 1996, and September 30, 1986. All available at <http://web1.whs.osd.mil/mid/military/miltop/htm>. Numbers may not add up to totals due to rounding.

China from attacking their neighbors, to prevent friendly states from feeling the need to build undesirably large conventional forces or to pursue nuclear weapons to ensure their security unilaterally, to give credibility to key alliances, and to promote American values in saving lives and promoting democracy. In addition, about 30,000 U.S. military personnel have been deployed to Central Asia in recent months, roughly a third of them in and around Afghanistan and the remainder in the Arabian Sea.

Two presidents of different parties, and several Congresses led by both major U.S. political parties, carried out the 1990s U.S. defense draw-down. They have much to be proud of. Never before has the United States adapted to a major change in geostrategic circumstances so carefully and so prudently, neither letting down its guard nor hollowing out its military in the process. Mistakes have been made over the past decade, and some of them have exacted a heavy toll on the men and women of the armed forces in terms of their workload, their time away from home, and their general morale. Nevertheless, the problems can easily be exaggerated and the accomplishment taken for granted. U.S. military forces remain remarkably capable and ready today, as the war in Afghanistan



has again demonstrated, just as the Kosovo war did in 1999 and as other operations have done throughout the past several years.

## The 2001 Quadrennial Defense Review

Even though the 1990s defense drawdown was unquestionably the most successful in the nation's history, the Bush administration came into office bent on major change in defense policy. In the end, it settled on a defense strategy that departed from the previous Bush and Clinton policies only modestly, in terms of broad concepts, forces, and requirements. However, in the aftermath of September 11, it proposed a major defense budget increase that had more in common with Ronald Reagan's presidency than the administration's immediate predecessors.<sup>1</sup>

Donald Rumsfeld's Quadrennial Defense Review (QDR) was originally expected to emphasize ideas that had their antecedents in a speech given by then-governor George Bush in September 1999 at the Citadel in South Carolina. In that message, Bush promised a radically transformed U.S. military if elected president. He promised to "skip a generation" of weapons purchases in order to create a military featuring advanced systems. Major increases in research and development spending would help usher in such new capabilities. Cutbacks in overseas military presence, especially peacekeeping operations, would help provide some of the financial and human resources needed to make such a revolution feasible within affordable defense budgets (which, according to candidate Bush, would grow by only about \$5 billion relative to the annual levels planned by the outgoing Clinton administration).<sup>2</sup>

Once in office, Mr. Bush continued to promise a radical overhaul, as did his new secretary of defense, Donald Rumsfeld. Word from the Pentagon suggested a new emphasis on long-range strike systems and more focus on possible future competition with a rising China. European commitments were reportedly seen as less important; Iraq and North Korea were seen as nagging problems from yesterday, not major concerns for the future; unconventional or "asymmetric" military tactics were

1. This section draws in part on Michael O'Hanlon, "Rumsfeld's Defence Vision," *Survival* (Summer 2002).

2. Governor George W. Bush, "A Period of Consequences," speech at the Citadel, South Carolina, September 23, 1999 ([www.citadel.edu/pao/addresses/pres\\_bush.html](http://www.citadel.edu/pao/addresses/pres_bush.html)).

expected from enemies (though there was at least as much emphasis on asymmetric attacks by countries as on terrorists). In addition, Rumsfeld brought a great concern with the ballistic-missile threat and a conviction that warfare would soon move into space.<sup>3</sup>

Ultimately, however, the Bush administration chose not to cut existing weapons programs, streamline the combat force structure, or reduce overseas deployments of the American armed forces.<sup>4</sup> In fact, the absence of almost any change in any of these areas was striking. The 2001 QDR contained the fewest programmatic and force structure initiatives of any of the four major U.S. defense reviews since the end of the cold war (as it contained virtually none). Before September 11, Secretary Rumsfeld had essentially settled on a conservative Quadrennial Defense Review document.

There were changes and initiatives, to be sure. At the rhetorical and conceptual levels, Rumsfeld placed homeland security at the top of the Pentagon's agenda.<sup>5</sup> He also emphasized the need to accelerate the process of defense innovation—or transformation, as it is increasingly known by those who sense the opportunity for a major change in U.S. combat forces in the years ahead and wish to accelerate that change.<sup>6</sup>

But at the practical level, Rumsfeld essentially reaffirmed the core elements of Clinton administration defense policy—in terms of forces, weapons modernization plans, overseas troop commitments, and most other concrete matters. Given that this was the fourth major defense review of the post-cold war era, including the first Bush administration's base force concept, as well as the Clinton administration's 1993 Bottom-Up Review and 1997 Quadrennial Defense Review, there was perhaps less pressing need for a radical rethinking. But given the administration's early rhetoric, the continuity with Clinton policy was nonetheless surprising.

