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THE DEFENSE BUDGET: COSTS AND CHOICES

Mark Cancian

The author is a retired Marine colonel and senior adviser at the Center for Strategic and International Studies. This paper was written for the Brookings-Institution-University of Utah conference on “The Forces Shaping America’s Fiscal Future” in June 2026.

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Abstract

The U.S. defense budget balances national security requirements with growing fiscal pressures. Although defense spending is a smaller share of the budget than during the Cold War, strategic competition with China and Russia, regional threats from Iran and North Korea, and ongoing global commitments continue to drive support for a strong military. At the same time, rising personnel, healthcare, and modernization costs make controlling defense spending increasingly difficult. The paper argues that defense savings are possible but require difficult choices. The greatest savings would come from changes in national strategy, such as reducing overseas commitments, narrowing U.S. security obligations, or scaling back portions of the nuclear arsenal. The paper also explores personnel and force-structure reforms, acquisition and modernization programs, and infrastructure and administrative options. The paper recommends establishing independent commissions modeled on successful historical precedents, including an Iran war lessons-learned commission, a new base closure and realignment commission focused on headquarters and artificial intelligence efficiencies, and a total force personnel commission to optimize the mix of active-duty, reserve, civilian, and contractor personnel.

I. Introduction

National defense occupies a distinctive and consequential role in the federal budget. Though it is not the driver of federal spending that it was in the past—from 62% of the federal budget in 1955 to 13% in 2026, it remains the largest piece of discretionary spending (59% in fiscal year 2026). Choices about military personnel, operations, weapons procurement, research and development, and infrastructure have major implications for discretionary federal expenditures over time and occupy a large part of the congressional and public budget debate since defense must be voted on every year.

At the same time, national defense is perhaps the federal government's most basic obligation and defense spending cannot be evaluated solely as a budgetary cost. The policy challenge is not simply whether defense spending should rise or fall, but how defense priorities and national security should be balanced against competing domestic demands and the government's broader capacity to finance its commitments. These choices are particularly acute given escalating international tensions and persistent federal budget deficits.

This paper has five elements:

- An overview of what the defense budget is and how it has changed over time.
- A brief description of what is in the defense budget and the pressures on it to move up or down.
- Policy choices for budget reductions in strategy, compensation and benefits, acquisition and technology, personnel mix, and infrastructure.

- Potential additions to the defense budget, though in less detail than for offsets because of large recent budget increases.
- Recommendations for a way forward.

II. Overview

A. What is the "defense budget"?

To avoid confusion, it is worthwhile beginning with definitions. Table 1 lays out the three principal definitions of "defense budget." The narrowest, the budget for the Department of Defense (DOD),includes the military services and agencies.[1] Congress uses a broader definition—called "national defense"—that includes the DOD budget and related activities, such as nuclear activities in the Department of Energy, the Selective Service, and counterterrorism activities at the FBI (see Mann 2017 for a detailed explanation of these categories). Occasionally, academic literature uses an even broader category that includes the Department of Veterans Affairs, the Department of Homeland Security, and the Department of State.[2] This paper will use the Department of Defense budget (051 in congressional budgeting) because it is the largest piece and under a single organization, but it's worth recognizing these other definitions because readers will sometimes run into them.

[1] This paper uses "Department of Defense" because that is still the department's legal name. The Trump administration uses "Department of War."
[2] For an academic example, see Adams and Williams (2010, 1–2). Congress used this broader definition in the 2011 Budget Control Act to craft categories for budget caps but then reverted to the customary "national defense" definition (Budget Control Act of 2011, sec. 102; summarized in McGarry 2019).

TABLE 1

Three definitions of the fiscal year 2026 defense budget[3]

DOD (051) Discretionary	Congressional Definition (050) Discretionary	Broad definition Discretionary and Mandatory
DOD	DOD	DOD
DOD War funding	DOD War funding	DOD War funding
Intelligence Community	Intelligence Community	Intelligence Community
$1,009B	DOE Nuclear	DOE Nuclear
	DOE Nuclear cleanup	DOE Nuclear cleanup
	Defense-related activities (FBI CT, Selective Service, etc)	Defense-related activities (FBI CT, Selective Service, etc)
	$1,056B	State Department
		Homeland Security (many elements, like Coast Guard)
		Veterans Administration
		Mandatory defense spending
		Unfunded retirement
		~$1,650B

Source: OMB 2026.

B. How has the defense budget changed?

Making decisions about future budgets requires understanding the path that the defense budget took to arrive at the present. Three perspectives on historical trends are worth examining because each gives different insights: The DOD budget over time in constant dollars, as a percentage of gross domestic product (GDP), and as a percentage of federal outlays.

1. The DOD budget over time in constant dollars

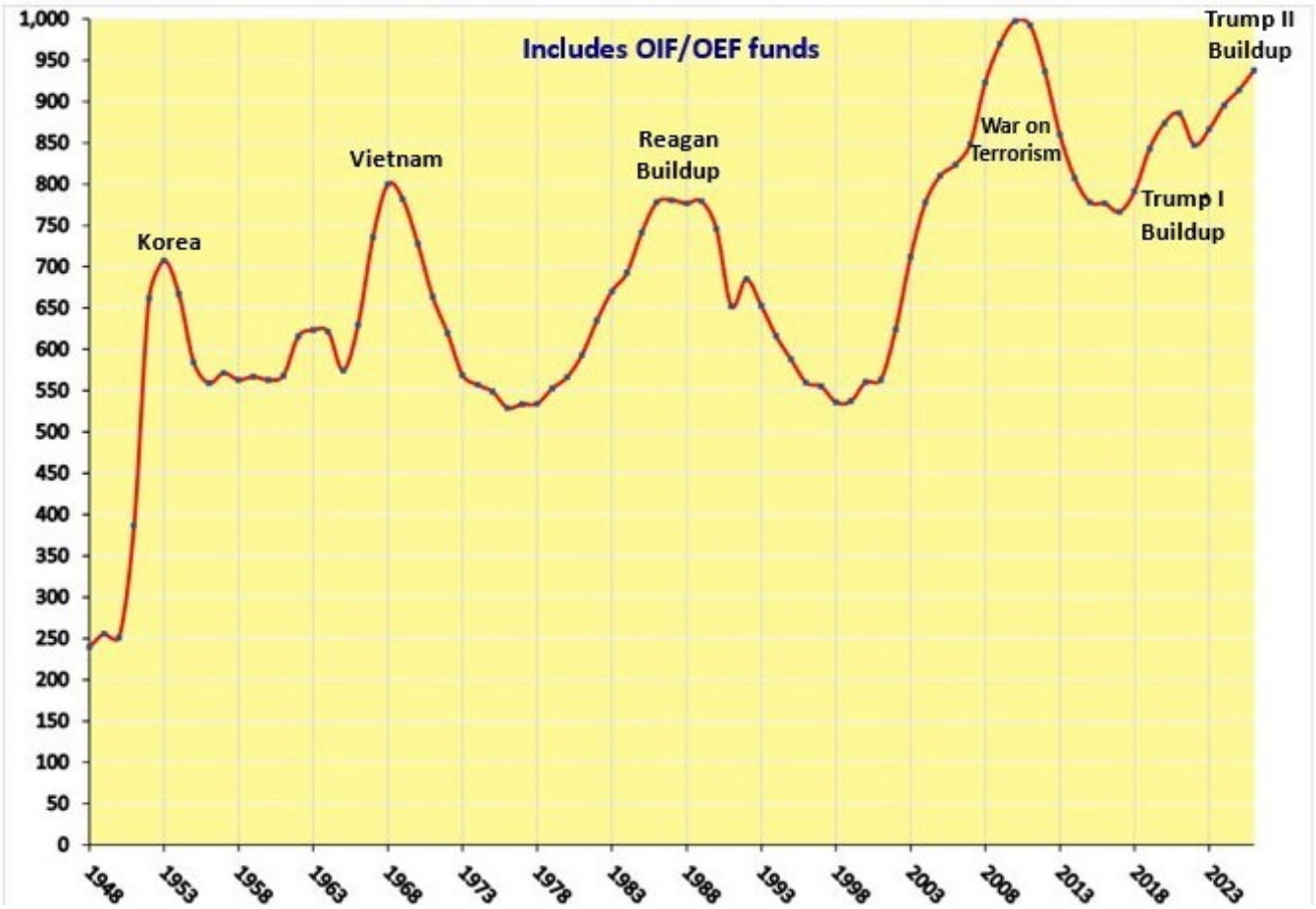
Figure 1 shows purchasing power—DOD budget authority—from fiscal year 1948 to fiscal year 2026 in constant dollars.[4] Note the cyclic peaks during conflicts (plus the Reagan

[3] "Mandatory" funding in the reconciliation bill ("One Big Beautiful Bill Act") is included here and elsewhere as part of discretionary because it functions in that way. Current DOD practice scores nearly all of it against FY 2026. Mandatory funding that is set by permanent law is identified as "mandatory" (DOD Comptroller 2025b).
[4] Budgets have been a reasonable measure of economic cost since the end of conscription, which eliminated the large gap between conscript pay and the market value of their labor.

buildup) followed by post-war decline. The peak for the wars in Iraq and Afghanistan is higher than those in the past and the post-war low, though below the peak, is higher than previous baselines (DOD Comptroller 2024, 138–145; DOD Comptroller 2026b, table A-1).

FIGURE 1

DOD budget authority from fiscal year 1948 to fiscal year 2026



Technical note: This chart shows budget authority. Policymakers and national defense commentators focus on budget authority because it represents decisions by the political establishment. Some charts in this paper will show outlays—money paid by the Treasury—and hence drivers of deficits and economic activity. The two generally move together, with outlays lagging budget authority by a few years. To complicate the discussion of budget levels, there is another category called total obligational authority, which differs from budget authority. However, the differences are generally small and not significant for the purposes of this paper. It is further complicated because congressional bills don't entirely track with these categories. There's an authorization bill that authorizes spending. Referred to as the policy bill, it covers DOD and DOE's nuclear activities. The defense appropriations bill provides the money but excludes nuclear warhead development/production and military construction, which are covered in other appropriation bills. That's not relevant to the analysis here, which is adjusted for these factors, but is important when observers are trying to align congressional action with categories such as the DOD budget. Finally, this paper focuses on discretionary spending in DOD and excludes the annual $30 billion in mandatory spending. It includes any mandatory funds from reconciliation bills because these function as discretionary spending.

2. As a percentage of GDP

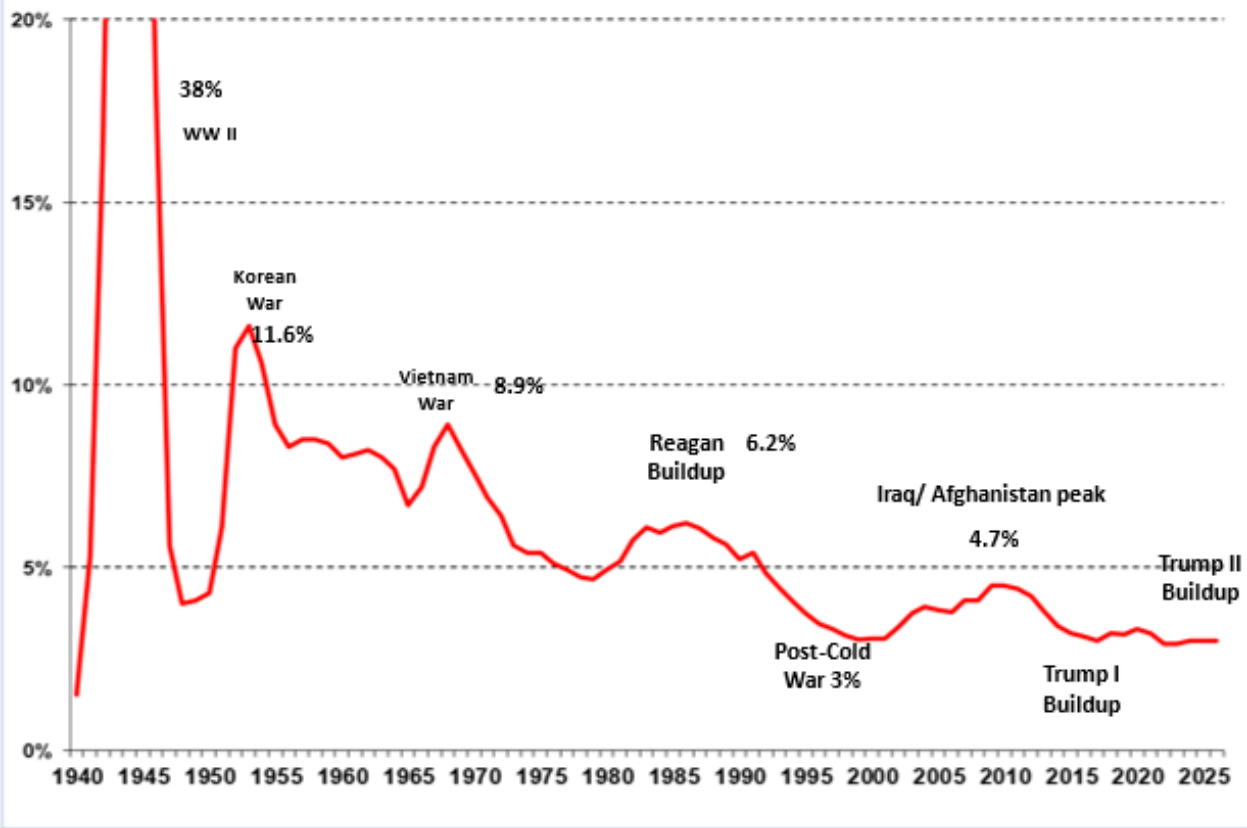
Spending levels show purchasing power but don't give a measure of burden. To do this, figure 2 shows defense outlays as a percentage of GDP. Evident are the same peaks and valleys as in the previous chart but muted over time as the economy grows faster than defense spending. After the Cold War, the national defense spending burden decreased to 3% of GDP, increased to 4.7% for the wars in Iraq and Afghanistan, and declined again to 3% in the early 2020s (DOD Comptroller 2026d, 296).[5] It will rise to 3.6% if Congress enacts the president's full fiscal year 2027 budget proposal (see Daniels 2026 for a full discussion of the fiscal year 2027 budget).

