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What the FY 2020 Defense Budget Gets Wrong

By Lawrence J. Korb April 2019



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Introduction and summary

No matter how much the United States, or any nation, spends on its military, a country cannot buy perfect security. Developing a defense budget will always involve making choices and taking risks. Moreover, regardless of the size of the budget, officials charged with protecting the security of the nation will always ask for more. When the uniformed military complained about the size of President Harry S. Truman's defense budgets in the late 1940s, he remarked that they would not be satisfied even if given the entire federal budget.¹ And President Dwight D. Eisenhower became so outraged at his military commanders' complaints to Congress about the small size and distribution of his defense budget that he accused them of legalized insubordination.²

The fiscal year 2020 budget may inspire the opposite response. In analyzing the size and distribution of the Trump administration's most recent defense budget proposal, the real questions pertain to whether the administration is spending its money in a way that will actually enhance national security.³

To make this determination, this report first looks at some of the factors that policymakers must consider when passing a budget to enhance the national security of the United States. It then considers the failures of the Trump administration's proposed budget for FY 2020. Finally, the report offers a solution for the budget's current shortcomings: cutting the budget to \$700 billion, an amount that President Donald Trump publicly embraced shortly before the release of his own budget.⁴

Characteristics of an effective national security budget

A successful national security budget needs to adequately fund the nation's infrastructure and health care system, because no country can be strong abroad until it is first strong at home. For example, during his presidency, Eisenhower prioritized building the Interstate Highway System over increasing the size of the defense budget. This effort ran counter to the wishes of members of the military—many of whom he had served with—and Congress, who argued that the United States needed more bombers and missiles to close the perceived gaps that existed between itself and the Soviet Union.⁵ In effect, Eisenhower gave the U.S. Department of Defense the remainder of the federal budget after funding all his other priorities.

The late Andrew Marshall, a renowned Pentagon strategist, noted that this strategy was smart compared with that of the former Soviet Union—which took the opposite approach.⁶ The Soviet Union devoted a far larger portion of its economic output to the military, and as a result, it was not able to keep up with the U.S. economy, something that eventually contributed to its collapse.

Whatever amount the United States, or any nation, decides to spend on defense, it must tax its citizens sufficiently enough so that increasing the size of the defense budget does not increase the national deficit. Presidents such as Eisenhower; military leaders such as Adm. Mike Mullen, who served as chairman of the Joint Chiefs of Staff under former Presidents George W. Bush and Barack Obama; and national security officials such as John Bolton, the current White House national security adviser, have recognized that increasing the size of the defense budget can be a threat to national security and have therefore recommended cutting it in an effort to mitigate this threat.⁷ National security is also weakened when a nation needs to borrow money to finance its debt, particularly from another country or a potential competitor.

When former President Ronald Reagan realized that his defense buildup, along with his tax cuts, had caused the federal deficit to nearly double, he approved tax increases in 1982, 1983, and 1984.⁸ These increases undid about half of the 1981 tax

cut, which cut tax rates across the board by 23 percent, tripled the estate tax exemption, and reduced windfall profit taxes. Additionally, in his second term, Reagan reduced defense spending in real terms by 10 percent.⁹

China, too, has realized that it needs to slow the growth of its defense budget in order to rein in its national debt and improve economic growth.¹⁰ From 1997 to 2015, China increased its defense budget by about 16 percent every year. However, as its economic growth has declined and its national debt has risen, China has slowed the growth in its defense budget by more than half. In fact, if measured in U.S. dollars and at current exchange rates, China's 2019 increase in defense spending is only 1.7 percent, bringing its defense budget to about \$178 billion.