Secretary Rumsfeld promised that his QDR, released on schedule on September 30, 2001, would hardly be his last word on defense reform. Numerous panels were created to continue reviews of overseas military presence. (General language about increasing carrier presence in the western Pacific while also eventually moving some medium-weight ground

3. See for example, Thomas E. Ricks, "Rumsfeld Outlines Defense Overhaul: Reorganization May Alter, Kill Weapons Systems," *Washington Post*, March 23, 2001, p. A1.

4. See Secretary of Defense Donald H. Rumsfeld, *Quadrennial Defense Review Report* (Department of Defense, September 30, 2001), available at ([www.defenselink.mil](http://www.defenselink.mil)).

5. Rumsfeld, *Quadrennial Defense Review Report*, pp. 17–20.

6. Rumsfeld, *Quadrennial Defense Review Report*, pp. 29–32.

forces into Europe and more Army capability into the Persian Gulf was included in the report.)<sup>7</sup> A commitment was made to use the annual budget cycle to review plans for purchasing weaponry, since the QDR had not done so (in contrast to the previous defense reviews of the Clinton and first Bush administrations). Obviously, in the aftermath of the tragic September 11 attacks, a whole new agenda concerning homeland security rapidly became paramount in Pentagon thinking as well; until then, Secretary Rumsfeld's primary concern in this area had been ballistic missiles. So in that sense, the QDR is more of a starting point than a definitive study. In fact, Secretary Rumsfeld later argued that defense reviews should be conducted in the second year of a new administration, essentially acknowledging that he had not had enough time to fully digest all the issues before him in time for the September 30, 2001, deadline imposed on him and implying that he would come up with further policy proposals in the months ahead.

Secretary Rumsfeld's QDR retained the planned Clinton administration force structure with only the smallest of modifications. He stated an intention to retain, at least for the foreseeable future, ten active-duty Army divisions, roughly twenty Air Force fighter wings (specifically, forty-six active squadrons and thirty-eight reserve squadrons, with four squadrons in the typical wing), three Marine Corps divisions and associated air wings, twelve Navy aircraft carriers and eleven associated air wings, 116 additional surface combatants, fifty-five attack submarines, and over 100 bombers.<sup>8</sup> These numbers are all virtually identical to those in the Clinton administration's 1997 QDR. In fact, they differ only slightly from the numbers in the 1993 Bottom-Up Review, though they are often 10 to 25 percent less than what was proposed by the first Bush administration in its "base force" concept. Similarly, while the base force envisioned active-duty troop levels of more than 1.6 million, the 2001 QDR reaffirms Clinton administration levels of just under 1.4 million.

Implicitly, Rumsfeld retained the Clinton weapons modernization agenda as well, since he indicated no new plans. He repeated the Clinton administration's intention to ask Congress for the authority to close more military bases, ultimately convincing Congress to approve another round in 2005 (two years later than he would have liked, but better than nothing). He also added other efficiency initiatives, such as a desire to further

7. Rumsfeld, *Quadrennial Defense Review Report*, p. 27.

8. Rumsfeld, *Quadrennial Defense Review Report*, pp. 22–23.

privatize defense support functions and to streamline headquarters staffs by 15 percent.<sup>9</sup>

Perhaps the most notable nuts-and-bolts decision made by Rumsfeld in these early months, as codified in the QDR, was to increase funding for the military simply to improve immediate combat readiness. Arguing, just as candidate Bush had done, that the Clinton administration had neglected the basic needs of the military, he continued a trend, begun in the late 1990s, of adding money to readiness accounts. Specifically, he added nearly \$6 billion to the 2001 defense budget through a supplemental appropriation request, and then nearly another \$20 billion above what the Clinton administration had envisioned for the 2002 budget, all before September 11. Previous initiatives of the Republican Congress and the Clinton administration had focused on military pay, equipment spare parts, and resources for training. Rumsfeld added yet more money to these accounts, while also increasing funding for improving military health care and the Department of Defense's infrastructure—that is, facilities such as housing and bases.<sup>10</sup>

Backing away from the campaign rhetoric about reducing U.S. deployments abroad, Rumsfeld decided that U.S. forces should essentially remain in their current configurations overseas. Indeed, his desire that forward forces should, in conjunction with regional allies, be able to defeat attacks quickly without requiring large reinforcements pointed, if anything, in the direction of increasing capabilities based abroad (though the QDR indicates a hope that improved technologies, rather than increased troop numbers, would provide these enhanced capabilities).<sup>11</sup> Rumsfeld also conceded that smaller operations, including but not limited to peace-keeping missions, might sometimes be necessary and made explicit allowance for that possibility in sizing the force structure.<sup>12</sup>