The chart also gives insight into the question: How much national defense spending can the United States afford? Spending at the height of World War II reached 37% of GDP, a level that required civilian sacrifices because of a broad reduction in consumer goods and services and the need for rationing (DOD Comptroller 2026d, 294). The burden was high during the 1950s, averaging about 8% of GDP after the Korean War peak of 14%. That would be equivalent to a $2.6 trillion defense budget today.[6] (The actual fiscal year 2026 budget was $1.0 trillion.) Although the 1950s were a different political and budgetary environment, the experience does show that the United States can sustain very high levels of peacetime defense spending if necessary.

[5] The Trump administration requested and received an extra $153 billion for defense, scored in FY 2026 but provided in the 2025 reconciliation bill (“One Big Beautiful Bill”). However, because the money was mainly for procurement and research, development, test, and evaluation (RDT&E), this budget increase will only gradually turn into outlays that affect economic activity.
[6] Calculated as 8% of September 2026 GDP $32.56T (Joint Economic Committee n.d.).

FIGURE 2

DOD outlays as a percentage of GDP



Source: DOD Comptroller 2026d, 294–296.

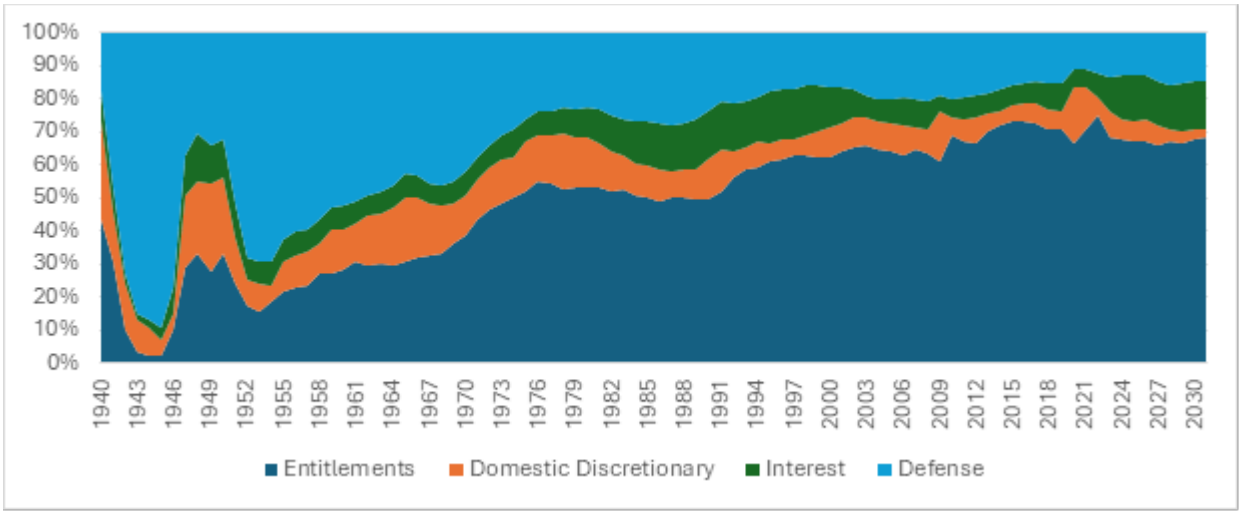
3. As a percentage of federal outlays

As the next chart shows, as many other papers in this series have discussed, a major reason for this relative decline in national defense spending is all the other things that the federal government does, especially social programs. National defense purchasing power may have gone up somewhat (Figure 1), but it has gone down substantially as a burden on the economy (Figure 2) and way down as a proportion of federal expenditures, from 62% in 1955 (post-Korean War) to 13% today (2026 in Figure 3; DOD Comptroller 2026d, 294, 296). In the classic "guns vs. butter" trade-off, the United States has opted butter (and the Europeans more so).[7] Indeed, the phrase "guns vs. butter" is rarely used now in budget discussions because the federal budget is nearly all "butter" (and interest payments).

[7] When the Cold War ended, non-U.S. NATO countries cut their defense spending to about 1.4% of GDP, less than half the U.S. level. In 2026, 31 of 32 NATO countries are expected to meet the 2014 goal of 2% and some, like Poland, substantially exceed it (NATO 2026, 7). In 2025, NATO increased the goal to 5% of GDP, 3.5% core defense and 1.5% security related (NATO n.d.).

FIGURE 3

The defense budget, as a proportion of total outlays



Source: OMB n.d.-b.

C. What's in the defense budget?

The topic is vast, but a start is to examine its composition from three perspectives: function (appropriation), organization (military departments and agencies), and output (major defense programs).

TABLE 2

The defense budget by appropriation, organization, and major program, President's fiscal year 2026 budget enacted (TOA billions)

By appropriation/ function	
Military Personnel	197
Operations and Maintenance	355
Procurement	224
RDT&E	210
Military Construction	23
Other	4
Total	1,015

By Organization	
Army	205
Navy, inc. USMC	307
Air Force (including Space Force and "non-Blue")	295
Defense-wide (including agencies)	209
Total	1,015

By major program	
Strategic Forces	44
General Purpose Forces	370
C3, Intel, Space	126
Mobility	23
Guard/Reserve	57
Research and Development	132
Central Supply	38
Training and Medical	113
Administration	38
Support to other nations	6
National Security Space	46
Special ops	23
Total	1,015

Totals may not add due to rounding. Discretionary funding only; includes war and reconciliation funds; excludes $24B in mandatory

Source: DOD Comptroller 2026d, 88, 104, 107.

Note: RDT&E = Research Development, Test and Evaluation; C3 = Command, Control, and Communications

Examined by function, the defense budget shows the dominance of operations and maintenance funding—the cost of keeping the military machine running day to day: $355 billion. It also shows that the investment accounts—procurement, research, development, test, and evaluation (RDT&E), and construction—together total much more: $457 billion.

Examined by military department, the Department of the Navy (Navy and Marine Corps) is the largest, followed closely by the Department of the Air Force (Air Force and Space Force). However, $52 billion of the Department of the Air Force budget is "Non-Blue," mainly the national intelligence organizations (CIA, National Security Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and others) (Department of the Air Force n.d., slide 2).[8] When that is subtracted from the Air Force, the Department of the Navy is largest, as has long been customary for a maritime nation. "Defense-wide" captures a wide variety of centralized support functions (for example, Defense Logistics Agency, Defense Intelligence Agency), specialized activities (such as, Defense Threat

[8] A similar slide was not provided in the FY 2027 budget materials.

Reduction Agency, Defense POW/MIA Accounting Agency), and warfighting activities (such as, Special Operations Command, Missile Defense Agency) (Daniels 2019, 1).

The last perspective is output as measured by DOD's major defense programs. When Robert McNamara became Secretary of Defense in 1961, he wanted to move beyond inputs and view the defense budget by output: What does the United States get for all this money? To do this, he created a new defense financial planning system (called the Planning, Programming, and Budgeting System, or PPBS), one element of which allocated costs to forces and activities as much as possible.[9] Thus, B-52 squadrons, an element of strategic forces, contained all B-52 costs for personnel, operations, maintenance, base support, procurement, system-specific research and development, and military construction (Enthoven and Smith 2005, 48–53). Some overhead could not be allocated credibly, so there remained four central accounts: general research and development, central supply, training and medical, and administration (Hale 2021).

The dominance of general purpose—in other words, conventional—forces is apparent. This is not surprising, as the category includes all the Navy's ships and attack submarines, the Army's armor and infantry brigades, and the Air Force's fighter, cargo, tanker, and bomber squadrons.

Also noteworthy is the large investment in decision making capabilities: command and control, intelligence, and space.

Examining each perspective over time yields additional insights. For example, the Army has the smallest budget of the military departments, except in wartime when it surges to the top, especially when "non-blue" is subtracted from the Air Force. RDT&E has grown relative to other functions as advanced technologies have taken on a larger role to offset smaller force size and reduce casualties. Finally, strategic nuclear forces have declined from 21% of the budget in 1962 to 4.3% in fiscal year 2026 (measured in constant dollars) as reliance on nuclear weapons has decreased in the national security strategy.[10]

III. Pressures on the defense budget

Other papers in this series have discussed two major pressures on the defense budget: the long-term growth of entitlements and the near-term increase in interest payments on the national debt. These have not been theoretical pressures. The Budget Control Act of 2011, driven by deficit hawks, did not exempt defense from the cuts and caps, leading to a decade of constrained defense spending despite various mechanisms to get around the caps (see McGarry 2019 for an explanation of the caps and workarounds).

Beyond these pressures, this paper examines five others: perception of threat, the "Red Queen" problem, healthcare costs, demographics, and unexpected events.

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[9] In 2003, the name was changed to the Planning, Programming, Budgeting, and Execution System, to include budget execution. The "S" is sometimes dropped to emphasize the active element of the process.
[10] The number of nuclear weapons has declined from 31,255 at the peak in 1967 to 3,700 in 2026 (Department of Energy n.d.; 2026 stockpile number from Kristensen et al. 2026, 1).

A. The perception of threat

Ultimately, the level of threat that the electorate perceives, expressed through their representatives, drives the size and shape of the defense budget. It is the "perception" of threat because analysts and commentators will always argue about the reality of the threat.

Thus, after the end of the Cold War, the budget declined by 36% (from 1985 to 1998, in constant dollars) because the major threat of the previous 45 years had disappeared. For a while, it was unclear whether the decline would stop. However, in the late 1990s, unrest in the Balkans and Saddam Hussein's aggressive behavior in Iraq created enough concern to stabilize the budget. After the attacks of 9/11, the budget rose rapidly, driven by U.S. military operations, and a desire to end threats from the Taliban and Saddam Hussein. Military operations declined after 2008 in Iraq and after 2011 in Afghanistan and the budget with it as U.S. voters came to believe the nation had done enough to contain the threats.[11] The 9/11 attacks also added homeland security as an element of national security after decades of absence outside the nuclear realm. For the Defense Department, this focused mostly on counterterrorism and missile defense until the second Trump administration added counter-drug and counter-migrant operations as defense missions.[12]

The year 2014 was a strategic watershed. Three events came together to convince the electorate that the future would be more challenging than the recent past: Russia invaded Crimea and eastern Ukraine, ISIS roared out of the desert and threatened governments in the region, and China continued its assertive behavior in the western Pacific and South China Sea. Since 2014, five threats have dominated strategic thinking—China, Russia, Iran, North Korea, global terrorism—and that continues through 2026, though the weighting has changed over time.

Currently, the public and experts perceive significant threats to the United States, especially China and Russia, and that drives a bipartisan effort to increase the defense budget (Clancy, Fetterolf, and Huang 2025). Although the size and mechanisms of that increase are debated, the need is widely supported in Congress. During congressional discussions about the 2026 reconciliation bill (the "One Big Beautiful Bill"), for example, there was much debate over tax and domestic spending cuts, but virtually no controversy over the $153 billion added to defense.

Looking ahead, these perceptions and the upward pressure they exert on the defense budget will likely continue.

- *China.* Since the 1990s, China has conducted one of the largest military expansions in history. For example, in 30 years, its Navy has gone from a coastal defense force to the second-most powerful navy in the world. This navy includes three aircraft carriers, 150 surface combatants, 58 submarines, and a large amphibious force. China is expanding its nuclear force from a

[11] Polling suggested that a majority of Americans felt Iraq was mostly successful, while favoring getting troops home as soon as possible (Pew Research Center 2011).
[12] The first Trump administration's 2017 National Security Strategy discusses both but as law enforcement and health issues, not military (White House 2017, 9, 11, 12). The 2018 National Defense Strategy barely mentions them and does not include them as military missions. This is unlike the 2026 NDS, which discusses them extensively.

long-standing minimal level of around 100 systems in 2016 to about 1000 projected by 2030 (DOD 2025, 22–24; DOD 2016, 38). Its rhetoric has been stridently nationalist. None of this means that China will start a war; it may continue its policy of harassing its neighbors and squeezing Taiwan. However, if China did attack Taiwan, no one would say it was unexpected.

- *Russia.* Russia is mired in a bloody and destructive war with Ukraine. It has suffered more than a million casualties, and the war continues (Jones and McCabe 2026, 3–5). Even if the war ends soon, Russia would need several years, perhaps many years, to rebuild its military. However, its nationalist and irredentist rhetoric, demonstrated willingness to use force, and combat-experienced military alarm its neighbors. They worry that a revived Russia will threaten them in the near future (see Cancian and Monaghan 2023, 7–16, for a discussion of threats to the Baltic states and how long, in general, it might take to rebuild the Russian military).

- *Iran.* The U.S. coalition has inflicted tremendous damage on Iran's armed forces, nuclear program, and economy. However, Iran's leadership is as hard line and threatening as ever, despite its immense losses. As of this writing, the U.S.-Iran war is unresolved. Political tensions with the United States, Israel, and the Gulf States will persist can could again flare into military conflict in the future.