In analyzing the size of the U.S. defense budget, it is also important to recognize that much of defense funding is contained outside the Department of Defense and that the administration and Congress must also provide sufficient funds to the other agencies that contribute to and enhance national security. Among these other agencies are the U.S. State Department; the U.S. Agency for International Development (USAID); the U.S. Department of Homeland Security (DHS), which includes the fifth military service, the Coast Guard; the U.S. Department of Energy; and the Environmental Protection Agency (EPA). For example, the Department of Energy funds most of the cost of U.S. nuclear weapons programs. In addition, there are the costs of veterans' benefits, defense-related tax expenditures, and the amortization of unfunded military retirement liabilities, all of which used to be part of the Pentagon defense budget but are now funded by the U.S. Department of the Treasury. These programs in total currently amount to nearly as much as the entire Pentagon budget, which includes the base budget and the Overseas Contingency Operations (OCO) budget—more commonly known as the war-fighting account.¹¹

As they develop a defense budget, policymakers must also consider what potential adversaries and allies are spending. Obviously, the amount that adversaries spend is related to the capacity, capability, and readiness of their forces. When dealing with competitors or potential adversaries, a nation can count on not only its own forces but also the forces of its allies, who would be threatened by the same competitors. For example, the United States' European allies also see Russia as a threat, while its South Korean and Japanese allies are also concerned about China's aggressive policies.

Furthermore, any amount of defense spending needs to achieve the proper balance between funding the readiness of the current force to deal with current conflicts and modernizing or increasing the size of the force for future conflicts. Even if massive in size, a defense budget that tilts in the wrong direction will not enhance national security in a cost-effective manner.

Moreover, neither the Pentagon nor any federal agency is entitled to a fixed share of the GDP or the total federal budget, despite what Undersecretary of the Navy Thomas B. Modly recently argued.¹² Regardless of economic growth, the defense budget—which now amounts to 3.2 percent of U.S. GDP—should not be raised or lowered unless a national security threat increases or decreases.¹³ And since the Pentagon is not entitled to a fixed share of the federal budget, an increase in spending for programs such as health care or social security for senior citizens does not mean that defense spending should also be increased.

Yet even without these factors, politics has and will continue to have an impact on the size and distribution of the defense budget. Closing bases, opening or closing facilities, and awarding contracts will always be affected by the political interests of those involved in the decisions. In 1990, then-Secretary of Defense Dick Cheney learned this when he tried to cancel the V-22 Osprey due to severe technological and cost problems. He was stopped by the Tilt Rotor Caucus, composed of legislators from Pennsylvania and Texas, where the V-22 was being built.¹⁴ As a result, the Pentagon spent billions more dollars on the project than it would have spent on helicopters with equivalent capability.

Similarly, the F-35 Joint Strike Fighter is currently being developed and built in 47 states. In Congress, the Congressional Joint Strike Fighter Caucus—which was formed in 2011 and includes members from all of these states—has repeatedly tried to add more F-35s to the Pentagon's budget request even though they have significant cost and readiness problems. By 2014, this project was \$163 billion over budget and seven years behind schedule.¹⁵ In the FY 2020 budget discussions, the caucus has already asked for 102 F-35s—24 more than what the Pentagon requested.¹⁶

Finally, whenever an outside group of retired military and former national security officials is asked to evaluate the defense budget, they inevitably argue for increasing the size of the defense budget past its existing levels. If funding does not increase, as is normally the case, and some unexpected crisis occurs, the outside group can then claim that its evaluation was correct. For example, in 2014, shortly after the National Defense Panel released its assessment of the Obama administration's defense

plan, which argued that there was a growing gap between the strategic objectives that the U.S. military was expected to achieve and the resources required to do so, the Russians annexed Crimea and intervened militarily in Syria.¹⁷ Meanwhile, in its November 2018 report, the congressionally mandated National Defense Commission argued that the currently available resources are insufficient to meet the Defense Department's goals.¹⁸ The commission did not provide any specific budget numbers, but a calculation by Taxpayers for Common Sense demonstrates that the high end of the commission's proposed range would result in a Pentagon budget of \$972 billion in 2024, an increase of more than \$200 billion from current levels.¹⁹