At a more strategic level, Rumsfeld argued for a shift in thinking about the scenarios that should guide U.S. force planning. Claiming that a fixation on replays of Desert Storm against Iraq and North Korea was harming the armed forces' abilities to prepare for other threats, he shifted force planning away from a requirement that two all-out regional wars could

9. Rumsfeld, *Quadrennial Defense Review Report*, pp. 49–53.

10. Rumsfeld, *Quadrennial Defense Review Report*, pp. 7–10.

11. Rumsfeld, *Quadrennial Defense Review Report*, p. 20.

12. Rumsfeld, *Quadrennial Defense Review Report*, p. 21.

be won almost simultaneously. Instead, he held out a slightly less demanding standard: a requirement that one such war be won in absolute terms—including an overthrow of the enemy government and occupation of its territory—while a second war was prosecuted vigorously enough to stop an enemy and begin some offensive operations against it. In other words, Rumsfeld retained the requirement for a two-front warfighting capability, but adjusted Pentagon expectations about the likely nature of that two-front worst-case scenario. Undoubtedly thinking that one future adversary might be a country such as China, instead of Iraq or North Korea, he also avoided specifying who the likely foes would be. His QDR described such generic defense planning as a “capabilities-based” approach, in contrast with the Clinton administration’s scenario-oriented or “threat-based” framework that more explicitly designated likely future foes.<sup>13</sup> But this change seemed more semantic than real, since capabilities ultimately must be sized to specific scenarios and to likely foes if they are to be adequate for the potential tasks at hand. At most, the resulting change was one of nuance.

In keeping with the desire to avoid fixation on Iraq and North Korea, Rumsfeld also advocated the idea of standing joint task forces. Today’s U.S. military does, of course, have standing units within the individual armed services—divisions and wings and so on—as well as permanent headquarters for handling specific theaters and specific trouble spots, such as Korea. But it does not have permanent formations involving units from numerous services that train together frequently and that would essentially be on call for unexpected contingencies. Rumsfeld would remedy that shortfall.

The QDR was notable for several other changes as well. In contrast to the Clinton administration’s emphasis on “shaping” the international environment through “engagement” with neutral countries such as China, Rumsfeld talked only of reassuring allies and of dissuading, deterring, or if necessary defeating enemies. The concept of devising proper U.S. policies toward a genuinely neutral country was not given much attention—though Rumsfeld has been busily doing just that since September 11 in his dealing with the likes of Pakistan, Uzbekistan, Tajikistan, and Russia.

Continuing a desire to foster military innovation—even if no longer using the radical rhetoric and compressed time horizons of many enthusiastic proponents of a revolution in military affairs—Rumsfeld and the

13. Rumsfeld, *Quadrennial Defense Review Report*, p. 21.

**Table 1-7. Department of Defense Discretionary Budget Authority**

Billions of dollars

<i>Category</i>	<i>2002 estimate</i>	<i>2003 estimate</i>
Military personnel	82.0	94.3
Operations and maintenance	127.7	150.4
Procurement	61.1	68.7
RDT&E	48.4	53.9
Military construction	6.5	4.8
Family housing	4.1	4.2
Other	4.5	3.0
<b>Total discretionary budget authority (not including Department of Energy)</b>	<b>334.3</b>	<b>379.3</b>

Source: Department of Defense, "FY 2003 Defense Budget," February 2002.

Bush administration made several key decisions. They advocated significant increases in research and development funding, a greater emphasis on joint-service experiments (most innovation takes place within, not between, the individual military services today), and support for new ideas, such as the Army's desire to create lighter, more deployable units.

The September review was silent on the question of costs; only with its February 2002 budget proposal for 2003 did the Bush administration attach dollars to its plan. And that is where the biggest changes from the Clinton administration arise. The Clinton administration's national security budget had grown to about \$300 billion a year by 2001 (including about \$15 billion in annual funding for nuclear weapons activities at the Department of Energy). Incorporating the effects of September 11 and Operation Enduring Freedom in Afghanistan, President Bush's budgets are now as follows: \$329 billion in 2001, \$351 billion in 2002, and \$396 billion proposed for 2003 (see table 1-7 for the Pentagon's share of these budgets).

Equally striking are the price tags envisioned for the years ahead: \$405 billion (2004), \$426 billion (2005), \$447 billion (2006), and \$470 billion (2007). Congress will not act on those budget plans immediately, but the plans show where the Bush administration's budgets are headed if they are approved by Congress: toward a period of very high defense spending.

In a sense, the increases are not quite as great as they seem. The figures for 2001–03 include the costs of the antiterrorism war; all the figures include funding for the Department of Defense’s heightened vigilance and contributions to homeland security after September 11. All of these combined costs were running about \$30 billion a year in 2002. Moreover, due to the effects of inflation, the \$470 billion budget for 2007 represents about \$425 billion when expressed in 2002 dollars. And compared to the size of the U.S. economy, defense spending would still reflect a smaller fraction of GDP—about 3.5 percent—than at any time during the cold war.