- *North Korea.* North Korea continues to enhance its nuclear program and develop longer-range and more capable ballistic missiles. Soon, deployed systems will have the range to reach the continental United States. Existing U.S. missile defenses and the prospective "Golden Dome" are intended to meet this threat, but the capability will give North Korea additional leverage. Although North Korea has recently refrained from violent external behavior—for example, no longer trying to assassinate South Korean leadership—its secretive leadership, totalitarian structure, and violent propaganda mean that it could lash out at any time. In 2010, for example, one of its submarines sank a South Korean corvette in international waters.

- *Global terrorism.* Global efforts against terrorism are extensive and continuing. U.S. post-9/11 efforts to protect itself appear to have been successful; there have been no major attacks while many have been thwarted. However, terrorists have not disappeared, and it only takes one successful attack to shift the course of U.S. international policy. Two recent developments have possibly increased risks. The first is an increased Iranian desire to strike the U.S. homeland, as the United States has struck theirs. The second is the drug cartels, which the administration has attacked relentlessly. Although cartel violence has focused on the drug trade, some rogue element might decide to retaliate against U.S. citizens and interests, not just law enforcement.

B. The "Red Queen" problem

This concept arose in an evolutionary context to describe the pressure on all species to continually adapt and improve to survive because all the species around them were also adapting.[13] Applied to the defense, it means that DOD must continuously improve since China and other competitors are adapting and improving.

In budget terms, this means there must be some real growth every year just to keep up with great-power competitors. The cost of labor, for example, grows in real terms at about 1% per year in constant dollar terms (Federal Reserve Bank of St. Louis n.d.). Weapons display the same pattern in a phenomenon called "intergenerational cost growth," which means that each generation of a weapon system, responding to adversary advances, has more capability than the previous generation. That means that it costs more in constant dollars even if it completes on time and on budget. In DOD, technology has produced greater capability, not lower costs. Thus, a 2000s F-22A costs more than a 1980s F-15A, which costs more than 1960s F-4E ($299 million, $60 million, and $22 million, respectively, in fiscal year 2026 dollars).[14] For this reason, many defense hawks have called for 3%-to-5% annual budget growth (for two examples among many, see National Defense Strategy Commission 2018, xii, 22, 70; Garamone 2018).

Rising healthcare costs. Healthcare is a special case of the "Red Queen" problem, constituting a large part of DOD's budget--$66 billion in 2026 (DOD Comptroller 2025a, 4-4). As one senior official sarcastically remarked after reviewing budget numbers, the Department of Defense is a healthcare provider that occasionally kills a terrorist (NPR 2011). Between fiscal year 1993 (when indices began) and fiscal year 2027, the cost of defense healthcare has increased 3.47 times, compared with 2.37 times for DOD as a whole—in other words, healthcare inflation has been 46% greater than inflation for the rest of the department (DOD Comptroller 2026d, 61, 62).[15] This is a problem across the entire government, in fact, all of U.S. society, not just the Department of Defense, but it does contribute to DOD's budget pressures. Efforts to constrain military healthcare costs have failed in the face of resistance from retiree groups, military associations, and Congress's unwillingness to burden service members with additional costs.

C. Demographics: Declining numbers and eligibility

More than 4 million Americans turn 18 every year. However, the birth rate dropped during the Great Recession and has not recovered, so the 18-year-old population will drop below 4 million a year in the next decade and the prime recruiting pool with it (Osterman et al. 2024). In theory, that should still be plenty because the military services need only about 160,000 new recruits per year (Olay 2025). The recruiting pool, however, is reduced by drug use, poor physical fitness, disqualifying medical conditions, and legal problems. A 2020 DOD report concluded that only 12% of Americans between 17 and 24 are qualified

[13] The "Red Queen" phenomenon refers to an event in Lewis Caroll's "Through the Looking Glass" in which the Red Queen runs faster and faster but makes no headway. "Now, here, you see, it takes all the running you can do, to keep in the same place" (Carroll 1991). Described in an evolutionary context by Van Valen (1973).
[14] F-4 and F-15 costs from the *Congressional Record* (1970, 14); F-22 costs from the F-22 Selected Acquisition Report (DOD 2010); escalation factors from the "Procurement" deflator in the DoD Green Book (DOD Comptroller 2026d, table 5-6).
[15] Using the rates for "Defense Health Program" and "Total Department of War."

and available to serve (Hill and Helland 2022, 47). Table 3 breaks down the estimates of recruit eligibility.

TABLE 3
Military recruiting pool by eligibility

Disqualification reason	Percentage
Overweight, mental health	22
Drugs	8
Other or multiple reasons	48
Qualified, but college enrolled	11
Total disqualified	88
Qualified Military Available	12
Total	100

Rounded to the nearest whole number.

In the Qualified Military Available (QMA) category, less than a quarter show any interest in serving (called "propensity to serve"), according to a 2024 DOD-sponsored study (JAMRS 2025). Military recruiters pursue these candidates vigorously. For that reason, it is said that the United States does not really have an all-volunteer force; it has a recruited force. Trends in total numbers, eligibility, and propensity to serve show recruiting getting more challenging. Despite recent recruiting successes, filling the ranks from a smaller recruiting pool means higher costs.

D. Unexpected events

Sudden and unexpected events can shift thinking about national security. Many such events serve to increase the defense budget: Islamic terrorists attacked the United States on 9/11; Russia invaded Ukraine in 2022; North Korea invaded South Korea in 1950. Some unexpected events serve to reduce the defense budget, such as the collapse of the Soviet Union in 1991. Unlike long-term trends, these events cannot be predicted. However, they will certainly happen in the future as they have in the past and therefore add an element of uncertainty to the forces shaping the defense budget.

Non-problems. Many believe that the defense industry can determine budget levels because of its large size and political connections. This is not true. The defense industry rarely advertises publicly for a larger defense budget. It does market its own products and capabilities within the military establishment and Congress. Even then, outside of military publications and the Pentagon's metro stop, one rarely sees advertisements by defense industry for specific products.[16] To the broader public, the industry advertises general capabilities: "XYZ Corporation—A global leader in innovative communications solutions." As with civilian advertising, sometimes the companies get traction, and sometimes they don't. In the end, industry will build whatever the services want. For example, if the Navy wants big ships, industry will build big ships; if it wants small ships, industry will build small ships. If the services want unmanned systems, industry will build those.

[16] For example, an ad for an F-35 engine at the Pentagon Metro stop (Heinz 2023).

IV. Choices

This section describes choices available to reduce defense spending and rough estimates of annual savings when fully implemented. Because most choices would take years to implement, each also shows a 10-year savings with a phase-in period. The possible choices are infinite. The focus here is on large savings or widely discussed possibilities.

These choices avoid easy but vague recommendations such as "eliminate legacy systems," "use artificial intelligence more aggressively," or "develop more efficient decision systems." None of these are bad ideas, but they are too vague to implement and identify savings. The details matter. Getting specific requires acknowledging trade-offs. Although the descriptions do not provide the complete analysis needed to determine whether such actions would be prudent, they are specific enough for direct implementation into a future budget.

Exposition of choices for reduction is not a statement that the defense budget should be reduced. Rather, they illustrate the choices and trade-offs available if defense reductions were directed as part of a broad program of fiscal restraint, or if an administration needed budget offsets to fund new programs that it believed were better aligned with its priorities and the needs of modern warfare.

Indeed, there are strong arguments for increasing the budget. However, given the large, sometimes controversial, recent increases in the defense budget, the choices for reduction get detailed discussion.

A baseline is needed to calculate savings. For that, this paper uses the fiscal year 2026 enacted budget, including additional funds provided in the reconciliation bill (aka the "One Big Beautiful Bill Act"). Congress has enacted this, whereas other baselines, like the President's fiscal year 2027 budget, are proposals subject to change. For the outyears (fiscal year 2027 to fiscal year 2030), the paper will use a straight-line projection of the fiscal year 2026 base budget because that is the last budget Congress approved. DOD did not publish outyear estimates in its fiscal year 2026 or fiscal year 2027 budgets.

A. Choices: Strategy

The first set of choices concerns strategy—the broader purposes and goals of a military establishment, particularly as they relate to the nation's foreign policy. This is where the biggest savings are, but the choices also entail the hardest trade-offs.

The United States has had a remarkably stable strategy since the end of the Korean War—forward deployments, alliances, and robust nuclear capabilities—and especially after the triggering events of 2014. As a result, the post-2014 years of the Obama, first Trump, and Biden administrations had similar national security strategies (Carter 2016; White House 2017; White House 2022):

- China and Russia were great powers and represented major challenges.
- North Korea, Iran, and global terrorism were serious but lesser threats.

- Forward deployments of U.S. forces enhanced global stability by positioning them for crisis response and support to allies.
- The All-Volunteer Force was vital for sustaining a skilled and motivated military workforce.
- Nuclear forces would be maintained and modernized but not expanded.
- Collective security meant strength in numbers, so the United States maintained strong relations with many allies and partners.

All of this was expensive, so budgets remained high. There was continuing debate in the security community about how much was enough. Defense hawks argued for more. Deficit hawks and progressives argued for less, deficit hawks on fiscal grounds, progressives favoring domestic uses for the money. However, budgetarily, these disagreements were typically within a relatively narrow band (plus or minus 5%) and often focused on specific policies and programs, not money overall.

Presented here are some alternative strategies that could save a substantial amount of money: implementing a Trump second administration "America First" strategy, implementing a strategy of "restraint," reducing the role and number of nuclear weapons, limiting the "Golden Dome" missile defense program, and requiring more accountability in conflicts.

1. Implement an America First strategy (second Trump administration)

America First is the theme of the second Trump administration's national security strategy as described in the 2025 National Security Strategy (NSS) and the 2026 National Defense Strategy (NDS) (White House 2025a; Department of War 2026a). That strategy might be summarized as homeland and hemispheric security first, then China, and finally other threats like Russia, Iran, and North Korea. The strategy would seem to offer opportunities for budget reductions. It puts the primary burden of European security onto the Europeans and implies a reduction in U.S. effort (Department of War 2026a, 19). It would also charge South Korea and Japan with conventional defense of the Korean peninsula while the United States focuses on nuclear deterrence and missile defense: "With its powerful military, supported by high defense spending, a robust defense industry, and mandatory conscription, South Korea is capable of taking primary responsibility for deterring North Korea with critical but more limited U.S. support" (Department of War 2026a, 20). The NSS saw an opportunity to pull back from the Middle East: "As this administration rescinds or eases restrictive energy policies and American energy production ramps up, America's historic reason for focusing on the Middle East" (White House 2025a, 28). That hope has clearly disappeared.

Both documents celebrate not getting involved in overseas conflicts. (Note, however, that the documents were published before the conflict with Iran and the NSS before the conflict with Venezuela.) For homeland security, the second Trump administration added migrants ("invasion") and drug-smuggling as military threats (see Exec. Order 14385, 2026; Exec. Order 14367, 2025; Exec. Order 14287, 2025). Both missions had long-time, bipartisan support, but as law enforcement efforts. Troops have been on the Southwest border since

1989, though the level of the second Trump administration is higher than previous highs (Kanno-Youngs 2026; Cancian 2025). The deployment of troops to U.S. cities, especially without a governor's approval, and the use of lethal force against drug smugglers are new and controversial.

The documents are not all about cuts; they propose modernizing nuclear forces, enhancing hemispheric security, and seek "Peace through strength" against China. Nevertheless, they have a tone of constrained resources and trade-offs: cuts in Europe and the Middle East to pay for increases in homeland and hemispheric security. Yet, the strategy does not project savings despite the seemingly reduced goals. Indeed, the Trump fiscal year 2027 defense budget requests an increase in the defense budget to $1.45 trillion, a 44% increase on top of a 17% increase for fiscal year 2026 (DOD Comptroller 2026b, 1-3; for discussion of this tension between resources and strategy, see Cancian and Park 2026a).

2. Implement a strategy of "restraint"

This strategy has many parallels with the rhetoric of the second Trump administration's strategy but takes it to its logical conclusion: Do less and spend less. Barry Posen of the Massachusetts Institute of Technology, a prominent proponent of restraint, argues that liberal hegemony has failed, engendering unnecessary wars, excessive military costs, and external resistance to the United States. It encourages "cheap riding" by some allies (as the Trump administration has criticized European and Asian allies of doing) and "reckless driving" by other allies, where U.S. support encourages some to undertake risky actions that they might not otherwise dare. (Here, he identifies Israel and the Kurds.)

He proposes a reduced defense program focused on command of the commons (the seas, space, and air), homeland security, and relying on allies to balance Russia and China. Most U.S. overseas forces would come home, and many would be disbanded. Merely relocating them would not produce savings. He estimates that the resulting defense program would cost 2.5% of GDP, down from the current level of 3%. Applied to the fiscal year 2026 budget, this would entail a cut of about $210 billion in current spending. Given the kinds of reductions he envisions, that's a reasonable estimate (Posen 2014, 24–68, 135–163).

The Congressional Budget Office similarly analyzed options for large reductions in the defense budget and strategy. Its analysis was structured as changes needed in the size and shape of U.S. forces to make a $1 trillion budget reduction over a 10-year period, about half the Posen cut. The United States could, for example, cut active personnel 19% across the board; focus on long-range strike forces and rely on allied ground combat power; or reduce regional commitments and focus on the "commons" (Woodward et al. 2021). Each approach required difficult trade-offs and acceptance of risks. U.S. combat forces would be unable to respond quickly to a Chinese invasion of Taiwan or a Russian attack on NATO's Eastern Front if the U.S. were to rely on allied combat power or focus on the commons. Cuts across the board would mean a longer timeline to mobilize in the case of war and difficulty sustaining the fight for an extended period. (Annual savings for a fully implemented "restraint" option: $210 billion; 10-year savings with seven-year phase-in: $1.4 trillion)

3. Reduce the number and role of nuclear weapons

U.S. nuclear force structure is called the triad: nuclear weapons on intercontinental ballistic missiles (ICBMs), ballistic missile submarines, and intercontinental bombers. As noted, spending on these forces has declined greatly from the highs in the 1960s. It bottomed out in the 1970s, increased during the Reagan buildup, and declined again to a lower level through 2020. It is now rising again as the systems bought during the Reagan administration are aging out and being replaced. Although there are many options for savings, the big savings would come from large structural changes.