Shortcomings of the Trump administration's FY 2020 budget

The Trump administration proposed a FY 2019 defense budget that totaled \$716 billion, as well as a projected FY 2020 budget of \$733 billion. Last year, for the first time in a decade, Congress passed the budget before the start of the fiscal year, which began on October 1, 2018, giving the Pentagon the entire \$716 billion. However, the massive tax cut enacted by the Republican-controlled Congress in 2017 at the behest of the Trump administration failed to increase revenues anywhere close to the level its supporters claimed it would, and the deficit exploded. According to the Congressional Budget Office (CBO), the 2017 tax law will increase deficits by nearly \$2 trillion over the course of a decade.²⁰

As a result, in October 2018, President Trump was urged by his national security adviser, John Bolton, to order the Pentagon to roll back the FY 2020 defense budget to FY 2018 levels—\$700 billion—and enact massive reductions to all other discretionary programs. In October 2018, Bolton noted in a speech at the Alexander Hamilton Institute that, “It is a fact that when your national debt gets to the level that ours is, that it constitutes an existential threat to the society.”²¹ He added that the Pentagon can weather the storm if it spends its money more wisely.

Many in the foreign policy establishment have claimed that such a reduction in the planned level of defense spending would be catastrophic; former and current Pentagon officials—including some members of the National Defense Strategy Commission, which was established in 2017 to analyze whether the existing budget is adequate—have echoed these claims.²² They argue that a reduction would undermine the readiness gains that the military has made since Trump came into office and would prevent the expansion of the capabilities necessary to deal with China and Russia, U.S. strategic competitors that are increasing their military power. Yet any objective analysis would demonstrate that, in this day and age, a budget of \$700 billion is more than enough to provide security for this nation.²³

A \$700 billion defense budget for FY 2020 would only be 2 percent smaller than the enacted FY 2019 budget of \$716 billion and would come after a total 20 percent real increase over President Barack Obama's last defense budget of \$620 billion in FY 2017.²⁴ Moreover, it could help slow the growth of the national debt and still permit the United States to spend vastly more than China and Russia, which are largely considered the biggest threats to U.S. national security.²⁵ In fact, according to the International Institute for Strategic Studies, in 2018, Russia's defense spending amounted to \$43 billion and China's defense spending amounted to \$168 billion.²⁶

Nevertheless, defense hawks in and outside of government prevailed over those in the administration concerned about the rising deficit. When the FY 2020 budget was released in March, the Pentagon not only received the \$733 billion it was promised but also another \$17 billion, bringing the proposed FY 2020 defense budget to \$750 billion.²⁷ This total does not include the \$94 billion for amortization of unfunded military retirement liabilities; the \$2.4 billion in defense-related expenditures allocated to other agencies, besides the Department of Energy; or the more than \$200 billion allocated to veterans. With these items factored in, the total defense spending for FY 2020 amounts to more than \$1.1 trillion.

The budget is the highest it has been in real terms since FY 2010, when 200,000 troops were deployed in Iraq and Afghanistan. It is also higher than the average budget during the Cold War and the budget at the peak of the Reagan buildup.²⁸ Supporters of this large budget argue, as they have for the past several years, that a sizable increase in budget size was necessary because the Budget Control Act (BCA) of 2011 placed caps on defense spending to such an extent that the military currently faces a readiness crisis and is falling behind strategic competitors Russia and China.²⁹

However, as has been documented in Center for American Progress analyses of Trump's first two budgets, the BCA had almost no impact on the size of the defense budget from FY 2013 to FY 2017.³⁰ During this period, Congress not only gave the Pentagon about \$200 billion in total relief from the spending caps, but according to the CBO, the Pentagon used about 60 percent of the OCO to fund items such as the European Deterrence Initiative, which belonged in the base budget. The OCO was only supposed to be used to pay for the wars in the Middle East and Afghanistan—and therefore was not subject to the budget caps. Acting White House Chief of Staff Mick Mulvaney appropriately labeled this a “slush fund,” while Rep. Adam Smith (D-WA), who serves as chairman of the House Armed Services Committee, called it “FOCO,” or “fake OCO,” a gimmick to prop up deficit spending.³¹ All told, since 60 percent of the OCO money funded items that belong in the base budget, the Pentagon received about \$400 billion in relief from the caps.