Still, despite these factors, the increases are remarkable. The Pentagon’s budget in 2007 would be a full \$100 billion greater than what the Clinton administration had envisioned for that year in its own long-term plan. And these figures would approach the peak levels of the Reagan years, as well as those of the Vietnam era.

Why does President Bush wish to restore defense spending to such high levels? He does not plan to increase the size of the military, which remains one-third smaller than in cold war times. Moreover, with the exception of missile defense, Bush administration officials have not yet added any major weapons systems to the modernization plan they inherited from their predecessors. Instead, the Bush administration claims that in general it is only fully funding the force structure and weapons procurement agenda that was laid out in Secretary of Defense William Cohen’s 1997 Quadrennial Defense Review, as well as the immediate exigencies of the war on terrorism. This argument can be seen explicitly in the Pentagon’s breakdown of the proposed increase in the 2003 defense budget, as shown in table 1-8.

The main point that the Bush administration wishes to make with this table is that most of the \$48 billion added between 2002 and 2003 follows almost automatically from the policies and plans the administration inherited as well as the demands of war. The Bush administration is essentially arguing that \$36.6 billion of the increase is necessary, given preexisting policy, and another \$10 billion is simply a conservative estimate of what military operations will entail in 2003. Indeed, were it not for the \$9.3 billion in program cuts, postponements, and accounting changes the Bush administration managed to make, virtually no money would be left for other purposes, such as increased weapons acquisition. Even the \$9.8 billion added for weapons will fund a plan for fighter jets, ships, Army transformation, and other advanced systems that was primarily inherited from Clinton administration.

**Table 1-8. Understanding the Increases in the 2003 Defense Budget Proposal (Department of Defense Funding Only)**

Billions of dollars of budget authority

<i>Item</i>	<i>Amount</i>
Enacted budget for 2002	331.2
Upward adjustment for inflation	6.7
<i>"Must-pay" bills</i>	
Over-65 health care	8.1
Civilian retirement/health care	3.3
Military and civilian pay raises	2.7
Subtotal	14.1
<i>Realistic costing</i>	
Realistic weapons costing	3.7
Readiness funding	3.1
Depot maintenance	0.6
Subtotal	7.4
Cost of war (including \$10 billion contingency fund)	19.4
All other requirements <sup>a</sup>	9.8
Savings from transfers and program cuts or delays	-9.3
<b>Total 2003 budget request</b>	<b>379.3</b>

Source: Department of Defense, "FY 2003 Defense Budget," February 2002.

a. For example, weapons acquisition.

For those who doubt the need for added defense spending, it is further true that a military of a given size costs more to maintain each year. Whether it is the price of weaponry, the burden of providing military health care to active-duty troops and their families, as well as to retirees, or the price of paying good people enough to retain them, most defense costs rise faster than inflation. Moreover, the U.S. military took a "procurement holiday" of sorts during the 1990s, since money was tight and it had so much modern weaponry on hand after the Reagan buildup. That holiday must now end, as systems age and require refurbishing or replacement.

In addition, it is necessary to build on the lessons of Operation Enduring Freedom. That conflict has demonstrated, more than any other before, the importance of unmanned aerial vehicles, real-time information networks, certain precision munitions, and good equipment for special



**Table 1-9. Desirable “Transformation” Initiatives in 2003 Budget Proposal**

Millions of dollars

<i>Initiative</i>	<i>Amount</i>
Convert 4 ballistic-missile submarines to cruise missiles	1,018
Add funding for new satellite communication system	826
Add funding for space-based radar	43
Add funding for Global Hawk unmanned aerial vehicles (UAVs)	629
Accelerate development of new UAVs	141
Upgrade, arm, and purchase more Predator UAVs	158
Develop small-diameter bomb	54
Initiate Navy unmanned underwater vehicle	83
Start new program for advanced surface combatant technologies	961
Expand wideband, secure global communications network	1,300
Upgrade data links to combat platforms and troops	3,300

Source: Department of Defense, “FY 2003 Defense Budget,” February 2002.

operations forces. These and most other “transformation” initiatives proposed by the Bush administration merit support (see table 1-9).

Because of these various factors, real defense spending should indeed continue to increase, as it has been doing since 1999. It makes perfect sense that today’s military, though only two-thirds the size of the cold war force, might cost nearly as much. It is surprising, however, that the Bush budget would not only reach but would easily exceed the cold war defense budget average, especially as expected spending in the war against terrorism declines substantially after 2003.