Those large changes might come from an arms control agreement. However, such an agreement would need to be a three-corner negotiation since China is now building large nuclear forces. Savings are also uncertain because of the internal negotiations needed to accept lower levels. Often, such agreements lead to increased spending in the areas still permitted and are justified by increasing stability, not by saving money. [17]

The United States could unilaterally go to a dyad by eliminating the ICBM leg on the theory that ICBMs are vulnerable, and the remaining two legs would be sufficient to cause unacceptable damage to any adversary.[18] Further, the development of the next-generation Sentinel ICBM program has run into cost overruns and delays (DOD 2024a). However, elimination of the land-based leg of the triad would reduce flexibility, as it is the most responsive leg of the triad. (Annual savings: $14 billion; 10-year savings with four-year phase-in: $112 billion) (Bennett et al. 2025, 4, 6, 7, 12).

4. Limit the "Golden Dome" missile defense program

On May 20, 2025, President Trump launched a major initiative with a goal of "forever ending the missile threat to the American homeland" (White House 2025b; Trump 2025c). As of this writing, the Trump administration has not specified Golden Dome's new architecture but has specified a cost ($175 billion), a timeline ("fully operational" before the end of the president's term), and an ambitious goal: "The United States will deter—and defend its citizens and critical infrastructure against—any foreign aerial attack on the Homeland."[19] The reconciliation act provided $25 billion for air and missile defense, but this was just starter money for a larger program (H.R. 1, 2025, sec. 20003). The President's fiscal year 2027 budget proposes $17.5 billion (DOD Comptroller 2026b, 2-3).

Missile defense was controversial when it began again in the 1980s after a decade of inactivity, being initially derided as "Star Wars." Over time, however, it has become a bipartisan element of U.S. defense posture, sustained by both Republican and Democratic administrations. The notion is that the United States should not be completely vulnerable to a missile attack even if perfect defenses are unachievable. Missile defenses were criticized after Desert Storm because of low effectiveness revealed in post-war analysis (Postol 1991).[20] However, recent experience in Israel, Ukraine, and the Middle East shows that such

[17] Some research emphasizes the stability aspect of these agreement. For example: Lissner 2021. Others highlight varied aims of arms control agreements.
[18] Advocates for a dyad cite costs and risk to American citizens (for example, Nikitin, Fink, and Kerr 2026; Hartung 2024; Wright et al. 2020; Drozdenko 2024).
[19] Goal from Exec. Order 14186 (2025); cost from White House 2025c and Stone and Mason 2025.
[20] Others broadened this argument to missile defenses in general (for example, Powell 1992).

defenses can be extremely effective against regional missile threats as long as inventories hold out. Effectiveness against intercontinental attacks remains uncertain because the interception is technically more difficult, and there are no real-world examples to provide hard data (Lamb et al. 2025).

Because the administration has not yet provided specifics, outside experts have filled the gap (Karako 2025). Todd Harrison, at the American Enterprise Institute (AEI), has shown how the cost could vary from $250 billion to $3.5 trillion over 20 years, depending on how ambitious the goal is (Harrison 2025). The Congressional Budget Office (CBO) analyzed a system along the lines of what President Trump had stated and estimated an acquisition cost of $1.025 trillion ($51 billion per year) and a 20-year life-cycle cost of $1.2 trillion.

Constraining the total program to the administration's original $175 billion estimate for acquisition and spreading the expenditures across 20 fiscal years would save about $8.75 billion per year. Cost reductions from the higher AEI and CBO estimates are excluded because they would be cost avoidances, not being in the fiscal year 2026 budget projections. (Annual savings: $8.75 billion; 10-year savings: $87.5 billion)[21]

5. Require more accountability in conflicts

The United States has conducted many military operations in the past several years that were not covered by any congressional authorization. For example, President Biden launched a campaign against the Houthis in Yemen. President Trump continued that campaign along with actions against Venezuela and then the war against Iran. These cost money and, in the case of the Iran war, a lot of money. The Center for Strategic and International Studies (CSIS) estimates the cost at about $40 billion and increasing slowly during the period of blockade (Cancian and Park 2026b). President Biden stretched an earlier 9/11 authorization to cover his Yemen conflict. President Trump claimed that his authority under Article II of the Constitution allowed him to repel "invasions" by migrants and drug smugglers and to counter imminent threats such as that posed by Iran's nuclear program without congressional authorization (Kapur and Smith 2024; Trump 2025a; Trump 2025b; Weed 2025). Not surprisingly, these arguments are controversial.

It's not possible or wise to prevent presidents from conducting any military operations on their own authority because the United States is a global superpower and unexpected events happen. However, Congress could be more aggressive in requiring authorizations and fiscal transparency for the use of military force. In the past several decades, authorizations for the use of military force have become a substitute for declarations of war and, indeed, often go further by spelling out the parameters of a conflict.

Since the War Powers Act has proven to be ineffective, exercising this oversight requires stronger implementing effects. For example, Congress could enshrine in law that all reservists be deactivated after 60 days unless Congress authorizes the operation. Because all military operations depend on at least some reserve participation, this would provide a

[21] The calculation is as follows: annual funding would be $175 billion / 20 years or $8.75 billion per year. DoD published documents have no future-year budgets for Golden Dome, only the $17.5 billion for FY 2027. If that $17.5 billion is projected into the future, annual savings would be $17.5 billion (projected funding) minus $8.75 billion (program requirement), for $8.75 billion (savings).

strong incentive. However, it must be implemented without the usual escape clause, such as "unless the president deems otherwise as a result of extreme circumstances." If more aggressive requirements to authorize the use of military force reduce the number, frequency, or intensity of military operations, there will be a fiscal effect.

B. Choices: Military compensation and benefits

People are expensive, and military personnel are especially expensive because an all-volunteer force must compete for labor in a market economy. This section, therefore, explores choices available for savings in military compensation. Civilian compensation must be considered government-wide and is therefore not covered here. Table 4 lays out the compensation of military personnel and civilian U.S. government employees.

TABLE 4

Average annual military and civilian compensation[22]

Enlisted compensation	$115,400
Officer compensation	$184,600
Active-duty military personnel	$128,000
Reserve personnel	$48,400
Government civilian	$145,600
Government Civilian (equivalent rank)	$90,900

To frame the discussion of compensation, there is a fundamental question: Should the level of military compensation be set by the labor market or by what service members deserve for making sacrifices on behalf of all? This parallels discussions in the wider economy over a living wage. The market approach would indicate that compensation was adequate when the military could recruit and retain the numbers and quality of personnel that it needed. The what-service-members-deserve approach would be satisfied after all of the military's reasonable personnel needs were met and thus, lacking a measurable limiting function, is more expensive (for an example of the former, see Williams 2000; for examples of the latter, see the letter reposted in de Wind 2011, or the Military Officers Association of America brief by Atkins n.d.).

To illustrate the possibilities, three changes are described here: shifting to conscription, adding fees to the Tricare for Life program (TFL) and changing military disability.[23] Excluded are changes to the expensive military retirement system because Congress restructured it in 2016 following recommendations from the Military Compensation and Retirement

[22] Table data from DFAS (2026a; 2026b), OPM (n.d.; 2025), and CBO (2024a), median, adjusted for 2026; civilian pay from DOD, FY 2026 Operation and Maintenance Overview (DOD Comptroller 2025c, 128). Average active-duty military compensation is a weighted average at 4.5:1, enlisted:officer. Average civilian pay is higher than average military pay because the civilian workforce is more senior on average, lacking the large number of junior personnel that the military has. For equivalent rank levels, total civilian compensation is lower. A CBO analysis concluded that when all costs were considered and military and civilian personnel analyzed at equivalent grade levels, civilians cost 29% less (CBO 2015, 17). CBO considers these numbers still valid and uses them in current analysis. Reserve personnel costs from Reserve Forces Policy Board (2019, 28), $36,767 escalated from FY 2018 to FY 2026.

[23] The Tricare for Life program supplements Medicare Part B for military retirees and eligible family members.

Modernization Commission, and it is too soon for another major restructuring (MCRMC 2015).

1. Shift to a conscription/national service system

The United States had peacetime conscription from 1948 to 1973. Legislation for conscription remains in effect, and almost all male citizens and legal immigrants, ages 18 to 25, are required to register (50 U.S.C. ch. 49). In theory, then, the United States could reinstitute conscription. That would save money because conscripts are typically paid relatively little, whereas service members in their second and later terms of enlistment are paid a lot more to encourage retention (Rostker 2007). Economists point out that compensation savings are not true economic savings, but rather a "tax" on the people conscripted. Conscription would also solve any recruiting shortfalls since the power of the state would bring in some recruits and encourage others to join before they were called. That would also save some recruiting costs by shrinking the services' large recruiting organizations.

Higher training costs offset some of the personnel savings. If conscripts serve only two years compared with four or six years for volunteers, then many more need to be trained. Further, it's difficult to provide conscripts with much technical training because they leave the service so quickly. This would be a particular challenge for today's military, which has many jobs requiring extensive technical training. For example, it takes 26 weeks to train a mechanic for the Army's Abrams tank (including basic training) (U.S. Army n.d.).

Conscription faces severe political and institutional barriers. The military doesn't like it because it fills the ranks with short-termers who don't want to be there. Politicians don't like it because it imposes hardship on voters. The population doesn't like it because it disrupts their personal lives. Some future crisis, like a conflict with China, might drive the country to embrace conscription, but it's extremely unlikely in the current circumstances.[24]

Some commentators have proposed national service instead of military conscription, allowing the military to get some recruits while allowing those called up to choose humanitarian or social service activities instead. The late sociologist, Charles Moskos, was prominent in advocating that, but many others have as well (for example, Moskos 1979, 70–72; Moskos 1988; Moskos and Glastris 2001; H.R. 393, 2007). However, national service has not gained more traction than military conscription.

The Gates Commission of 1969-1970 laid out the arguments and analysis for an all-volunteer force, building on work that economist Milton Friedman did in the 1960s. Its work and related work by RAND (the nonprofit research organization) and the U.S. Government Accountability Office estimated an additional cost of about $3 billion per year ($27 billion in

[24] Bogus questions about a draft arose during the Iran war, when 50,000 troops were involved (Schmitt and Cooper 2026). With 1,322,000 troops on active duty, an additional 769,900 in the selected (active) reserve, and a further 258,000 in the Individual Ready Reserve/Individual National Guard, the United States has enough people to fight quite large wars without conscription (active duty and Selected Reserve data from DOD Comptroller 2026b, table A-12; IRR/ING data from Military OneSource 2024). The United States fought the wars in Iraq and Afghanistan by expanding the all-volunteer force without conscription.

fiscal year 2026 dollars) to go from conscription to an all-volunteer force.[25] As a rough estimate, going the other way might save that amount. (Annual savings from shifting to conscription: $27 billion; 10-year savings with four-year phase-in: $216 billion)

2. Charge fees in the Tricare for Life program

Choices on benefits are nearly infinite because so much of military compensation is in allowances (30%) and non-cash and deferred benefits (37%), much more than in most civilian jobs (CBO 2024a).[26] Some examples of benefits are free healthcare for service members and low-cost healthcare for dependents, low-cost groceries and shopping (discussed below), low-cost recreation facilities and services, low-cost daycare, allowances for housing and food, and non-contributory retirement with benefits indexed to inflation.[27]

An illustrative example is the Tricare for Life program (TFL, not to be confused with Tricare Prime or Select, which are different and for military dependents). TFL acts as a Medicare supplement for 2.6 million retirees and their families. They must pay for Medicare Part B, but TFL pays costs above that. There is no cost to retirees for this coverage. Comparable Medicare supplemental insurance available to civilians with no copays and no deductibles costs $500-plus per month (Centers for Medicare & Medicaid Services n.d.). (Full disclosure: the author is a TFL beneficiary.) Total cost for TFL is $13.6 billion in fiscal year 2026, about the same as the F-35 fighter program (DOD Comptroller 2025a, 4-4).[28]

The argument for such a benefit is that it enhances retention by making military retirement more attractive and thus encouraging military personnel to continue serving until they are eligible for retirement. It also helps military retirees by reducing their healthcare costs and the anxiety that senior citizens often feel about healthcare bills. Eliminating the program would cause some hardship and much resentment.

On the other hand, this benefit goes to personnel who no longer work for the military. Further, Medicare-eligible retirees are beyond the age generally considered useful for mobilization, so their healthcare cannot be considered a warfighting enhancement.