Moreover, senior enlisted leaders of the armed services—the people on the front lines of U.S. military engagements—convincingly demonstrated that there was no readiness crisis.³² In 2016 articles in *The Wall Street Journal* and *Foreign Affairs*, Gen. David Petraeus—arguably the most influential military leader of this century—and Brookings Institution national security expert Michael O’Hanlon demonstrated that not only was there no readiness crisis but the state of the U.S. military was “awesome.”³³ They argued that there was therefore no need for a massive defense increase, especially since the United States was already spending more on defense than the next seven-largest defense-spending nations in the world combined.³⁴

Nonetheless, as his administration’s own budget documents note, since coming into office, President Trump has increased the level of defense spending by more than \$100 billion, or 15 percent. In the process, he has weakened national security by attempting to slash spending on programs that enhance national security and by allowing the national debt to grow to unprecedented levels.³⁵

Moreover, in order to give the Pentagon its \$750 billion while still abiding by the BCA’s budget caps—which remain in effect for FY 2020 and FY 2021—the Trump administration admitted that it allocated \$98 billion of the \$169 billion OCO account to items that have nothing to do with wars in which the United States is involved, and that actually belong in the base budget.³⁶ However, even this figure is an underestimate. It does not include, for example, the \$6 billion allocated to the European Deterrence Initiative. In fact, only \$25 billion of the FY 2020 OCO account is allocated for direct war requirements, and the cost for each deployed troop has risen significantly since the BCA went into effect.

Since coming into office, Trump has funded this defense increase by cutting back on several programs that contribute significantly to U.S. national security. His administration’s proposal for FY 2020 cuts the budgets of 13 of the 16 U.S. Cabinet departments, many of which enhance security.³⁷ For example, the EPA leads the fight in combating climate change, which the Pentagon has consistently identified as a threat to U.S. national security; yet it saw its budget slashed by 31 percent.³⁸ And while the Energy Department has increased the amount it spends on nuclear weapons by 8.3 percent, the overall budget of the department has been reduced by 10 percent.³⁹ These cuts came at the expense of nonproliferation programs aimed at preventing the spread of fissile materials that other nations or terrorist groups could use to build nuclear or radiological weapons.

Meanwhile, the proposed cut to the budget of the State Department and USAID—part of the department’s budget—is 23 percent. This would result in a 30 percent reduction in humanitarian assistance, \$1 billion in cuts to U.S. funding for international organizations, and \$400 million in cuts to U.S. peace keeping operations. Fourteen recently retired generals and admirals—all of whom had commanded the nation’s combatant commands—were so alarmed by this that they objected in a letter released by the U.S. Global Leadership Coalition. They argued that the proposed cuts to the budgets of the State Department, USAID, and other development agencies are wrong because, “Diplomacy and development are essential to combating threats before they reach our shores.”⁴⁰

These comments echo those of retired Gen. Colin Powell, a former secretary of state and chairman of the Joint Chiefs of Staff. When Trump first proposed these drastic cuts in the State Department FY 2018 budget, Powell noted that, “we’re strongest when the face of America isn’t only a soldier carrying a gun but also a diplomat negotiating peace, a Peace Corps volunteer bringing clean water to a village or a relief worker stepping off a cargo plane as floodwaters rise.”⁴¹

The FY 2020 budget also proposes cuts to education and health programs that will make it more difficult for potential military recruits to meet the physical and educational criteria necessary to join the military—something that only 29 percent of them can do now.⁴² For example, it proposes \$207 billion in reductions to student loan programs in the next decade, as well as \$241 billion in reductions to Medicaid, the health care program for low-income Americans, many of whom volunteer for the military.