### **Critical Assessment of the Rumsfeld Plan**

There are many sound elements to Rumsfeld’s strategic plan, even if it is strikingly cautious for an administration that promised radical military transformation and a sharp break with the ways of the Clinton administration. The broad force structure it retains seems roughly right—anything larger would likely be unaffordable and dampen the services’ incentives to find more efficient ways of doing business, anything much smaller would risk running ragged an already busy military. The adjustment in the two-war standard to a different and slightly less demanding type of two-front capability is prudent. After much early criticism by the Bush administration of peacekeeping operations and other such missions, capabilities for

providing overseas presence and conducting smaller contingencies were retained as a core part of the force structure. Several of the review's new initiatives—standing joint task forces to prepare better for conflict outside the Persian Gulf and Korea, a greater emphasis on research and development as well as joint-service experimentation with new technologies and warfighting concepts—also make sense.

In its specific responses to the threat of terrorism, Rumsfeld's review also offers some sound thinking. Elevating the mission of homeland security to one of the top priorities in official defense strategy makes sense. Clearly, nothing could be more important for U.S. security than protecting the lives, property, and infrastructure of American society. At the same time, Rumsfeld was right not to make that mission the only top priority of the Pentagon, since doing so could logically have led to a reduced commitment to American overseas interests—and in effect, victory for the terrorists who seek such a result. To sustain a strong coalition effort against terrorism, the United States needs to remain committed to the security of its friends and allies; to deny terrorists safe havens in countries besides Afghanistan, it has even more reason to retain some form of a two-front warfighting capability; to prevent proliferation of dangerous weaponry, it has to keep a vigilant eye on countries such as North Korea and Iraq; to sustain its values, it must continue support for friends such as Israel, Taiwan, and other democracies; to keep its economy strong, it must continue to undergird global stability and commerce with its military forces. Thus counterterrorism and homeland security should indeed be a top priority for the Department of Defense and U.S. government more generally. But they should not become the exclusive top priority.

There are, however, several problems in Rumsfeld's review that could hinder the broader struggle against terrorism and the overall effort to enhance homeland security. The most basic problem is conceptual: the review actually downplays the importance of working with nonallied but nonhostile countries. Dropping the 1997 QDR's strategic pillars of "shape, prepare, and respond" (where the concept of shaping refers in part to the need to work with neutral countries) and the broader Clinton administration notion of engagement, it divides the world cleanly into those who are with us and those who are against. More specifically and formally, it lays out four goals for defense policy: to reassure allies, and to dissuade, deter, or if necessary defeat enemies. Where countries such as Russia, China, and India fit into this scheme is far from clear. Other elements of U.S. foreign policy may be able to compensate for the lack of an

explicit emphasis on working with these states, and in fact many activities once described as engagement have been continued by Rumsfeld himself, especially since September 11. But dropping the idea of engagement is nonetheless a mistake, particularly in light of the obvious post-September 11 need to improve relations and work collaboratively with a number of countries that are neither treaty ally nor foe.

That said, the most important problem with Rumsfeld's review is probably budgetary. In light of shrinking federal surpluses, and competing national and international needs, spending increases of the type now implied by Rumsfeld's QDR are undesirable.

Rumsfeld is right to want to close unneeded military bases (as Congress now seems likely to do in 2005), streamline military headquarters, and find other economies in defense operations. But more must be done, given the country's fiscal situation and competing national priorities. Within a year or so the politics of the defense budget are likely to change, and the Pentagon may find it very difficult to sustain the new upward trend in defense budgets thereafter.

As a result, Secretary Rumsfeld will have to find less expensive ways to replenish the military's aging equipment stocks, perhaps by buying simpler fighter jets, ships, helicopters, and other weapons systems than now planned. He may have to find ways to make further small reductions in military personnel, even if he is surely right that the era of deep cuts is now over.

It is true that the 1997 QDR, developed during a period of fiscal restraint, did not provide enough funds for its own proposed plan. But Congress and the Clinton administration later added more than \$20 billion to the annual real dollar budget, and Secretary Rumsfeld added another \$20 billion for 2002, without counting added costs due to September 11. So the yearly baseline has already grown by \$40 billion even as the plan for forces and weapons has remained mostly unchanged. Bush administration officials now tell us that is still not enough. Alleging a decade of neglect, they claim that further spending increases are needed for military pay, readiness, infrastructure, health care, research and development, and weapons procurement. Overall, the Bush administration proposes to add a total of more than \$400 billion from 2002 to 2007. It is true that each of the main Pentagon budget accounts still needs more funding. But the needs are not sufficient to require such large increases.

Before examining each major defense account individually, there is the matter of war costs to address. The Bush administration has requested

almost \$20 billion for such costs in the 2003 budget—\$10 billion as its best guess of the cost of military operations that year, and \$9.4 billion primarily to replenish weaponry and spare parts inventories and otherwise recuperate from the effects of the war on terrorism to date. However, to ensure transparency and to protect Congress's role in the budget process, the latter costs should be added to the supplemental appropriations bill for 2002 rather than the overall defense budget for 2003. The \$10 billion for 2003 should be appropriated if and when that becomes necessary. Making these additions supplemental appropriations will also avoid artificially inflating the defense budget for 2003 in a way that would make defense increases in future years look smaller than they really are.