CBO developed an option to require retirees to pay some of the costs: “TFL would not cover the first $850 of an enrollee's cost-sharing payments (those costs for which enrollees are responsible when they receive healthcare) under Medicare and would cover only 50% of the next $7,650 of such payments. All further costs would be covered by TFL, so enrollees would not be obligated to pay more than $4,675” (CBO 2024b, option 60903).[29] (Annual

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[25] GAO cites additional costs of $3 billion per year from 1973 onward for shifting to an all volunteer force (Comptroller General of the United States 1978, 1–3, 52, 54, 57, 63). Using the DOW deflation indices for military pay from 1973 to 2026 (DOD Comptroller 2026d, table 5-7) produces $27 billion.
[26] The CBO Atlas also has a good overview of the military compensation system. Percentages are weighted averages.
[27] The current military retirement system also includes a voluntary contributory element like a 401K.
[28] Transfers for Medicare-eligible retirees and families, as TFL is described in the budget.
[29] CBO also developed a less aggressive option (#60902) that would instead charge an enrolment fee of $610 for individual coverage or $1,220 for family coverage and save about half as much. The Simpson-Bowles budget commission of 2010 also recommended co-pays for TFL (National Commission on Fiscal Responsibility and Reform 2010, 8).

savings when cost-sharing option fully implemented: $6 billion; 10-year savings with a two-year phase-in: $54 billion)

3. Reform military disability and veterans' benefits

Any changes here would affect the Department of Veterans Affairs' budget, not DOD's. However, options are included here because military service drives these benefits, and they accrue solely to former military personnel and their families. (Other programs, such as workers' compensation, cover government civilians and contractors who are injured in military operations.) Veterans' benefits are a sensitive subject because the nation is acutely aware that 1% of its population serves in the military on behalf of the rest (Defense Manpower Data Center n.d.-b). It wants, as Abraham Lincoln put it, "to care for him who shall have borne the battle and for his widow and orphans" (Lincoln 1865).

Before going into details, however, it is worthwhile clarifying some distinctions because confusion often arises (Moreno 2025; U.S. Department of Veterans Affairs 2025; Bass et al. 2023):

- By statute, a veteran is a "person who served in the active military, naval, air, or space service, and who was discharged or released therefrom under conditions other than dishonorable." Generally, the individual must have completed active military service for a minimum period of time, which is usually the lesser of the full period the individual was ordered to active duty or 24 months.

- A retiree is a member of the military—active-duty or reserves—who served at least 20 years and retired (Congressional Research Service 2012). They are also considered to be veterans and are eligible for most veterans' benefits.

- A disabled veteran is someone who has some impairment that can be traced to military service. Disability levels range from 0 to 100% in 10% intervals with monthly payments linked to each level.

Dissatisfaction with veterans' care was a political problem from the mid-2000s to about 2015, driven by casualties from the wars in Iraq and Afghanistan and the fact that government-provided services can never fully satisfy the target population. The political problem faded because of systemic reforms, a massive increase in staff (more than 120,000 between 2012 and 2026), and a budget that rose from $45 billion in fiscal year 2000 ($86 billion in FY 2026 dollars) to $440 billion in fiscal year 2026 (discretionary and mandatory) (OMB n.d.-a, table 4.1; U.S. Department of Veterans Affairs 2026, 9).[30] In constant dollar terms, that is a 400% budget increase at a time when the veteran population declined by 40.5%, from 26.4 million in 2000 to 15.7 million in 2025 because of the passing of the World War II and Korean War generations (U.S. Census Bureau 2025). The number of disabled veterans increased from 2.3 million in 2001 to 6.3 million in 2025, and the average number of service-connected disabilities per disabled veteran rose from 2.52 to 7.34 over the same period (Veterans Benefits Administration 2000, 80, 82; Veterans Benefits Administration 2025, 74; U.S. Census Bureau 2003).

[30] Escalation using CPI indices.

In a 2026 investigative analysis, the Washington Post described what was widely known in veteran circles: The standard for receiving benefits was low. About half of all post-2001 veterans receive disability benefits.[31] Private counselors helped veterans get higher compensation. For example, about 556,000 veterans receive disability benefits for eczema, but only 1,700 for loss of limbs. Many veterans regarded disability as an extension of military compensation (Rein et al. 2025; Whitlock, Rein, and Jones 2025; Whitlock, Rein, and Gilbert 2025).

Even seemingly reasonable adjustments are controversial. In February 2026, the Trump administration issued a new rule that would reduce benefits if the treatment the veteran was receiving improved the veteran's medical condition. The pushback was intense, with many veterans complaining about a threatened reduction in their benefits. The Trump administration then withdrew the rule (Nieberg and Schogol 2026; Schogol 2026).

Many changes to veteran benefits are possible. Options include means testing eligibility for veterans' disability compensation (Annual savings when fully implemented: $52 billion; 10-year savings with phase-in: $384 billion) and ending unemployability payments to veterans who receive Social Security. (Annual savings when fully implemented: $8 billion; 10-year savings with phase-in: $61 billion) (CBO 2024b, 31–32).

C. Choices: Personnel mix

DOD has four kinds of personnel: active-duty military, reserve military, government employees, and contractors (both service contractors at home and operational contractors overseas).

- Active-duty personnel are on duty every day.
- National Guard and reserve personnel generally train one weekend a month and two weeks in the summer for a total of 38 or 39 days, though there's a lot of variation.[32]
- Government civilians are civil servants, so they can be of any age, and medical requirements are tied to their particular job. For this reason, they are much easier to recruit and retain. Though the most visible are in the Washington D.C. metropolitan region, 80% work outside that region in maintenance, service, and logistics functions (Partnership for Public Service 2025).
- Contractors are controlled through a contract and leave when the contract ends. Infrastructure service contractors are routine in the United States for non-military functions, like running dining facilities and doing maintenance on bases. Operational contractors also serve on the battlefield, a longstanding practice that increased greatly during the wars in Iraq and Afghanistan (Cancian 2008, 69).

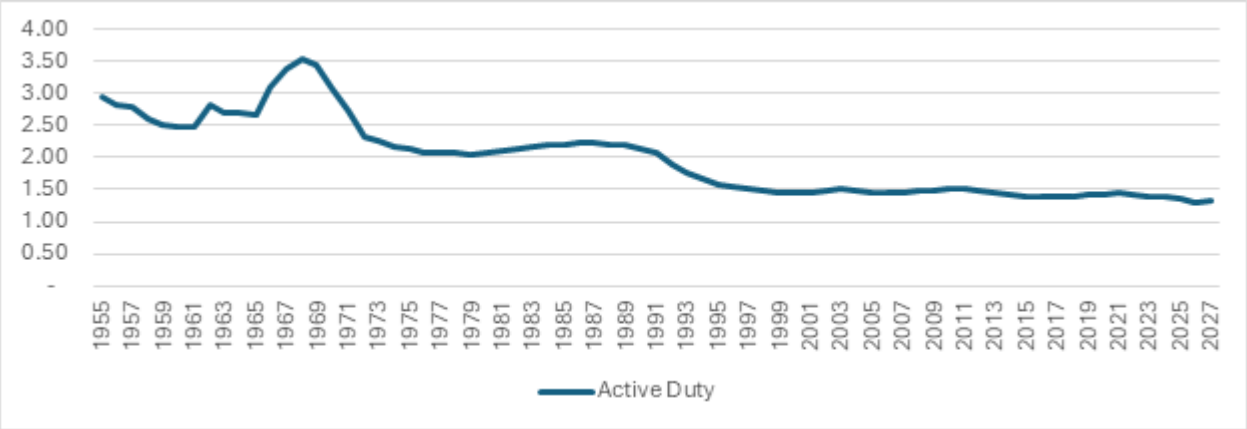
[31] Total veterans in Gulf War-era II (post-2001) population (5,679,000) from U.S. Bureau of Labor Statistics (n.d.); disabled Gulf War-era II veterans (2.8 million) from U.S. Bureau of Labor Statistics (2026).
[32] Both the National Guard and the service reserve forces are considered part of the reserve component. The distinction is that National Guard units are state organizations, successors to the militias. The service reserve forces are federal organizations, always under federal control.

Active-duty personnel are the most expensive, followed by government civilians (at equivalent pay levels), contractors, and reservists being the least expensive. Savings are possible by changing who performs the activity. However, there are trade-offs regarding control and responsiveness.

Because active-duty personnel are expensive and hard to recruit, their number has declined, as Figure 4 shows. The largest decline occurred between 1968 and 1974 as the war in Vietnam wound down and the all-volunteer force came into being. A second large decline occurred after the Cold War ended in the early 1990s. Since then, the number of active-duty personnel has been relatively stable at 1.3 million. Numbers did not increase even during times of rising budgets.

FIGURE 4

Number of active-duty personnel 1955-2027



Source: DOD Comptroller 2024, table 7-5.

Note: Excludes full-time Guard and reserve.

1. Rely more on reservists

A longtime debate in force planning is how much to rely on less expensive but less ready reservists. In general, reserve units cost about 30% as much as comparable active-duty units (including both personnel and operations costs), though that can vary from 15% for individuals to 75% for aviation units.[33] Timelines for reserve activations—from notification to operationally ready for deployment—range from a week or so for individuals to a month for small units, to three months or more for a brigade-size unit.[34] Planners prefer higher readiness because that allows rapid deployment in a crisis and more flexibility in peacetime. However, limits on strategic mobility mean that large deployments take time, so there will be

[33] Three different methodologies arrive at roughly the same 30% number (Total Force Policy Study Group n.d., 79; Reserve Forces Policy Board 2019, 32; Palmer et al. 1992, 34, 48).
[34] There is extensive analysis of reserve deployment times arising from the experience in Desert Storm and the wars in Iraq and Afghanistan (Brauner et al. 1992; Lippiatt et al. 1992, 23–24; Klimas 2010).

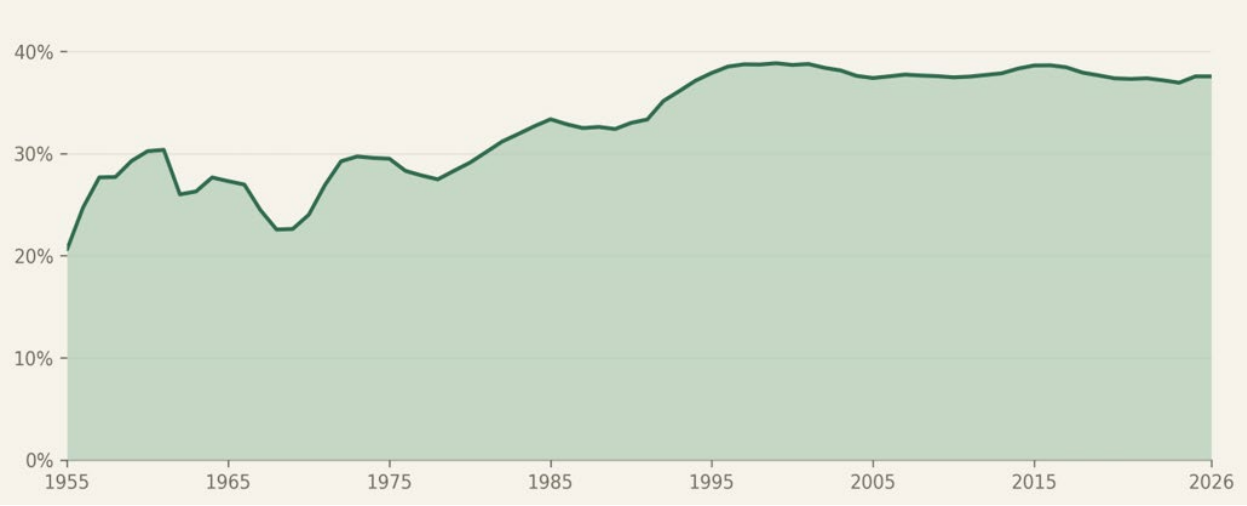
enough time for at least some reservists to activate, train, and deploy. Numbers depend on the timeline and the degree of risk that decisionmakers deem acceptable.

The driver, then, is the scenarios expected and the timelines those scenarios require. For example, a situation like World War II, or arguably a restraint strategy, allows sufficient time for mobilization. Therefore, the United States could rely heavily on reserve forces. Counterinsurgency and stability operations are ideal environments for reservists because these campaigns often last many years, giving reservists time to prepare. This was the experience in the Iraq war, where the Army was able to use active-duty units for rotations in 2003 and 2004 but needed 14 National Guard brigades in 2005 ("the year of the reserves") because it had run out of active-duty units (CBO 2007, 2). On the other hand, rapid deployment timelines, such as often envisioned in a North Korean invasion of South Korea or a Chinese invasion of Taiwan, require relatively more active-duty units.

The figure below shows the active/reserve mix since 1955. When conscription made active duty recruiting easy, reservists comprised only about one quarter of the total force. When conscription ended, and active-duty personnel became scarce and much more expensive, DOD adopted what was called the "total force policy." That meant integrating the Guard and reserves more closely into military strategic planning (DOD 1974; Marion and Hoffman 2018, chap. 4). As a result, from 1955 to 2026, the proportion of reservists increased by about 50% to 38% (active-duty data from DOD Comptroller 2026d, table 7-5; reserve data from Marion et al. 2018, app. 1, and annual DOD budget reports). The Army, which is most reliant on reserve components, is 52% Guard/reserve and 48% active duty (DOD Comptroller 2026b, table A-12).

FIGURE 5

National Guard/reserve proportion of the total force (1955-2026)



Source: Active-duty data from DOD Comptroller 2026d, table 7-5; reserve data from Marion et al. 2018, app. 1, and annual DOD budget reports.

In 1974, Secretary of Defense James Schlesinger and Army Chief of Staff Gen Creighton Abrams made a deal to enhance deterrence in Europe. The Army would shift much of its

active-duty logistical support into the reserves and stand up three active-duty divisions with the saved personnel. For Abrams, that had the important effect of requiring a president to call up the reserves for even small military operations. He is alleged to have said that he didn't want a future president to do to the Army what President Johnson had done during the war in Vietnam—rely on conscription to avoid the political cost of calling up better trained but politically visible reservists (Sorley 1992, 360–366). Thus, all subsequent major military operations have required rapid and large reserve activations.