Finally, even though the United States has a \$600 billion shortage in infrastructure, President Trump’s FY 2020 budget cuts funding in this area by another 5 percent.⁴³

Other than defense, the only two agencies receiving a budget increase are the DHS and the U.S. Department of Veterans Affairs (VA). However, much of the increase in the DHS budget goes toward border or immigration security. In fact, to help pay for this increase, the department slashed the budget of the nation’s Coast Guard—from \$10.3 billion to \$9.3 billion. This was done even though the Coast Guard was already reeling from the government shutdown, during which its military members were not paid. The Coast Guard plays a vital role in supporting all combatant commanders. For example, it is currently patrolling the Taiwan Strait in support of the Pentagon’s Indo-Pacific Command.⁴⁴ Meanwhile, much of the increase in the VA budget will go toward privatizing veterans’ health care, a policy opposed by almost all of the veterans groups, including Disabled American Veterans, Veterans of Foreign Wars, and the Paralyzed Veterans of America.⁴⁵

Even if the reductions in nondefense spending are approved by Congress, which is unlikely, the proposed Trump budget would grow the debt exponentially. By 2024, the United States is expected to be spending more on interest on the debt than on the Department of Defense, and by 2029, the budget deficit is expected to exceed U.S. GDP.⁴⁶ In February 2019, the U.S. government posted its largest monthly budget deficit in history,⁴⁷ which means that the nation will have to borrow more money from abroad—especially from China.⁴⁸

Finally, with this unexpected boost in defense spending, the Pentagon, which flunked its first audit, is less inclined to make the tough decisions to deal with waste and cost overruns, such as decisions to reduce its back-office staff, close excess bases, or reduce the number of generals and admirals.⁴⁹

The \$700 billion solution

On April 3, 2019, the Democrats on the House Budget Committee voted, by a narrow margin, to reduce the FY 2020 defense budget back to the original level of \$733 billion.⁵⁰ Yet Congress should consider cutting the budget to the \$700 billion that the president embraced in October. In fact, the Pentagon has already prepared a budget for this amount after the president and his national security adviser endorsed that number.⁵¹ This would be a critical first step in dealing with the national security crises that the proposed budget generates.

The first potential area for reductions is the \$1.7 trillion modernization program for all three legs of the nuclear triad, which former President Obama was forced to embrace in order to get the two-thirds Senate vote needed to approve the new Strategic Arms Reduction Treaty (START) with Russia, which reduced the number of deployed strategic nuclear weapons in both countries to no more than 1,550.⁵² President Trump has not only embraced this program but, through his own Nuclear Posture Review, has added two new tactical weapons to it.⁵³

The Pentagon can make substantial reductions in FY 2020 and the years ahead to its nuclear modernization program. For example, it could cancel the Long-Range Standoff Weapon (LRSO), a new nuclear cruise missile that experts such as former Secretary of Defense William Perry say is not needed because the stealthy B-21 bomber will be able to penetrate even the most sophisticated air defenses.⁵⁴ This step would save \$713 million in FY 2020 and \$18 billion for the rest of the LRSO program. Moreover, stopping production of the two new tactical nuclear weapons currently being developed would not only save about \$1 billion in FY 2020 but would also save \$17 billion over the next decade, in addition to decreasing the risk of a nuclear war.⁵⁵ As Rep. Smith notes, “Funding new, low-yield weapons would only draw us further into an unnecessary nuclear arms race and increase the risks of miscalculation.”⁵⁶

As Congress analyzes the nation’s current nuclear posture, it should also pressure the administration to take up Russian President Vladimir Putin’s offer to extend the New START nuclear agreement by five years, which would limit both sides to 1550 deployed strategic nuclear weapons until 2026 and allow 10 inspections each year.⁵⁷

Eventually, the United States should also consider reducing its total nuclear arsenal to no more than 1,000 strategic warheads. This would be more than enough to deter any potential nuclear threat, as each of these weapons is significantly more powerful than the atomic weapons dropped on Hiroshima and Nagasaki; it would also save substantial amounts of money. Moreover, the nation should embrace a “no first use” policy, meaning that it would only use nuclear weapons in response to a nuclear attack on the United States. This would not only affirm what is in effect its real policy but would also allow the United States to take the moral high ground in this area.