*Pay.* After the largesse of the last few years, military pay (in inflation-adjusted dollars) has never been higher. Partly as a result, recruiting and retention have improved markedly in recent years.

Most additional increases should be targeted at those few technical specialties in which the Pentagon still has trouble attracting and keeping people, rather than the entire force. In that regard, the Bush administration's plan to add a total of \$82 billion to military pay over the 2002–07 period is excessive. Since troops are receiving improved housing and health benefits at present, further pay raises should be held to the rate of inflation. Over the 2003–07 period, this approach would save about \$30 billion relative to the Bush administration's plan (individuals would still get additional raises as they were promoted, of course).

In addition, another \$5 billion could be saved through 2007 by modestly reducing the number of individuals in the military—primarily, ground combat troops and support personnel (see chapter 3 for more). Generally speaking, this should not be done by cutting the number of major combat units from current levels, but rather by making some of them slightly smaller, in recognition of the enhanced capabilities of modern weaponry—as well as the need for a lighter and more deployable force.

*Operations and Maintenance.* This part of the budget funds a wide array of defense activities related to so-called military readiness, including training, equipment repair, fuel, and other necessities for overseas deployments, and most spare parts purchases. It also funds the salaries and health care of civilian employees of the Department of Defense. Even though readiness funding per troop is at its highest real dollar level ever, the Bush administration proposes adding \$146 billion to this budget over the 2002–07 period.

But reform in military health care could save \$15 billion over that period, if ideas proposed in the past by the Congressional Budget Office—including merging the independent health institutions of each military service, employing market-based care wherever possible, and considering introduction of a small copay for military personnel—were adopted. At a time when Congress has legislated a huge increase in the defense health budget by mandating free lifetime care for retirees, reform is all the more important.

In addition, giving incentives to local base commanders to find efficiencies in their operations might help limit real cost growth to 2 percent rather than 2.5 to 3 percent a year in other parts of the budget, saving \$10 billion more.

*Research, Development, Testing, and Evaluation.* President Bush has rightly emphasized research and development ever since he began running for president, but again, the 2002 budget added large sums to this area. Current real spending on research, development, testing, and evaluation already exceeds the levels of his father's administration and roughly equals those of the peak Reagan years.

No more than another \$1 billion is needed for the 2003 budget and beyond. For example, economies should be possible by canceling one or two major weapons, postponing the army's future combat system until underlying technologies are more promising, and slowing at least one or two missile defense programs out of the eight now under way (while modestly increasing research and development on a national cruise missile defense). Rather than add \$99 billion to the preexisting plan, about \$55 billion should suffice for 2002–07 (primarily reflecting the increases in the 2002 budget that would be sustained thereafter).

*Procurement.* The Clinton administration spent an average of about \$50 billion per year to buy equipment; the figure is now about \$60 billion. According to CBO, however, the expensive modernization plans of the military services might imply an annual funding requirement of \$90 billion or more. Accordingly, the Bush-Rumsfeld budget envisions procurement funding of \$99 billion in 2007.

But Operation Enduring Freedom has underscored the potential of relatively low-cost systems, such as Global Positioning System (GPS) guidance kits added to “dumb bombs,” unmanned aerial vehicles (at a fraction of the cost of manned fighters), and real-time data links between various sensors and weapons platforms.

To be sure, expensive weapons such as aircraft carriers have been used as well. Moreover, not every future foe will be as militarily unsophisticated as the Taliban and al-Qaida. That said, the services need to prioritize. They should recognize, as former vice chairman of the Joint Chiefs of Staff Bill Owens has argued, that the electronics and computer revolutions often promise major advances in military capability without inordinate expenditures of money.

The current procurement budget of about \$60 billion does need to rise to the \$70 billion level proposed for 2003; in fact, it probably needs to reach \$75 billion or higher. But the \$99 billion level envisioned for 2007 (about \$90 billion in constant 2002 dollars) is greatly excessive.

For many critics, the problem with Rumsfeld and Bush's weapons plan is that it protects the traditional priorities of the military services without seeking a radical transformation of the U.S. armed forces. But this basic criticism is not quite right. Individual programs or omissions in the Bush plan can be debated, but it is beyond serious doubt that the Bush administration has an aggressive program for so-called defense transformation (see table 1-9). As is appropriate for such an effort, most of the emphasis is in the realms of research, development, and experimentation, where the administration envisions spending \$99 billion more than the Clinton administration would have by 2007 (even though, as noted, these areas of the defense budget were not severely cut in the 1990s). The problem is a more classic one of unwillingness to set priorities. Despite the absence of a superpower challenger, the administration proposes replacing most major combat systems of the U.S. military with systems costing twice as much—and doing so throughout the force structure.