The bottom line, then, is that increasing reliance on less expensive Guard/reserve forces saves money but creates some risk by requiring longer deployment timelines and may have a political cost by disrupting the lives of more people. (Annual savings from moving 100,000 billets from active duty to reserve units: $8.0 billion; 10-year savings with four-year with a four-year phase-in: $64.0 billion)[35]

2. Rely more on contractors and government civilians

The advantage of contractors and government civilians is that they are cheaper and easier to recruit than military personnel. The disadvantage is that military control is weaker, constrained in the one case by contract provisions and in the other by civil service rules.[36]

About 340,000 active duty military personnel are in commercial-type, support activities—photographers, IT personnel, accountants, facility maintenance (CBO 2015).[37] Richard Danzig, a former Navy Secretary, called this a "psychology of conscription" that regards military personnel as "free" and plentiful, when they are, in fact, expensive and scarce (Danzig 2001). This attitude arises because DOD budgets for military personnel centrally. They are "free" to local commands who constantly request more. Contractors are generally paid by local or organizational funds and therefore "cost" money from the command's perspective. Getting more military personnel out of support activities and into warfighting units would put them where they are needed most. Contractors and government civilians also require fewer personnel for most tasks because they arrive fully trained, do not have to devote part of the work-year to general military training, and are less likely to rotate among positions as rapidly as military personnel.[38]

However, the shift would also increase the number of government employees and contractors, both of whom Congress and the administration have frequently cut. Indeed, when DOGE examined DOD for cuts, it focused almost entirely on reducing headcount (see GAO 2026a; Wolf 2025; Marrow 2025). The Pentagon can't shift functions to civilians and then cut the civilians. That just hollows the force.

CBO proposed an option for DOD to replace, over four years, 80,000 active-duty military personnel in commercial jobs with 64,000 civilian employees. Fewer civilians are needed because they need less job training and are not diverted for periodic military skills training

[35] Calculated from Table 4 as (average active duty compensation minus average reserve compensation) x 100,000
[36] Versions of the personnel changes proposed here, "Rely more on contractors and civilians," and "Align the medical community for wartime needs" appeared in a Breaking Defense article (Cancian and Cancian 2017).
[37] This CBO report is the most recent statement available. This is the most recent source for commercial-type positions.
[38] The Defense Business Board also made this recommendation (Defense Business Board 2010).

(CBO 2024b, 39).[39] (Annual savings when fully implemented: $1.8 billion; 10-year savings: $10.2 billion)

3. "Civilianize" the Space Force

This would push the concept above into more radical territory. President Trump created the Space Force in 2019 over the objections of the Department of Defense, and the service has grown to 13,200 Guardians in fiscal year 2027, plus civilians (DOD Comptroller 2026b, table A-12). The initial goal was about 15,000 Guardians, now expanded to 25,000. Space is indeed absolutely vital for military operations, providing signals/photographic intelligence, communications, nuclear surveillance, and geolocation. The military's need for access to space is unquestioned. Whether the organization doing that needs to be military is debatable.

Unlike in other military services, personnel in the Space Force will rarely, if ever, deploy overseas to a combat zone. The Space Force operates principally from locations in Southern California; Colorado Springs, Colo.; Washington, D.C., and Florida. Their function is to develop, build, and operate satellites. Despite some of their advertising, the Space Force does not conduct manned space operations.[40] That is the province of NASA, a civilian organization. Civilianizing the entire operation would not change the outputs but would ease retention and reduce costs.[41] Functions that are now performed by a physically fit, medically sound 35-year-old major, who is difficult to recruit, train, and retain, could instead be performed by a 55-year-old overweight and diabetic engineer who has the same skills but lacks the military qualifications.

A civilian Space Force would avoid any need to establish a Space Force National Guard. That has been proposed despite the fact that state governments have no role in space. Establishing such a National Guard force would add a lot of overhead (estimated by CBO at $100 million to $490 million per year) without adding much new capability value. This would be a cost avoidance, however, since such an organization does not yet exist (Talaber et al. 2020). (Annual savings for converting all "Guardians" to civilians and contractors: $400 million; 10-year savings with six-year phase-in: $3.2 billion.)[42]

4. Shift some warfighting support positions to operational contractors

Like the previous option, this one pushes the shift of personnel to an extreme. The use of operational contractors in combat zones was widespread during the Iraq and Afghanistan wars, where they provided about half of the theater-level support. They became controversial because of early scandals, but a wide variety of reforms ended the controversy. As a result, contractors have become a permanent part of the logistics force

[39] The Institute for Defense Analysis did a similar study and came to similar conclusions and DOD savings but also identified an equal amount of government savings from reductions in veterans' benefits, concurrent receipt, and other effects (Institute for Defense Analyses 2018).
[40] For example, the helmeted Space Force member in this recruiting video appears to be in a manned space mission (Secretary of the Air Force Public Affairs 2020).
[41] For the Space Force, recruiting has been relatively easy. Retaining trained personnel has been hard. Experts have put out research looking for ways to address these challenges (GAO 2026b).
[42] Savings based on CBO's analysis for shifting billets from active-duty military to civilians (CBO 2024b, 39).

structure (Cancian 2008; Schwartz and Church 2013; for peak contractor support in Iraq and Afghanistan, see U.S. Central Command 2008, 1).

Providing extensive operational support with government civilians is not feasible. During the wars in Iraq and Afghanistan, many civilians did deploy to combat zones, but it was limited and entirely voluntary. DOD established a civilian expeditionary corps, a group of government civilians ready and willing to deploy, but that has not made much headway (Department of War n.d.).

This option would shift 25,000 spaces from military reservists, who do most high-level logistics, to contractors. Because contractors are paid only when there is a conflict, peacetime costs are limited to a small administrative operation. (Annual savings: $900 million; 10-year savings with a two-year phase-in: $8.1 billion.)[43]

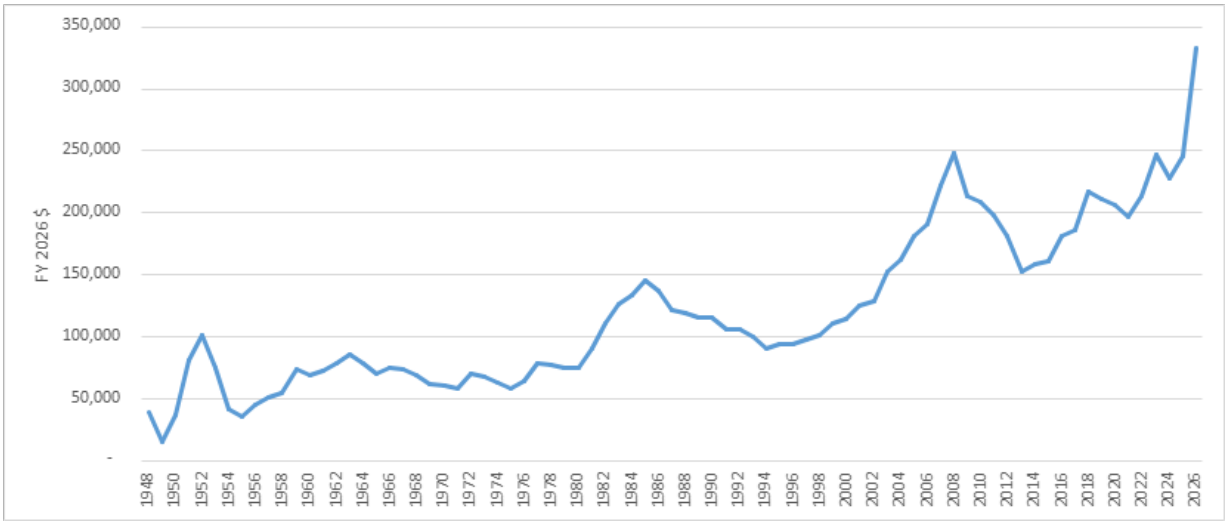
D. Choices: Technology and acquisition

Technology and the acquisition of new weapons systems present another set of choices. Acquisition (RDT&E and procurement) comprises $429 billion or 43% of the fiscal year 2026 defense budget (base plus reconciliation). They are also important because the American way of war has become increasingly capital-intensive, as Figure 6 shows. In World War II, U.S. equipment was solid, and in some cases excellent, but often lagged the Germans'. Volume was the path to victory. After the war, the United States sought to offset Soviet superiority in numbers with nuclear weapons and higher quality equipment. This need accelerated as reliance on nuclear weapons declined and again when conscription ended. When the Cold War ended and budgets fell, capital intensity dipped as the services prioritized personnel and units. The intensity surged during the wars in Iraq and Afghanistan, driven by the desire to reduce casualties and fight a war most effectively when personnel were more limited than funding. It has surged again in the Trump buildup of 2025-2027 because most of the additional money has gone to acquiring more equipment, not increasing the number of people. Technology and the acquisition of new weapons systems therefore present another set of choices.

[43] Calculated as 25,000 reservists eliminated @ $47,500 = $937 million/year. $37 million used to expand contractor mobilization office. Over 10-years with two year phasein: $8.1 billion.

FIGURE 6

Acquisition (procurement and RDT&E) per servicemember



Source: DOD Comptroller 2026d, table 6-8, "Department of Defense Budget Authority by Public Law Title".

Ideally, it would be possible to purchase the same weapons for less money or different weapons that are as effective but less expensive. The first course of action takes the discussion to acquisition reform or, as is often the phrase, "fixing a broken acquisition system" (for a few such studies, see McNamara et al. 2024; Flournoy 2021; Laughman 2026). There are good reasons to look for ways to improve manufacturing processes and put the right incentives in place. Adjustments in contracting, requirements specification, and decision processes can achieve small but useful savings.

Yet, this approach has two limitations. First, the acquisition system involves trade-offs among many desirable goals: performance, cost, schedule, oversight, and decision space for decisionmakers. Reform generally requires accepting more risk in one area to enhance another (Cancian 1995, 189–198). Such trade-offs may be worthwhile, and Congress has repeatedly changed the acquisition system. Recent changes have aimed to speed up the process for mid-sized acquisition programs and trade off oversight. There is no general fix that will improve performance across the board.

Second, as noted earlier, new technologies in DOD have generally produced greater capability, but not lower costs, unlike in the civilian economy. The bottom line, then, is that no fix will allow the purchase of the same equipment for substantially less money. Saving big money requires buying different equipment.

The possible choices here are many. There are alternatives for each of DOD's 72 major defense programs, and that does not count alternatives for the dozens of programs still in development (DOD Comptroller 2026a, iii).[44] This paper will focus on one subset of choices

[44] That document has a description of each major defense program.

to illustrate how new technologies might radically change military procurement: Rely more heavily on drones.

Many commentators identify drones as the future of warfare. Often, this view is paired with criticism that the military services are wedded to expensive and vulnerable legacy systems. Here are two of many examples. Nico Lange, a senior fellow at the Munich Security Conference in Berlin and Munich, commented: "Warfare today favors the side with cheap and plentiful offensive capabilities....The old American and Western idea of a technologically superior, fast, and clean military strike is crumbling." This is from John Nagl, a senior faculty member at the Army War College: "The integration of unmanned systems on land, at sea and especially in the air with the revolutionary technology of artificial intelligence appears to have rendered conventional armies, navies, and air forces all but irrelevant" (Nagl 2026; Lange 2026). The big question, then, is whether there are effective but less expensive and less vulnerable alternatives to large legacy systems like manned aircraft, aircraft carriers, and tanks.

1. Replace some manned fighter aircraft with drones

In aviation, "drones" is a very broad term, encompassing systems from $500 handheld first-person viewer (FPV) quadcopters to $167 million strategic reconnaissance aircraft (RQ-4s), the size of a 757. The personnel demands vary. FPV drones act as a service member's personal weapon, substituting for a rifle. The MQ-9 Reaper (successor to the MQ-1 Predator) does not have a pilot but still requires 380 personnel for a squadron of 12 (32 personnel per aircraft), comparable to an F-16 squadron (420 personnel, 35 per aircraft) (Talaber 2021, 98–99, 85). The Navy's stealthy MQ-25 Stingray, currently intended as a carrier-based refueling drone but with the possibility of taking on a strike mission, is projected to cost $163 million, more than the recent cost of an F-15EX strike aircraft (DOD 2023, 10, 12; DOD Comptroller 2026a, 1-23). Often, the advantage of unmanned systems is not a savings in personnel or operational costs but an increase in effectiveness and a reduction of risk to human beings.

A cost savings approach would be to terminate the next generation of manned fighter aircraft (F-47 for the Air Force and F/A-XX for the Navy), continue buying the current manned aircraft (F-35 and F-15EX), and transition over over a decade to uncrewed aircraft. The option here substitutes advanced unmanned drones for manned aircraft on a one-for-one basis for half of the next-generation fighter force and long-range drones for the other half at a 100-1 ratio.[45] (Annual savings when fully implemented: $17 billion; 10-year savings with 10 year phase-in: $85 billion)

2. Replace aircraft carriers with unmanned surface and subsurface vessels

Commentators have proclaimed the death of the aircraft carrier for 70 years, arguing that its vulnerability to long-range missiles and nuclear weapons in a great power conflict does

[45] Author's calculation for savings. The placeholders for costing the alternative are the Collaborative Combat Aircraft ($150 million) for the Air Force and the MQ-25 Stingray for the Navy ($163 million). Drones were based on the existing LUCAS system ($100,000), a clone of the Iranian Shahed-136. In the near term, savings would come from the cancelled development programs. Longer term, the savings would be from lower procurement costs. This estimate includes acquisition costs only. Effects would ripple through the service training and logistics systems and affect future budgets.

not justify the high cost (about $15 billion for CVN-81, excluding aircraft). Nevertheless, carriers have kept their place at the center of the Navy's warfighting forces because of their utility in regional conflicts and crisis response. They can respond quickly to crises, don't need permission from other countries to operate, and have a wide variety of military capabilities.