The second area in which the Pentagon should cut back is its operations and maintenance (O&M) budget. To deal with the supposed readiness crisis, the Trump administration increased O&M spending in FY 2018 and FY 2019 by about \$16 billion total, or 8 percent, from FY 2017 levels. Yet despite the large increases of the administration’s first two budgets, the FY 2020 budget asked for another \$14 billion, or a 5 percent increase, to \$293 billion. Since there is no real readiness crisis, this amount could easily be reduced by \$5 billion without affecting readiness.

There are also several conventional programs that can be altered to reduce costs. For example, the Navy could cancel its plans not to refuel the Nimitz-class carrier, the USS Harry S. Truman; it currently intends to retire the carrier, even though it has more than half of its life expectancy left.⁵⁸ Given the reliability problems of the first Ford-class aircraft carrier,⁵⁹ this would allow the Navy to cancel building the third and fourth Ford-class carriers, resulting in savings of \$2.6 billion in FY 2020 and at least \$30 billion over the next decade. The Navy should also heed the advice of the late Sen. John McCain (R-AZ) and current acting Secretary of Defense Patrick Shanahan not to continue building large nuclear carriers.⁶⁰ Shanahan and key members of his staff believe that the days of the U.S. aircraft carrier are largely over in the face of advanced threats from China and Russia.

In addition, the Air Force should cancel its plans to buy eight of the outmoded F-15 Eagles in 2020 for more than \$1 billion—and 80 total over the next five years.⁶¹ Other than allowing Boeing to keep its production line open, there is no real reason for the Air Force to buy these planes, which will cost more than \$100 million each, especially since the Air Force has 175 of them already and has not purchased any since 2001.

Congress should also reject the Trump-inspired Pentagon plan to set up a separate space force, which would, in effect, establish a sixth separate military service. This force would have between 15,000 and 20,000 personnel and at least three four-star generals and would cost between \$2 billion and \$13 billion over the next five years.

Moreover, it is unnecessary. There is no doubt that the United States needs a space command, much like the U.S. Strategic Command, but it does not need a separate service. Establishing a separate armed force to deal with the threats of space makes no more sense than establishing a separate force to manage the nation's strategic nuclear capability.⁶² As House Armed Services Committee Chairman Adam Smith pointed out: "It [the space force] is too expensive, it creates more bureaucracy. We don't want more people, we want to figure out how to better emphasize space."⁶³

Congress should also eliminate the \$7 billion that will go toward building the border wall. Not only is this unnecessary; it is something that does not belong in the defense budget.

Finally, Congress should cut back on the military branches' unrealistic plans to increase their size. For example, the Army wants to increase the size of its active force; yet it missed its recruiting goals for a smaller force last year by almost 10,000 soldiers, even after giving massive bonuses and lowering its standards.⁶⁴ Meanwhile, the Air Force should delay adding new squadrons until it deals with its pilot shortage, and the Navy should cut back its goal of growing to 355 ships by 2034. This is unrealistic even with a \$750 billion budget, especially since the Navy just had to spend \$24 billion to buy three Zumwalt-class destroyers and has underestimated the cost of the Columbia-class nuclear-armed submarines.⁶⁵

These are just a few of the areas in which the Pentagon can safely reduce its budget request. These reductions would not undermine U.S. national security; in fact, they would enhance it by supporting necessary actions: funding truly critical security programs and reducing the national debt.

Conclusion

As with President Trump's FY 2018 and FY 2019 defense budget proposals during his first two years in office, his latest budget request puts more money into the Pentagon than it can spend in a cost-effective manner and attempts to pay for it by slashing other programs that contribute to U.S. national security.

While many military leaders will complain about any reduction in current or future levels of defense spending, President Trump should follow the examples of Presidents Truman, Eisenhower, and Reagan. These men were willing to reduce defense spending not only to fund other national security programs but also to keep the federal budget deficit under control.

About the author

Lawrence J. Korb is a senior fellow at the Center for American Progress. He served as assistant secretary of defense in the Reagan administration; served four years on active duty as a naval flight officer; and retired from the Navy Reserve with the rank of captain.

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