As discussed in more detail in chapter 4, a more prudent modernization agenda would begin by canceling at least one or two major weapons, such as the Army's Crusader artillery system. In addition, the Pentagon would only equip a modest fraction of the force with the most sophisticated and expensive weaponry. That high-end, or "silver bullet," force, as the Congressional Budget Office has described it, would be a hedge against possible developments such as a rapidly modernizing Chinese military. Otherwise, the rest of the force would be equipped primarily with relatively inexpensive upgrades of existing weaponry, carrying better sensors, munitions, computers, and communications systems. For example, rather than purchase some 3,000 joint strike fighters, the military would buy about 1,000, and otherwise purchase planes such as new

F-16 Block 60 aircraft (and perhaps even some unmanned combat aerial vehicles in a few years) to fill out its force structure.

After several initial months of rampant speculation that he would make major changes in the size, forward deployments, and basic nature of U.S. military forces, Secretary of Defense Donald Rumsfeld recognized that radical transformation was either unwarranted or infeasible in the short term. Indeed, in the end Secretary Rumsfeld has produced what is surely the most cautious major defense review of the four completed since the end of the cold war. In most cases, Rumsfeld was right not to follow the advice of those advocating military revolution, given the enduring importance of traditional defense missions and the technological impracticality of rapidly adopting a transformed force.

But there is a major problem with the Rumsfeld plan: its cost. He took the Clinton administration's forces and weapons plans, added a few initiatives of his own, made no notable program or personnel cuts, and then funded the entire package at a very robust level. This book explores ways in which the planned growth in U.S. defense spending, while necessary to a degree, can be held to more modest and fiscally sound levels.

## **The Bush Homeland Security Budget**

Although it is not the focus of this book, a word is in order on the basics of the homeland security budget. On February 4, 2002, Director Tom Ridge of the White House Office of Homeland Security unveiled his plans for homeland security. He began by defining a homeland security budget for the first time. In recent years, budget categories were created to capture counterterrorist spending and the protection of critical infrastructure, but these categories did not include most efforts of agencies such as the Coast Guard and several others that have obvious homeland security ramifications.

The new homeland security budget concept reveals how quickly spending in this area has been rising. In 1995, the budget for homeland security was \$9.0 billion; by 2000 it was \$13.2 billion; in 2001, it was \$16.9 billion (\$0.9 billion being added after September 11).

For 2002, the federal government's planned homeland security budget would have been about \$19.5 billion prior to the September 11 attacks; after the hijackings, about \$9.8 billion more was added in a supplemental

**Table 1-10. Homeland Security Funding, by Initiative Area**

Millions of dollars

<i>Initiative area</i>	2002	First	Bush
	<i>enacted base</i>	<i>FY 2002 supplemental</i>	<i>administration FY 2003 proposal</i>
Supporting first responder/ crisis management	291	651	3,500
Defending against biological terrorism	1,408	3,730	5,898
Securing America's borders	8,752	1,194	10,615
Using 21st-century technology to defend the homeland	155	75	722
Aviation security	1,543	1,035	4,800
Other non-DoD homeland security	3,186	2,384	5,352
DoD homeland security (outside initiatives)	4,201	689	6,815
<b>Total</b>	<b>19,535</b>	<b>9,758</b>	<b>37,702</b>

Source: Office of Homeland Security.

appropriation, making for a total of \$29.3 billion. An additional \$5.2 billion was requested in another supplemental. For 2003, Governor Ridge is proposing a total of \$37.7 billion, or roughly four times what the government was spending on homeland security in the mid-1990s.

Director Ridge's budget plan for 2003 contained several priority areas that can be grouped into broad conceptual categories (see table 1-10 for the proposed increases in spending by category):

- supporting first responders,
- defending against biological terrorism,
- securing America's borders,
- using twenty-first-century technology to defend the homeland, and
- enhancing aviation security.

*First Responders.* The budget for supporting first responders would grow by \$3.2 billion over the initial 2002 budget (or \$2.5 billion over the actual 2002 budget, reflecting supplemental appropriations). It would primarily support equipment, training, and communications infrastructure for the nation's 2 million police, fire, and emergency medical per-



sonnel. In many ways, it is the logical successor to the much smaller Nunn-Lugar-Domenici program launched in the mid-1990s. These funds focus more on responses to chemical, conventional, or nuclear devices than on responses to biological agents, where victims would generally first show up in hospitals rather than at the site of an attack.