Phasing out aircraft carriers would save about $3 billion per year, partly offset by the acquisition of small, unmanned surface and subsurface vessels and "drone carriers."[46] This would align well with the Navy's concept of distributed operations and aim to replicate the success of Ukrainian maritime drones. Phase-in would be lengthy because three carriers are under construction, and terminating work would be prohibitively expensive. Further, the Navy is making slow progress with uncrewed surface and subsurface vessels, with prototypes in testing at sea but no programs of record yet. (Net annual savings when fully implemented: $2 billion; 10-year savings with 10-year phase-in: $5 billion)

3. Replace armored vehicles with a mix of lightly armored manned vehicles and small unmanned vehicles

Watching the war in Ukraine, many commentators have announced the death of the tank, done in by drones and anti-tank missiles like the Javelin (for a few examples, see Buckby 2026; Page 2022; O'Brien 2022; Thomas 2025). Indeed, Estonia, which watches the Ukraine war closely, just canceled procurement of infantry fighting vehicles in favor of drones (Martin 2026). Applied to U.S. ground forces, a drone-heavy approach would terminate the Army's ongoing Abrams tank programs (M-1A2SEPv3 and M-1E3), Bradley infantry fighting vehicle program, and the Bradley replacement program (XM-30 Mechanized Infantry Combat Vehicle), and substitute light armored vehicles supported by swarms of small, unmanned ground combat vehicles.[47] The main advantage would be putting fewer soldiers forward under fire, though those who come under fire would have less protection. For this reason, many analysts of ground combat contest this drone-heavy approach, arguing that the protection, maneuverability, and firepower of armored vehicles are still important (Center for European Policy Analysis 2025). (Annual savings: $1 billion; 10-year savings: $10 billion.)[48]

E. Choices: Infrastructure and overhead

These are favorites for reduction because they appear to offer savings without hurting combat forces—cutting the "tail" rather than the "tooth" of the operating forces. The first Trump administration made efficiency one of its three major thrusts in the 2018 National Defense Strategy (DOD 2018, 10–11). The authors believed that finding such savings would be easy. They discovered that easy savings were few, and all savings required some investment of political capital. The greater the savings, the greater the need to invest

[46] Average annual carrier construction cost from Department of the Navy (2026, 1-43); $1 billion per year allowed for drone procurement.
[47] The alternative substitutes a mix of wheeled Stryker vehicles, wheeled Joint Light Tactical Vehicles, and tracked Armored Multi-Purpose Vehicle for Abrams and Bradley vehicles on a one-for-one basis, each supported by five unmanned ground combat vehicles at $1 million each, modeled on the Army's Robotic Combat Vehicle program.
[48] Author's estimate.

political capital. Ultimately, the White House decided to put its limited political capital elsewhere.

Nevertheless, choices are available. Described below are some items that have consistently popped up in discussions about DOD efficiencies.

1. Eliminate excess or redundant headquarters

Headquarters typically do not have a lot of people, but they do have relatively high-ranking people. Eliminating them thus saves money, reduces demand for the most experienced personnel, and might speed up operations by removing layers of review. The vast number of headquarters throughout DOD makes a full survey impossible. However, two possibilities have arisen periodically and illustrate the choices.

The first is consolidating the military's regional commands, as the Trump administration has reportedly considered (Lamothe et al. 2025). In 2008, Africa Command was created out of European Command to give Africa greater visibility. However, the command has no forces permanently assigned and has been unable to establish a headquarters on the continent. (The headquarters is in Germany, although there is a joint task force headquarters in Djibouti). The two commands could be consolidated again. A similar consolidation is possible between Northern Command and Southern Command since Southern Command also has no permanent forces assigned and lacks an in-theater headquarters. This consolidation would also put a single headquarters in charge of the Trump administration's Western hemispheric priority. The trade-off is that Africa and Latin America might get less attention. (Savings: Consolidating the four commands into two would save 1,130 personnel and $400 million annually; 10-year savings after a two-year phase-in: $3.6 billion.)[49]

The second is eliminating the service secretaries—the Secretaries of the Army, Navy, and Air Force—and their staffs (called the service secretariats). These have had a vestigial aspect since DOD stood up in 1948, and the Secretaries of the Army and Navy were no longer cabinet members. Over time, the Joint Staff and the Office of the Secretary of Defense have grown to provide the broad staff capabilities that the service secretariats once provided. Further, many elements of the service secretariats duplicate elements of the military staff. For example, there is both an Assistant Secretary of the Army for Manpower and Reserve Affairs, a civilian political appointee, and a Deputy Chief of Staff of the Army for Personnel (G-1), a three-star general. Higher on the organizational chart is the Assistant Secretary of War for Manpower and Reserve Affairs.

On the other hand, service chiefs have noted in private that they appreciate having a civilian political leader who can handle partisan issues that inevitably arise. The Departments of the Navy and Air Force now have two services each, requiring some coordination. Finally, eliminating them would be regarded by many as a reduction in civilian oversight of the military. (Annual savings from eliminating the Army, Navy, and Air Force

[49] USAFRICACOM and SOUTHCOM data from OASD(M&RA) (2025, 17). Personnel savings at 50% of absorbed headquarters, including active-duty personnel, reservists, and civilians; all of the absorbed headquarters' operations and maintenance budget eliminated.

secretariats: 9,150 personnel and $2.0 billion; 10-year savings with two-year phase-in: $9.0 billion).[50]

2. Move non-defense medical research out of the defense budget

Because DOD has deep pockets, some medical research has gravitated to its budget even if its relationship to defense is tenuous or nonexistent. Budget additions in this area are a favorite of Congress, which added $1.3 billion for these purposes in 2026. This practice began in fiscal year 1993 when Sen. Tom Harkin put $210 million in the defense budget for breast cancer research specifically because of DOD's large budget. As a result, DOD is a major funder of breast cancer research ($145-plus million in fiscal year 2026) (on the program's commencement, see Institute of Medicine 2004, 14; on congressional action in fiscal year 2026, see CDMRP 2026). Unquestionably, breast cancer is a devastating disease that kills thousands of women every year, so research to mitigate or cure the disease is well worthwhile. However, DOD's primary workforce (active-duty military) is 81% male, and the female population is young (Defense Manpower Data Center n.d.-a).

Although most medical research has military applications (burns, post-traumatic stress disorder, radiation effects, tropical and infectious diseases), non-military items could be eliminated or transferred to other agencies. In addition to breast cancer, these include funding for a wide variety of research programs on aging (such as Alzheimer's disease and Parkinson's disease), childhood conditions (such as autism), cancer (such as, melanoma and lung cancer), and general health (such as global HIV/AIDS prevention) (congressional additions for medical research from DOD Comptroller 2026c, 2-56 to 2-58).[51]

The National Institutes of Health might better conduct this research. (Annual savings from transfer of non-defense medical research with 50% reduction, $650 million; 10-year savings: $7 billion.)

3. Close excess bases

Closing excess bases is another attractive efficiency. DOD's 2017 facility inventory reported 22% excess capacity (DOD 2017). Later assessments did not put a percentage on excess, noting both excesses and deficits. The five previously authorized base realignment and closure (BRAC) rounds (1988, 1991, 1993, 1995, 2005) have been fully implemented. DOD claims annual savings of about $12 billion, though GAO questions this (Tilghman 2025, n. 29). The Obama administration proposed BRAC for five years running but was unwilling to invest political capital, and Congress refused to act.

The challenge with base closure is fourfold. (1) It requires upfront investment before savings can be achieved. In previous closure rounds, Congress provided this money on top

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[50] The service budget documents do not break out the secretariats but include them with other management headquarters. This analysis uses the statutory maximums as their current strength. Army personnel numbers (Officers: 1900, enlisted/civilians: 1,350, total: 3,250) from 10 USC 7014f; Navy personnel numbers (officers: 1800, enlisted/civilians: 1,350, total: 3,150) from 10 USC 8014f; Air Force personnel (officers: 1,650, enlisted/civilians: 1,100, total: 2,750) from 10 USC 9014f; Personnel costs from Table 4, "Average Annual Military and Civilian Compensation." Calculation used civilian compensation for both civilians and enlisted since enlisted would likely be more senior than average.

[51] Many others have noted this problem; see, for example, McCusker 2022, 11, and Cancian and Cancian 2017.

of DOD's regular budget to incentivize action. (2) The 2005 base closure round cost much more than was expected. That soured Congress on further base closure efforts. (3) The truly useless bases—those with few military functions on them—were closed in the first round (1988). After that, the process has consolidated activities from many well-functioning bases to close or downgrade a few. (4) Finally, with the threat of great power conflicts in the future, the department might need some surge capacity in its bases. (Annual savings: Notionally, a new base closure round would cost $5-$10 billion up front and save $2-3 billion per year once fully implemented. Because of the long phase-in, the initial 10-year period saves only about $3 billion.) (Mann 2019, 7)

4. Close domestic DOD schools

These schools and special education programs cost $3.9 billion per year (operations and maintenance and construction) (Department of War 2026d, 2, 7; Department of War 2026c, 71). There's little controversy about having 107 overseas schools. DOD has many school-age children on overseas bases, and service member parents want them educated in the American system in their own language. Similarly uncontroversial are special-needs, family-assistance, and remote-location programs.

The 53 domestic schools ($700 million per year) are a different case. The earliest ones were established for remote bases where there was no local school system to educate the children. The system expanded in the 1950s when many local school systems, especially in the South, were segregated. DOD, to its great credit, refused to send its children to segregated schools, so it expanded its own system. Both reasons have faded away.

Municipalities with large, racially integrated school systems have grown up outside most military bases. Closure of DOD domestic schools could be phased in as existing schools wear out. Savings would be partly offset by aid that DOD gives school systems with many DOD families.

Parents of the 7% of military children who use DOD schools have argued against closure. They like having their children educated in a school system that understands their needs, for example, the experience of a parent being deployed and families having to move every two or three years.

DOD's fiscal year 2027 request contains two major initiatives in this area: (1) $870 million to provide School Choice vouchers for active-duty dependents, and (2) $781 million to repair poor and failing facilities. Because Congress has not approved these initiatives and they are not in the fiscal year 2026 baseline, potential savings in this paper do not include them. (Net annual savings: $400 million; 10-year savings with gradual phase-in: $2.0 billion)

5. Civilianize domestic commissaries

DOD has run its own grocery stores (commissaries) and department stores (post exchanges, PXs, and base exchanges, BXs) for decades.[52] They are popular with military personnel and families because the prices are generally lower than those of equivalent

[52] PX = post exchange, This is the Army term and most widely recognized. The Air Force uses BX (Base Exchange) and the Navy uses NEX (Navy Exchange).

civilian businesses off base (Kamarck and Torreon 2024). As with schools, these were necessary when military bases were in remote areas without access to adequate civilian resources. That's not the case today.

The Army & Air Force Exchange Service (AAFES) and the Navy Exchange (NEX) system run their respective service exchange systems. The total number of military personnel is about 1,100, just enough to maintain an expeditionary PX capability—the ability to set up small PXs in combat zones.[53] PXs cover their own costs, except for the opportunity cost of real estate. Since their closure would not produce significant budget savings, it is not worth pursuing.

For commissaries, a 5% surcharge on products covers most overhead costs. In addition, commissaries receive a $1.5 billion annual subsidy, mostly for the 58 commissaries in foreign countires, so military families can shop for familiar products in familiar ways (Defense Commissary Agency 2026, 7–8). The provision of free real estate provides an indirect subsidy. Over the years, the DOD agency running them, the Defense Commissary Agency (DeCA), has been civilianized, with only four military personnel working there now (OASD(M&RA) 2023, 14–15; Defense Commissary Agency n.d.). Congress could eliminate most domestic commissaries with the rationale that civilian stores outside the base can provide adequate shopping. Overseas commissaries would need to stay since many service members would be uncomfortable shopping in foreign stores with their language and food differences (for example, Johnson 2015; Jowers 2025; National Commission on Fiscal Responsibility and Reform 2010). Military families would regard this as a major cut in benefits. Junior enlisted personnel with families would be hardest hit. (Annual savings: $300 million; 10-year savings with long phase-in: $1.5 billion.)

6. Terminate “woke” programs

President Trump campaigned against “woke” programs, and Secretary Hegseth has made their elimination a centerpiece of his tenure at DOD. These programs fall mainly into two categories: Diversity, Equity, and Inclusion (DEI) and climate change. DEI programs might have significant policy and human relations effects, but the monetary cost is small. DOD’s 2025 annual report cites saving $40.5 million by their elimination (DOD Comptroller 2025a, 5, 6). A report from two conservative think tanks cited $115 million (DOD data from DOD Comptroller 2025a, 5–6; think tank data from Center for Renewing America 2025). Climate programs range from alternative energy sources, such as solar and wind, to hardening facilities against extreme weather. The Biden administration cited $617 million for such programs in fiscal year 2022. Secretary Hegseth claimed $1.6 billion in savings by eliminating them in fiscal year 2026 (Secretary Hegseth data from DOD Comptroller 2025a, 5–6; Biden administration data from DOD Comptroller 2021, 3-7). Whatever the amounts, the administration has already taken them as savings.

[53] DOD documents do not provide personnel numbers. Total inferred from exchange statements. AAFES: 40,662 total employees, with 2% being active duty military personnel = 813 military personnel (Army & Air Force Exchange Service n.d.). NEX: The NEX command website cites a workforce of 16,000 (Navy Exchange Service Command n.d.). At 2%, that would be 320, so the combined total would be about 1,100.