*Biological Terrorism.* The budget would increase by \$4.5 billion relative to the initial 2002 budget plan. The increase would only be \$800 million relative to the revised 2002 budget, but that budget included large one-time costs for purchasing smallpox vaccine and pharmaceuticals and decontaminating postal facilities. Those expenses are not expected to recur, so the 2003 budget in fact contains substantial funds for new initiatives. Most of the increase is in the area of research and development for defenses, medications, and detectors and will go toward work performed by the National Institutes of Health, the Centers for Disease Control, the Food and Drug Administration, and the Department of Defense. Smaller increases are proposed for medical surveillance and communications (about \$300 million) and for public health and hospital infrastructure (about \$200 million).

An increase of about \$1.9 billion, relative to the original 2002 budget, is being requested for border security (an increase of \$700 million over the post-September 11 budget for 2002). The major increases are for agencies such as the Department of Justice's Border Patrol agency, Treasury's Customs, and the Department of Transportation's Coast Guard.

*Twenty-First-Century Technology.* Most of the funding in this category is IT related. The increase would total \$600 million over the original 2002 budget, and about \$500 million over the post-September 11 budget. About \$100 million is for cyberspace protection; the bulk of the funds (nearly \$400 million) are proposed for an entry-exit visa system to keep better track of foreigners inside the United States.

*Aviation Security.* The proposed funding amounts to \$4.8 billion in 2003, a tripling in funding relative to the initial 2002 budget and an increase of \$2.2 billion even taking into account the post-September 11 supplemental appropriations. Most of the added spending on airports and airlines was made necessary by legislation passed in the fall of 2001; the 2003 budget would include large increases to fund measures that have already been widely debated and mandated.

Brookings is presently completing a study on homeland security, *Protecting the Homeland*, that provides more information on this issue and

suggests an additional agenda for defending the United States against possible terrorist attack (see the Brookings homepage at [www.brookings.edu](http://www.brookings.edu)). For the purposes of the present book, the main points from that study are that even more money, above the \$38 billion requested by the Bush administration for 2003, may be needed for homeland security—and that most of those funds will not be devoted to the Pentagon. This message puts further pressure on the Pentagon to try to hold its own budgets in check, lest they compete with potentially even more pressing imperatives on the homeland security front.

### **Plan of the Book**

The rest of this book considers competing defense requirements within a framework of fiscal constraints and on the basis of an assumption that U.S. military personnel are on average working as hard as is reasonable to expect—in some cases simply too hard. I argue that spending will have to increase for procurement of equipment, missile defense, other homeland defense efforts, and readiness. I propose some economies within the procurement plan, however, to keep increases within reasonable bounds, as well as some targeted streamlining of overseas U.S. military presence to ease burdens on the men and women of the armed forces. I also suggest an alternative and somewhat less demanding type of two-war framework, similar to that adopted by the Bush administration, that would further mitigate the pressures on the current force structure without fundamentally changing the nature or the credibility of U.S. global military engagement. My argument endorses an additional 10 percent cut in the U.S. domestic base structure and offers other suggestions to make the military more efficient.

As a result of the cumulative effect of these changes, active-duty military strength would decline slightly, to about 1.3 million from currently projected levels of 1.36 million. Cuts would be distributed roughly evenly among the services, though the Air Force would be largely spared given the importance of its rapid-response capabilities for regional war fighting (the Air Force's preferences for fighter modernization, however, would be curtailed significantly under my recommended approach). Army cuts would arise largely from making divisions somewhat smaller, reflecting the greater capabilities of modern weaponry; Navy cuts would derive largely from an end to quasi-continuous carrier deployments to the Mediterranean Sea; Marine Corps reductions would arise primarily from

reducing that service's fixed-wing aviation force structure and scaling back planned purchases of the joint strike fighter. The Army would wind up with 450,000 active-duty soldiers, the Navy with 350,000 sailors, the Air Force with its existing end-strength of 340,000, and the Marine Corps with 160,000 Marines.

No service would be singled out for large or disproportionate cuts, however. It is too easy to imagine scenarios of strategic importance that could place heavy demands on each. Ground forces could be taxed by wars in Southwest or Northeast Asia, particularly if the United States and its allies elected to overthrow an extremist enemy regime, or by unexpected and nontraditional missions (for example, liberating a place such as Kosovo or helping a failing state with nuclear weapons—perhaps Pakistan—to restore order and central control). Naval forces in particular could be stressed by conflict in the Taiwan Strait or Persian Gulf. Air forces are of critical importance for waging high-technology warfare like that witnessed at the beginning of the 1990s during Operation Desert Storm and the end of the 1990s during Operation Allied Force.

What about spending levels? The defense budget would still need to go up. But with these economies, a defense spending level around \$390 billion should be sufficient, as expressed in constant 2002 dollars. Combined with a homeland security budget approaching \$50 billion, national security spending writ large would still remain under 4 percent of GDP, or half the typical cold war level. That price is affordable and sufficient.