7. Align military medical structure with wartime needs

The Military Compensation and Retirement Modernization Commission (MCRMC) and the Heritage Foundation have both made this recommendation (Spring 2011; Johnson 2016; MCRMC 2015). Currently, the military medical community is large (107,000 active-duty military, 62,000 reservists, and 54,000 civilians) and heavily focused on peacetime healthcare (Department of War 2026b, 2). Because the active-duty military force is generally young and healthy, most common procedures by far in the military medical community relate to pregnancy and children. The MCRMC argued that this peacetime focus impaired the ability to handle wartime trauma—which is why the military medical establishment exists: "Relying on Existing MTF [military treatment facilities] medical cases as a training program for combat care can result in a misalignment of military medical personnel compared to the medical requirements necessary to support the operational missions" (MCRMC 2015, 64). Military facilities are also more expensive than their civilian counterparts (Lurie 2016).

The MCRMC conducted extensive research on alternative health approaches. It recommended establishing a joint military readiness command to restructure military medicine and allowing beneficiaries (dependents, reservists, retirees) to choose from a selection of commercial insurance plans offered through a Department of Defense health benefit program. In effect, dependent and retiree care would be like Medicare. Service member care would not change. Nevertheless, many service members, dependents, and retirees would regard a shift to civilian facilities as a cut in benefits and oppose it strongly. (Annual savings: $7.9 billion; 10-year savings with two-year phase-in: $72.4 billion)[54]

8. Stop unwanted congressional budget additions

Commentators frequently argue that Congress adds money that "the Pentagon does not want," and these unrequested additions could be eliminated as waste (Donnelly 2026; Donnelly 2025). For the fiscal year 2024 budget (the last for which data are available), that amounted to $22.7 billion (most of which was not a net addition but an internal realignment) (DOD 2024b).[55] This perspective is wrong on several levels and therefore not useful as a category of savings. To begin with, it is wrong constitutionally because Congress decides where to spend the money. The president's budget proposal is not assumed to be right and Congress's wrong. It is also wrong because it ignores the underlying complexity that, in nearly every instance, some organization in the Department of Defense did want the addition. In fact, this process is formalized in the congressionally-directed "unfunded priority lists" that each service and combatant command sends to Congress annually describing programs they want but did not get funded in the regular budget (for example, Breaking Defense 2025).[56]

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[54] Escalated to fiscal year 2026 dollars, net of implementation costs and establishing the joint medical readiness (MCRMC 2015, 261–262).

[55] This is similar to but different from earmarks ("congressionally directed spending" or "community project funding"), which are typically below $20 million and must meet a set of requirements, including "evidence of the project's merit and community support" (House Committee on Appropriations n.d.). Most items in the DOD report do go through a competitive process.

[56] DOD has announced that it will not send these lists for fiscal year 2027 because of the large budget increase.

These additions often involve questions about both strategy and parochial interest. For example, a long-running argument over retiring the Air Force's A-10 aircraft was partly about National Guard units not wanting to lose their aircraft. In part, however, it was about what missions the Air Force should perform. The A-10 is superb for close air support of Army ground forces, whereas the Air Force has traditionally focused on deep attacks.

None of this means that congressional additions are worthwhile. It does mean that there's an argument behind all of them and that they must be judged on their individual merits.

V. Let the services and agencies decide

This is the easiest approach for identifying reductions—cut the top line and let the organizations involved identify the specifics. It also works for identifying offsets to fund an administration's priorities.

Many administrations take this approach, often with guidance about elements that must be protected. Secretary Melvin Laird did this when he became Secretary of Defense in 1969 under President Richard Nixon. He knew that the defense budget had to come down as the war in Vietnam tapered off. He told the services, in effect, that he would control a few policy areas like nuclear weapons, conscription, and Vietnamization. After that, they would have wide latitude in constructing their budgets. The deal was, they could not complain about the budget level or outcome (for a description of Laird's management approach, see Korb 1979, 81–96).

The services did some sensible things. The Navy retired its World War II-era ships, and the Army cut its personnel strength deeply (Naval History and Heritage Command n.d.; OSD Historical Office n.d.). However, the services also squeezed readiness and hollowed out units to sustain all the activities that continued in the post-Vietnam environment but with a lot less money available (Collins 2012). That produced the military readiness crisis of the late 1970s, which became a political problem for the Carter administration, and led to the Reagan administration's military buildup.

Further, strategic guidance on what to protect or expand may not be enough to achieve the leadership's intended result. The services face internal pressure to treat all their major constituent groups equally. They will describe their central programs as well-suited for whatever strategy an administration adopts. Thus, regardless of the strategy, the Navy will argue that aircraft carriers fit perfectly, the Air Force will make the same argument about manned fighters and bombers, and the Army will argue for "boots on the ground." These arguments are not necessarily wrong, but they may not align with what the leadership had in mind when giving strategic guidance.

When given a large reduction target, the services are often forced to make strategic and often politically sensitive choices that are normally the prerogative of the political leadership. Without specific guidance, the military services will attempt to continue all their previous activities but with less money. This is a recipe for military and political failure.

Another approach that puts services and agencies in the lead is across-the-board cuts—for example, reduce headquarters personnel by 10% or cut construction by 40%. This can

work for relatively small reductions. For larger reductions, it has the same disadvantages as lump sum targets: organizations trying to sustain all their existing activities, pacifying all their internal constituencies, protecting their key platforms, and making strategic decisions.

VI. Choices for additions to the defense budget

As noted earlier, there are strong reasons to increase the defense budget. If so, what would be the best way to do that?

1. Strategy

As always, the first question is about strategy. There are a variety of strategic choices available. The United States is a superpower with global connections and interests. Despite what neo-isolationists might believe, these connections do not reflect exploitation of the United States; rather, they allow the United States to shape the world in its interests. That has also greatly benefited the rest of the world. Notions of withdrawal from certain regions brief well in Washington but fare poorly in the real world. When events happen, presidents frequently want to act. President Biden did that in Europe, as President Trump did in the Middle East. This drives strategy to focus primarily on China and the western Pacific, while continuing engagement with Europe and the Middle East.

2. Force structure

Expanding the size of the forces (with the exception of the Navy) is lower priority for two reasons. First, people are expensive and constitute a long-term commitment. Although both can be reduced, the process is inefficient and disruptive. As a result, the services have been reluctant to add personnel even when resources are available.[57] Second, the forces appear adequate for most peacetime demands, although the Iran war has stretched the Navy and Air Force. The Air Force has occasionally proposed expanding its force, but its tendency to cut structure to modernize equipment makes sustained expansion unlikely.

3. Readiness

For purposes here, readiness means operational readiness, the ability of units and equipment to produce the outputs for which they were designed.[58] That means having enough people, training, supplies, and maintenance. Readiness is highly valued because it means that units can deploy quickly and have the highest likelihood of success. Indeed, many analysts rate readiness higher than modernization for combat effectiveness. Readiness is also good for morale because troops have equipment that works and can conduct challenging training.

However, readiness is expensive and perishable. When money is short, the services often tier readiness, putting later-deploying units at a lower level. This is true for both the reserve components and the active components. Although strategically defensible and sometimes

[57] For example, in the proposed fiscal year 2027 defense budget, the Army would add 18,300 troops (+3.3%) but increase procurement 28.7% (U.S. Department of the Army 2026, 3, 8).
[58] Adapted from the statutory definition of "operational readiness" (6 U.S.C. § 741(8)).

fiscally necessary, if taken too far, it can damage morale and produce politically embarrassing stories about unit shortages. High readiness in active-duty units and early reserve deployers get the most warfighting advantage. Later reserve deployers can be held at lower levels of readiness because they will deploy only in the most demanding scenarios and will have time to prepare before deploying.

4. All-Volunteer Force and personnel

The military has experimented with different levels of support for the all-volunteer force, squeezing pay and benefits at some times while expanding them at others. As noted earlier, this bill cannot be avoided in an environment where the military must compete for labor in a market economy. That implies a level of benefits and compensation that at least keeps pace with the civilian labor force.

However, those benefits can be tailored to what service members most value. Across-the-board increases are easy to make but often miss the intended targets. Benefits for retirees deserve scrutiny for their high cost and uncertain effect on retention. Veteran Affairs benefits need a thorough overhaul.

5. Nuclear forces

The nuclear modernization program developed during the Obama administration and adopted by subsequent administrations is a sensible hedge in an uncertain world. That program modernizes but does not expand nuclear forces. China's expansion of its nuclear forces and the possible rise of new nuclear powers make such hedging a sensible strategy. This modernization strategy is expensive, but the investment will last half a century.

6. Missile defense

The threat is increasing, rather than decreasing, with countries like North Korea now able to reach the United States with long-range missiles. Iran had such aspirations before the recent war destroyed much of its ballistic missile production capabilities. Non-state actors like the Houthis, Hezbollah, and Hamas have acquired large numbers of short- and medium-range systems. Someday, they may acquire long-range systems. Deterrence may not work against these potential adversaries. Therefore, U.S. defenses against ballistic missiles need to expand, and defenses against cruise missiles need to be created. Further, both political parties recognize that the electorate would harshly judge those who oppose defenses if an adversary were ever able to conduct a successful strike. On the other hand, a full defense against a strike by Russia or China is unachievable because their missiles are so numerous and, therefore, not worth attempting. That means accepting a Golden Dome architecture in the $500 billion range over 20 years, about the level of the Trump administration 's annual funding but carried many years into the future.

7. Conventional force modernization

The Center for Strategic and International Studies' analyses of recent conflicts, like many others, show that new technologies are changing the way wars are fought, but their effects across many different environments and scenarios are yet unclear. Therefore, eliminating proven legacy systems in favor of new technologies would be unduly risky. That said,

however, there are shifts in balance that would be prudent. In general, teaming of manned and unmanned systems shows promise in service experiments. That approach allows exploration of both new and legacy technologies to explore the strengths and weaknesses of each in future conflicts without making irrevocable bets about future needs.

For the Army, the high priority given to modernization of tanks and armored infantry fighting vehicles appears misplaced since most future scenarios will, like the war against Iran, put more demands on its air and missile defense forces and long-range strike capabilities. Converting some brigade combat teams to these capabilities and giving their modernization programs higher priority would be a better fit with likely future demands. For the Navy, force expansion is justified given the high level of day-to-day demands and the likely requirements of a war against China. However, its surface ships are vulnerable, and its anti-drone defenses are weak. For the Air Force, the accelerated program for a 6th-generation manned aircraft seems misplaced. Current 5th-generation aircraft can handle regional powers like Iran, while China's air defenses threaten all aircraft.

VII. Conclusion: No silver bullets, mostly about trade-offs

The defense budget reflects judgments about the nature and severity of threats to the United States, the best way to meet those threats, the effective use of technology, and which risks are worth taking. Anyone claiming that they can provide the same security at greatly reduced cost is not being honest. Such plans might provide different security or a level of security that the proposers regard as acceptable, but it's not the same security. As with other parts of the federal budget, it's all about trade-offs, and these trade-offs require the investment of political capital. Unless an administration is willing to make that investment, nothing will happen.

It's also about imaginative processes and legislation. An excellent example is the base closure process. For many years, base closures were nearly impossible because of local opposition. In the late 1980s, Rep. Richard Armey proposed creating an independent commission that would develop realignment and closure recommendations, and Congress could accept or reject the entire package. It could not cherry-pick. Even this objective, non-partisan approach engendered opposition. To overcome this opposition, the White House called members and put pressure on them to accept the proposal. That worked, and Congress passed the needed legislation.[59] The result was five rounds of base closures, which aligned the major part of DOD's base structure with the post-Cold War environment and facilitated a variety of needed reorganizations.

Frontal attacks on military benefits and weapons programs are unlikely to succeed because of service member and institutional resistance. However, the base closure experience suggests a way forward—develop processes that facilitate change. This might allow the different groups—defense hawks, deficit hawks, and domestic program advocates—to agree on a way forward when they may be unable to agree beforehand on specific program changes. Some suggestions:

[59] Permanently codified in the Defense Base Closure and Realignment Act of 1990, P.L. 101-510 Title XXIX, and 10 USC 2687.

- A lessons-learned effort on the Iran war. The U.S. military is experiencing modern war as this paper is being written, providing extensive insights on air and missile defense, munitions use, and naval blockades. A post-war commission outside the department but with access to classified material could clarify what has worked and what has not, laying the intellectual groundwork for potential changes in defense programs.

- A base closure and realignment commission. The later commissions focused on reorganization as much as base closure. They were a useful way of implementing organizational change because the upfront costs were covered. A future commission might focus particularly on headquarters and questions like whether emerging artificial intelligence tools make headquarter consolidation possible.

- A personnel commission tasked with proposing structures for an effective, sustainable, and, if possible, lower cost total force—active duty, guard reserves, government civilians, infrastructure contractors, and operational contractors. With the demographic challenges facing the active duty and reserve forces, a commission could propose ways to structure the total force so that military personnel do tasks that only they can do because of the danger and sacrifice involved. Other tasks, such as commercial activities, could then be transferred to lower-cost and easier-to-recruit civilians and contractors.

- An analysis of military entitlements in line with those of other government programs. Other papers in this conference propose a variety of ways to control entitlements, such as different ways to calculate inflation, changes to eligibility requirements, and restructured incentives. These could also be applied to military entitlements.

Unless there is a fiscal crisis requiring a government-wide response, these efforts would need to be framed as building a military structure to compete in the 21st century. That might involve a net increase in the defense budget, or sustaining the Trump administration's increases, but the outcome might be more politically, economically, and militarily sustainable. Whether the current Congress, bitterly divided by partisan disagreements, could find enough common ground to establish these mechanisms is unclear.

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